



Shire of **Katanning**

Heart of the Great Southern

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2025

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The Shire of Katanning conducts the operations of a local government with the following community vision:

Katanning is a safe, sustainable, and prosperous community. We respect and celebrate our diverse culture.

Principal place of business:

**52 Austral Terrace
KATANNING 6317**

SHIRE OF KATANNING FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2025

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

Statement by CEO

The accompanying financial report of the Shire of Katanning has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2025 and the financial position as at 30 June 2025.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the _____ day of _____ 2025

CEO

Peter Klein

SHIRE OF KATANNING
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 Actual \$	2025 Budget \$	2024 Actual \$
Revenue				
Rates	2(a) and 24(a)	5,234,801	5,147,675	5,016,764
Grants, subsidies and contributions	2(a)	3,028,072	3,917,608	3,278,705
Fees and charges	2(a)	2,409,517	2,008,326	2,153,742
Interest revenue	2(a)	560,295	528,000	535,953
Other revenue	2(a)	309,292	316,166	339,235
		11,541,977	11,917,775	11,324,399
Expenses				
Employee costs	2(b)	(4,689,198)	(5,380,736)	(4,607,368)
Materials and contracts		(3,955,453)	(4,058,989)	(3,471,073)
Utility charges		(571,194)	(555,276)	(528,272)
Depreciation		(9,189,295)	(7,317,569)	(9,028,003)
Finance costs	2(b)	(133,197)	(100,543)	(120,411)
Insurance		(437,476)	(489,730)	(477,713)
Other expenditure	2(b)	(208,312)	(456,300)	(369,487)
		(19,184,125)	(18,359,143)	(18,602,327)
		(7,642,148)	(6,441,368)	(7,277,928)
Capital grants, subsidies and contributions	2(a)	2,357,229	12,148,366	601,261
Profit on asset disposals		259,274	46,178	104,831
Loss on asset disposals		0	(40,000)	0
		2,616,503	12,154,544	706,092
Net result for the period		(5,025,645)	5,713,176	(6,571,836)
Total other comprehensive income for the period		0	0	0
Total comprehensive income for the period		(5,025,645)	5,713,176	(6,571,836)

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

SHIRE OF KATANNING
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2025

	Note	2025 \$	2024 \$
CURRENT ASSETS			
Cash and cash equivalents	3	15,299,657	15,635,259
Trade and other receivables	5	1,782,358	1,453,023
Other financial assets	4(a)	22,754	21,880
Inventories	6	10,411	14,684
TOTAL CURRENT ASSETS		17,115,180	17,124,846
NON-CURRENT ASSETS			
Trade and other receivables	5	356,964	268,323
Other financial assets	4(b)	321,802	344,554
Property, plant and equipment	7	56,103,805	58,275,262
Infrastructure	8	210,910,983	213,799,542
Right-of-use assets	10(a)	2,120	2,120
TOTAL NON-CURRENT ASSETS		267,695,674	272,689,801
TOTAL ASSETS		284,810,854	289,814,647
CURRENT LIABILITIES			
Trade and other payables	11	1,941,028	1,412,437
Contract liabilities	12	0	348,255
Capital grant/contributions liabilities	12	4,776,609	4,507,527
Lease liabilities	10(b)	878	878
Borrowings	13	302,233	293,447
Employee related provisions	14	514,778	582,279
TOTAL CURRENT LIABILITIES		7,535,526	7,144,823
NON-CURRENT LIABILITIES			
Borrowings	13	2,704,400	3,006,633
Employee related provisions	14	82,527	109,024
Other provisions	15	568,112	608,233
TOTAL NON-CURRENT LIABILITIES		3,355,039	3,723,890
TOTAL LIABILITIES		10,890,565	10,868,713
NET ASSETS		273,920,289	278,945,934
EQUITY			
Retained surplus		79,442,463	85,391,968
Reserve accounts	27	8,718,555	7,794,695
Revaluation surplus	16	185,759,271	185,759,271
TOTAL EQUITY		273,920,289	278,945,934

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

SHIRE OF KATANNING
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2025

	Note	Retained surplus	Reserve accounts	Revaluation surplus	Total equity
		\$	\$	\$	\$
Balance as at 1 July 2023		92,024,703	7,733,796	185,759,271	285,517,770
Comprehensive income for the period					
Net result for the period		(6,571,836)	0	0	(6,571,836)
Total comprehensive income for the period		(6,571,836)	0	0	(6,571,836)
Transfers from reserve accounts	27	657,301	(657,301)	0	0
Transfers to reserve accounts	27	(718,200)	718,200	0	0
Balance as at 30 June 2024		85,391,968	7,794,695	185,759,271	278,945,934
Comprehensive income for the period					
Net result for the period		(5,025,645)	0	0	(5,025,645)
Total comprehensive income for the period		(5,025,645)	0	0	(5,025,645)
Transfers from reserve accounts	27	475,102	(475,102)	0	0
Transfers to reserve accounts	27	(1,398,962)	1,398,962	0	0
Balance as at 30 June 2025		79,442,463	8,718,555	185,759,271	273,920,289

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

SHIRE OF KATANNING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 Actual \$	2024 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		5,201,298	4,939,220
Grants, subsidies and contributions		2,498,287	3,790,807
Fees and charges		2,409,517	2,153,742
Interest revenue		560,295	535,953
Goods and services tax received		535,586	612,543
Other revenue		309,292	339,233
		11,514,275	12,371,498
Payments			
Employee costs		(4,764,256)	(4,674,728)
Materials and contracts		(3,416,237)	(4,055,454)
Utility charges		(611,315)	(528,272)
Finance costs		(123,829)	(120,411)
Insurance paid		(437,476)	(477,713)
Goods and services tax paid		(504,108)	(612,213)
Other expenditure		(208,312)	(369,487)
		(10,065,533)	(10,838,278)
Net cash provided by operating activities		1,448,742	1,533,220
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	7(a)	(1,378,813)	(1,284,619)
Payments for construction of infrastructure	8(a)	(2,968,701)	(534,507)
Proceeds from capital grants, subsidies and contributions		2,357,229	601,261
Proceeds from financial assets at amortised cost - self-supporting loans		21,880	21,043
Proceeds from sale of property, plant & equipment		477,508	287,052
Net cash (used in) investing activities		(1,490,897)	(909,770)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	26(a)	(293,447)	(284,959)
Payments for principal portion of lease liabilities	26(b)	0	(15,172)
Net cash (used in) financing activities		(293,447)	(300,131)
Net increase (decrease) in cash held		(335,602)	323,319
Cash at beginning of year		15,635,259	15,311,940
Cash and cash equivalents at the end of the year		15,299,657	15,635,259

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

SHIRE OF KATANNING
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2025

	Note	2025 Actual \$	2025 Budget \$	2024 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	24	5,229,981	5,142,525	5,011,922
Rates excluding general rates	24	4,820	5,150	4,842
Grants, subsidies and contributions		3,028,072	3,917,608	3,278,705
Fees and charges		2,409,517	2,008,326	2,153,742
Interest revenue		560,295	528,000	535,953
Other revenue		309,292	316,166	339,235
Profit on asset disposals		259,274	46,178	104,831
		11,801,251	11,963,953	11,429,230
Expenditure from operating activities				
Employee costs		(4,689,198)	(5,380,736)	(4,607,368)
Materials and contracts		(3,955,453)	(4,058,989)	(3,471,073)
Utility charges		(571,194)	(555,276)	(528,272)
Depreciation		(9,189,295)	(7,317,569)	(9,028,003)
Finance costs		(133,197)	(100,543)	(120,411)
Insurance		(437,476)	(489,730)	(477,713)
Other expenditure		(208,312)	(456,300)	(369,487)
Loss on asset disposals		0	(40,000)	0
		(19,184,125)	(18,399,142)	(18,602,327)
Non-cash amounts excluded from operating activities	25(a)	8,778,212	7,311,391	4,397,568
Amount attributable to operating activities		1,395,338	876,202	(2,775,529)
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		2,357,229	12,148,366	601,261
Proceeds from disposal of assets		477,508	193,500	287,052
Proceeds from financial assets at amortised cost - self-supporting loans	26(a)	21,880	21,880	21,043
		2,856,617	12,363,746	909,356
Outflows from investing activities				
Payments for financial assets at amortised cost - self supporting loans		0	(21,880)	(21,043)
Acquisition of property, plant and equipment	7(a)	(1,378,813)	(12,346,483)	(1,284,619)
Acquisition of infrastructure	8(a)	(2,968,701)	(3,096,380)	(534,507)
		(4,347,514)	(15,464,743)	(1,840,169)
Amount attributable to investing activities		(1,490,897)	(3,100,997)	(930,813)
FINANCING ACTIVITIES				
Inflows from financing activities				
Transfers from reserve accounts	27	475,102	1,926,337	657,301
		475,102	1,926,337	657,301
Outflows from financing activities				
Repayment of borrowings	26(a)	(293,447)	(293,444)	(284,959)
Payments for principal portion of lease liabilities	26(b)	0	(955)	(15,172)
Transfers to reserve accounts	27	(1,398,962)	(943,014)	(718,200)
		(1,692,409)	(1,237,413)	(1,018,331)
Amount attributable to financing activities		(1,217,307)	688,924	(361,030)
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	25(b)	4,112,249	1,535,871	8,179,621
Amount attributable to operating activities		1,395,338	876,202	(2,775,529)
Amount attributable to investing activities		(1,490,897)	(3,100,997)	(930,813)
Amount attributable to financing activities		(1,217,307)	688,924	(361,030)
Surplus or deficit after imposition of general rates	25(b)	2,799,383	0	4,112,249

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

SHIRE OF KATANNING
FOR THE YEAR ENDED 30 JUNE 2025
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SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

1. BASIS OF PREPARATION

The financial report of the Shire of Katanning which is a Class 3 local government comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the *Local Government Act 1995*, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied except for disclosure requirements of:

- AASB 7 Financial Instruments Disclosures
- AASB 16 Leases paragraph 58
- AASB 101 Presentation of Financial Statements paragraph 61
- AASB 107 Statement of Cash Flows paragraphs 43 and 45
- AASB 116 Property, Plant and Equipment paragraph 79
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets paragraph 85
- AASB 140 Investment Property paragraph 75(f)
- AASB 1052 Disaggregated Disclosures paragraph 11
- AASB 1054 Australian Additional Disclosures paragraph 16

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

The *Local Government (Financial Management) Regulations 1996* provide that:

- land and buildings classified as property, plant and equipment; or
- infrastructure; or
- vested improvements that the local government controls; and measured at reportable value, are only required to be revalued every five years. Revaluing these non-financial assets every five years is a departure from AASB 116 *Property, Plant and Equipment*, which would have required the Shire to assess at each reporting date whether the carrying amount of the above mentioned non-financial assets materially differs from their fair value and, if so, revalue the class of non-financial assets.

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

Critical accounting estimates and judgements

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

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

As with all estimates, the use of different assumptions could lead to material changes in the amounts reported in the financial report.

The following are estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and further information on their nature and impact can be found in the relevant note:

- Fair value measurement of assets carried at reportable value including:
 - Property, plant and equipment - note 7
 - Infrastructure - note 8
- Measurement of employee benefits - note 14
- Measurement of provisions - note 15

Fair value hierarchy information can be found in note 23

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.

All monies held in the Trust Fund are excluded from the financial statements.

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-1 Amendments to Australian Accounting Standards
 - Classification of Liabilities as Current or Non-current
- AASB 2022-5 Amendments to Australian Accounting Standards
 - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards
 - Non-current Liabilities with Covenants
- AASB 2023-3 Amendments to Australian Accounting Standards
 - Disclosure of Non-current Liabilities with Covenants: Tier 2
- AASB 2024-1 Amendments to Australian Accounting Standards
 - Supplier Finance Arrangements: Tier 2 Disclosures
- AASB 2023-1 Amendments to Australian Accounting Standards
 - Supplier Finance Arrangements

These amendments are not expected to have any material impact on the financial report on initial application.

- AASB 2022-10 Amendments to Australian Accounting Standards
 - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

These amendment may result in changes to the fair value of certain non-financial assets on revaluation. The impact has not been quantified as it is not considered practicable to determine the amount of the difference in fair value attributable to the change in the standard.

New accounting standards for application in future years

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

- AASB 2014-10 Amendments to Australian Accounting Standards
 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2024-4b Amendments to Australian Accounting Standards
 - Effective Date of Amendments to AASB 10 and AASB 128 [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-9 Amendments to Australian Accounting Standards
 - Insurance Contracts in the Public Sector
- AASB 2023-5 Amendments to Australian Accounting Standards
 - Lack of Exchangeability
- AASB 18 (FP) Presentation and Disclosure in Financial Statements
 - (Appendix D) [for for-profit entities]
- AASB 18 (NFP/super) Presentation and Disclosure in Financial Statements
 - (Appendix D) [for not-for-profit and superannuation entities]
- AASB 2024-2 Amendments to Australian Accounting Standards
 - Classification and Measurement of Financial Instruments
- AASB 2024-3 Amendments to Australian Accounting Standards
 - Annual Improvements Volume 11

These amendments are not expected to have any material impact on the financial report on initial application.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

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

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

Revenue recognition

Rate revenue was recognised from the rate record as soon as practicable after the Shire resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

For the year ended 30 June 2025

Nature	Contracts with customers	Capital grant/contributions	Statutory requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	5,234,801	0	5,234,801
Grants, subsidies and contributions	0	0	3,028,072	0	3,028,072
Fees and charges	2,409,517	0	0	0	2,409,517
Interest revenue	0	0	560,295	0	560,295
Other revenue	172,473	0	0	136,819	309,292
Capital grants, subsidies and contributions	0	2,357,229	0	0	2,357,229
Total	2,581,990	2,357,229	8,823,168	136,819	13,899,206

For the year ended 30 June 2024

Nature	Contracts with customers	Capital grant/contributions	Statutory requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	5,016,764	0	5,016,764
Grants, subsidies and contributions	332,029	0	2,946,676	0	3,278,705
Fees and charges	2,153,742	0	0	0	2,153,742
Interest revenue	439,512	0	78,249	18,192	535,953
Other revenue	164,517	0	137,218	37,500	339,235
Capital grants, subsidies and contributions	0	411,638	0	189,623	601,261
Total	3,089,800	411,638	8,178,907	245,315	11,925,660

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Note	2025 Actual \$	2024 Actual \$
Interest revenue		
Other financial assets	10,650	9,310
Interest on reserve account	294,923	356,585
Trade and other receivables overdue interest	72,111	68,938
Other interest revenue	182,611	101,120
	560,295	535,953
The 2025 original budget estimate in relation to: Trade and other receivables overdue interest was \$88,000		
Fees and charges relating to rates receivable		
Charges on instalment plan	9,690	9,810
The 2025 original budget estimate in relation to: Charges on instalment plan was \$10,000		
(b) Expenses		
Auditors remuneration		
- Audit of the Annual Financial Report	94,513	82,800
- Other services – grant acquittals	11,000	11,220
	105,513	94,020
Employee Costs		
Employee benefit costs	4,041,750	3,996,224
Other employee costs	647,448	611,143
	4,689,198	4,607,367
Finance costs		
Interest and financial charges paid/payable for financial liabilities not at fair value through profit or loss	133,197	120,411
	133,197	120,411
Other expenditure		
Sundry expenses	208,312	369,487
	208,312	369,487

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

3. CASH AND CASH EQUIVALENTS

Note	2025 \$	2024 \$
Cash at bank and on hand	6,581,103	7,840,564
Term deposits	8,718,554	7,794,695
Total cash and cash equivalents	15,299,657	15,635,259
Held as		
- Unrestricted cash and cash equivalents	1,804,493	2,984,781
- Restricted cash and cash equivalents	13,495,164	12,650,478
17	15,299,657	15,635,259

MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement.

4. OTHER FINANCIAL ASSETS

(a) Current assets

Other financial assets at amortised cost

Self-supporting loans receivable

Note	2025 \$	2024 \$
25(b)	22,754	21,880
	22,754	21,880

Held as

- Unrestricted other financial assets at amortised cost

	22,754	21,880
	22,754	21,880

(b) Non-current assets

Other financial assets at amortised cost

Financial assets at fair values through profit or loss

	179,192	201,947
	142,610	142,607
	321,802	344,554

Other financial assets at amortised cost

Self-supporting loans receivable

25(b)	179,194	180,905
	179,190	180,905

Financial assets at fair values through profit or loss

Units in Local Government House Trust - Opening Balance

Movement attributable to fair value increment

Units in Local Government House Trust - Closing Balance

	142,607	142,607
	3	0
	142,610	142,607

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 26(a) as self-supporting loans. Fair value of financial assets at fair value through profit and loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

MATERIAL ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 23 (i) due to the observable market rates).

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

Financial assets at fair values through profit or loss

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

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

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

5. TRADE AND OTHER RECEIVABLES

Note	2025	2024
	\$	\$
Current		
Rates and statutory receivables	1,208,296	1,302,300
Trade receivables	823,221	427,232
Other receivables	29,135	58,480
Allowance for Credit losses - Rates Debtors	(14,398)	0
Allowance for Credit losses - Sundry Debtors	(263,896)	(362,262)
Other receivables - ATO Receivables	0	27,273
	1,782,358	1,453,023
Non-current		
Rates and statutory receivables	356,964	268,323
	356,964	268,323

Disclosure of opening and closing balances related to contracts with customers

Information about receivables 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:

Note	30 June 2025 Actual	30 June 2024 Actual	1 July 2023 Actual
	\$	\$	\$
Allowance for Credit losses - Rates Debtors	5 (14,398)	0	0
Allowance for Credit losses - Sundry Debtors	5 (263,896)	(362,262)	(314,582)
Total trade and other receivables from contracts with customers	(278,294)	(362,262)	(314,582)

MATERIAL ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations or for the construction of recognisable non financial assets as part of the ordinary course of business.

Other receivables

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers and amounts received as grants for the construction of recognisable non financial assets.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Classification and subsequent measurement

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

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Shire 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 difference between the face value and fair value is considered immaterial.

SHIRE OF KATANNING
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2025

6. INVENTORIES

	Note	2025	2024
Current		\$	\$
Fuel and materials		10,411	14,684
		10,411	14,684
The following movements in inventories occurred during the year:			
Balance at beginning of year		14,684	20,508
Inventories expensed during year		(4,273)	(5,824)
Balance at end of year		10,411	14,684

MATERIAL 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.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in balances

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

	Assets not subject to operating lease			Total property			Plant and equipment					Total property, plant and equipment
Note	Land	Buildings - non specialised	Buildings - specialised	Land	Buildings	Total property	Furniture and fittings	Plant and Equipment	Other property, plant and equipment-motor vehicles	Other property, plant and equipment-equipment	Other property, plant and equipment-painting & sculptures	
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2023	5,731,900	3,848,547	45,912,977	5,731,900	49,761,524	55,493,424	134,419	2,850,397	484,537	944,720	438,679	60,346,176
Additions	0	0	159,155	0	159,155	159,155	0	1,070,907	44,057	0	10,500	1,284,619
Disposals	(64,000)	0	0	(64,000)	0	(64,000)	0	(118,221)	0	0	0	(182,221)
Depreciation	0	(185,467)	(1,989,381)	0	(2,174,848)	(2,174,848)	(43,590)	(608,360)	(135,202)	(208,745)	(2,567)	(3,173,312)
Balance at 30 June 2024	5,667,900	3,663,080	44,082,751	5,667,900	47,745,831	53,413,731	90,829	3,194,723	393,392	735,975	446,612	58,275,262
Comprises:												
Gross balance amount at 30 June 2024	5,667,900	4,031,898	48,225,567	5,667,900	52,257,465	57,925,365	295,016	5,942,179	822,005	1,799,057	456,558	67,240,180
Accumulated depreciation at 30 June 2024	0	(368,818)	(4,142,816)	0	(4,511,634)	(4,511,634)	(204,187)	(2,747,456)	(428,613)	(1,063,082)	(9,946)	(8,964,918)
Balance at 30 June 2024	7(b) 5,667,900	3,663,080	44,082,751	5,667,900	47,745,831	53,413,731	90,829	3,194,723	393,392	735,975	446,612	58,275,262
Additions	0	0	304,229	0	304,229	304,229	8,324	145,035	45,023	876,202	0	1,378,813
Disposals	(179,000)	0	0	(179,000)	0	(179,000)	0	(12,858)	(26,376)	0	0	(218,234)
Depreciation	0	(185,467)	(2,131,764)	0	(2,317,231)	(2,317,231)	(20,792)	(654,378)	(134,140)	(202,929)	(2,566)	(3,332,036)
Balance at 30 June 2025	5,488,900	3,477,613	42,255,216	5,488,900	45,732,829	51,221,729	78,361	2,672,522	277,899	1,409,248	444,046	56,103,805
Comprises:												
Gross balance amount at 30 June 2025	5,488,900	4,031,898	48,529,796	5,488,900	52,561,694	58,050,594	303,340	5,977,980	748,887	2,675,259	456,558	68,212,618
Accumulated depreciation at 30 June 2025	0	(554,285)	(6,274,580)	0	(6,828,865)	(6,828,865)	(224,979)	(3,305,458)	(470,988)	(1,266,011)	(12,512)	(12,108,813)
Balance at 30 June 2025	7(b) 5,488,900	3,477,613	42,255,216	5,488,900	45,732,829	51,221,729	78,361	2,672,522	277,899	1,409,248	444,046	56,103,805

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying amount measurements

Asset class	Note	Carrying amount 2025 \$	Carrying amount 2024 \$	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
(i) Fair value - as determined at the last valuation date								
Land and buildings								
Land - market value		5,488,900	5,667,900	2	Market approach using recent observable market for similar properties	Independent Registered Valuer	June 2022	Price per square metre
Total land	7(a)	5,488,900	5,667,900					
Buildings - non specialised		3,477,613	3,663,080	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2022	Price per square metre
Buildings - specialised		42,255,217	44,082,751	3	Cost approach using current replacement cost	Independent Registered Valuer	June 2022	Construction cost and current condition, residual values and remaining useful life assessment
Total buildings	7(a)	45,732,830	47,745,831					

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

8. INFRASTRUCTURE

(a) Movements in balances

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

	Infrastructure - roads	Other infrastructure- footpaths	Other infrastructure- drainage	Other infrastructure- parks & ovals	Other infrastructure- other	Other infrastructure- landfill	Other infrastructure- bridges	Total infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2023	172,262,123	3,100,158	19,148,998	10,106,053	13,677,096	56,839	755,256	219,106,523
Additions	395,259	0	0	97,800	25,607	0	15,841	534,507
Depreciation	(4,525,506)	(93,152)	(301,188)	(420,165)	(442,113)	(4,762)	(54,602)	(5,841,488)
Balance at 30 June 2024	168,131,876	3,007,006	18,847,810	9,783,688	13,260,590	52,077	716,495	213,799,542
Comprises:								
Gross balance at 30 June 2024	172,657,382	3,100,158	19,148,999	10,203,853	13,702,703	317,460	771,093	219,901,648
Accumulated depreciation at 30 June 2024	(4,525,506)	(93,152)	(301,189)	(420,165)	(442,113)	(265,383)	(54,598)	(6,102,106)
Balance at 30 June 2024	168,131,876	3,007,006	18,847,810	9,783,688	13,260,590	52,077	716,495	213,799,542
Additions	810,311	0	0	2,158,390	0	0	0	2,968,701
Depreciation	(4,537,090)	(93,004)	(300,895)	(420,271)	(446,808)	(4,762)	(54,430)	(5,857,260)
Transfers	0	0	0	97,800	(97,800)	0	0	0
Balance at 30 June 2025	164,405,097	2,914,002	18,546,915	11,619,607	12,715,982	47,315	662,065	210,910,983
Comprises:								
Gross balance at 30 June 2025	173,467,693	3,100,158	19,148,998	12,460,043	13,604,903	317,460	771,097	222,870,352
Accumulated depreciation at 30 June 2025	(9,062,596)	(186,156)	(602,083)	(840,436)	(888,921)	(270,145)	(109,032)	(11,959,369)
Balance at 30 June 2025	164,405,097	2,914,002	18,546,915	11,619,607	12,715,982	47,315	662,065	210,910,983

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

8. INFRASTRUCTURE (Continued)

(b) Carrying amount measurements

Asset class	Fair value hierarchy	Valuation technique	Basis of valuation	Date of last valuation	Inputs used
(i) Fair value - as determined at the last valuation date					
Infrastructure - roads	3	Cost approach using current replacement cost	Independent Registered Valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure-footpaths	3	Cost approach using current replacement cost	Independent Registered Valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure-drainage	3	Cost approach using current replacement cost	Independent Registered Valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure-parks & ovals	3	Cost approach using current replacement cost	Independent Registered Valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure-other	3	Cost approach using current replacement cost	Independent Registered Valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments
Other infrastructure-bridges	3	Cost approach using current replacement cost	Independent Registered Valuer	June 2023	Construction costs and current condition, residual values and remaining useful life assessments

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

9. FIXED ASSETS

(a) Depreciation

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	4 to 50 years
Furniture and equipment	4 to 20 years
Plant	5 to 15 years
Motor Vehicles	5 to 10 years
Equipment	5 to 50 years
Painting and Sculptures	not depreciated
Sealed roads and streets	
formation	not depreciated
pavement	2.5 to 72 years
seal	
- bituminous seals	2 to 18 years
- asphalt surfaces	9 to 27 years
Gravel roads	
formation	not depreciated
pavement	5 to 63 years
Footpaths - slab	7 to 80 years
Water supply piping and drainage systems	80 to 100 years
Landfill assets	6 to 34 years
Right-of-use (plant and equipment)	Based on the remaining lease term

Revision of useful lives and residual values of fixed assets

During the year, the estimated useful lives and residual values of all fixed assets was reviewed in accordance with AASB116.51

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

9. FIXED ASSETS (Continued)

MATERIAL ACCOUNTING POLICIES

Initial recognition

An item of property, plant and equipment or infrastructure that qualifies for recognition as an asset is measured at its cost.

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, plus costs incidental to the acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition.

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 *Local Government (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.

Individual assets that are land, buildings and infrastructure acquired between scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, are recognised at cost and disclosed as being at reportable value.

Measurement after recognition

Plant and equipment including furniture and equipment and right-of-use assets (other than vested improvements) are measured using the cost model as required under *Local Government (Financial Management) Regulation 17A(2)*. Assets held under the cost model are carried at cost less accumulated depreciation and any impairment losses being their reportable value.

Reportable value

In accordance with *Local Government (Financial Management) Regulation 17A(2)*, the carrying amount of non-financial assets that are land and buildings classified as property, plant and equipment, investment properties, infrastructure or vested improvements that the local government controls.

Reportable value is for the purpose of *Local Government (Financial Management) Regulation 17A(4)* is the fair value of the asset at its last valuation date minus (to the extent applicable) the accumulated depreciation and any accumulated impairment losses in respect of the non-financial asset subsequent to its last valuation date.

Revaluation

Land and buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls and measured at reportable value, are only required to be revalued 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 land vested in the Shire.

Whilst the regulatory framework only requires a revaluation to occur every five years, it also provides for the Shire to revalue earlier if it chooses to do so.

For land, buildings and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity.

Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

Depreciation on revaluation

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset; or
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Impairment

In accordance with *Local Government (Financial Management) Regulations 17A(4C)*, the Shire is not required to comply with *AASB 136 Impairment of Assets* to determine the recoverable amount of its non-financial assets that are land or buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls in circumstances where there has been an impairment indication of a general decrease in asset values.

In other circumstances where it has been assessed that one or more of these non-financial assets are impaired, the 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 or losses on disposal

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.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

10. LEASES

(a) Right-of-use assets

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

Note	Right-of-use assets - Motor vehicles	Total right-of-use assets
	\$	\$
Balance at 1 July 2023	15,319	15,319
Depreciation	(13,199)	(13,199)
Balance at 30 June 2024	2,120	2,120
Gross balance amount at 30 June 2024	52,767	52,767
Accumulated depreciation at 30 June 2024	(50,647)	(50,647)
Balance at 30 June 2024	2,120	2,120
Additions	0	0
Balance at 30 June 2025	2,120	2,120
Gross balance amount at 30 June 2025	52,767	52,767
Accumulated depreciation at 30 June 2025	(50,647)	(50,647)
Balance at 30 June 2025	2,120	2,120

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

	2025 Actual	2024 Actual
	\$	\$
Depreciation on right-of-use assets	0	(13,199)
Finance charge on lease liabilities	0	(400)
Total amount recognised in the statement of comprehensive income	0	(13,599)
Total cash outflow from leases	0	(15,572)

(b) Lease liabilities

Current	878	878
26(b)	878	878

MATERIAL 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 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 that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

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

Details of individual lease liabilities required by regulations are provided at Note 26(b).

Right-of-use assets - measurement

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised 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 at fair value.

Refer to Note 9 under revaluation for details on the material 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 shorter. 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 depreciated over the useful life of the underlying asset.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

11. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Prepaid rates
 Accrued payroll liabilities
 GST payables
 Bonds and deposits held
 Accrued expenses
 Accrued interest on loans
 Amherst deposits

2025	2024
\$	\$
382,515	92,188
84,911	123,775
116,527	97,587
4,204	0
30,195	70,464
154,126	82,800
25,401	16,033
1,143,149	929,590
1,941,028	1,412,437

MATERIAL ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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 any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Statutory liabilities

Statutory liabilities, are amounts owed to regulatory authorities due to statutory obligations such as FBT and PAYG. GST payable is offset against GST receivable and any net GST payable is included as a statutory liability.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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 income for the prepaid rates that have not been refunded.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

12. OTHER LIABILITIES

Current

Contract liabilities
Capital grant/contributions liabilities

Reconciliation of changes in contract liabilities

Opening balance
Additions
Revenue from contracts with customers included as a contract liability at the start of the period

Closing balance

Reconciliation of changes in capital grant/contribution liabilities

Opening balance
Additions

Closing balance

Expected satisfaction of capital grant/contribution liabilities

Less than 1 year
1 to 2 years
2 to 3 years
3 to 4 years
4 to 5 years
> 5 years

	2025	2024
	\$	\$
	0	348,255
	4,776,609	4,507,527
	4,776,609	4,855,782
	348,255	103,112
	0	245,143
	(348,255)	0
	0	348,255
	4,507,527	4,422,028
	269,082	85,499
	4,776,609	4,507,527
	4,776,609	103,112
	0	4,336,743
	0	0
	0	0
	0	0
	0	0
	4,776,609	4,439,855

MATERIAL ACCOUNTING POLICIES

Contract liabilities

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

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

The Shire expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months

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

Capital grant/contribution liabilities

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

SHIRE OF KATANNING
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2025

13. BORROWINGS

	Note	2025			2024		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
WATC Loans		302,233	2,704,400	3,006,633	293,447	3,006,633	3,300,080
Total secured borrowings	26(a)	302,233	2,704,400	3,006,633	293,447	3,006,633	3,300,080

Secured liabilities and assets pledged as security

WA treasury loans are secured by a floating charge over the assets of the Shire of Katanning.
 The Shire of Katanning has complied with the financial covenants of its borrowing facilities during the 2025 and 2024 years.

MATERIAL ACCOUNTING POLICIES

Borrowing costs

The Shire has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.
 Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierachy (see Note 23(i)) due to the unobservable inputs, including own credit risk.

Risk

Details of individual borrowings required by regulations are provided at Note 26(a).

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

14. EMPLOYEE RELATED PROVISIONS

Employee related provisions

Current provisions

Employee benefit provisions

Annual leave

Long service leave

2025	2024
\$	\$
257,103	247,524
257,675	334,755
514,778	582,279
514,778	582,279
82,527	109,024
82,527	109,024
82,527	109,024
597,305	691,303

Total current employee related provisions

Non-current provisions

Employee benefit provisions

Long service leave

Total non-current employee related provisions

Total employee related provisions

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

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

MATERIAL ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

15. OTHER PROVISIONS

	Make good provisions	Total
	\$	\$
Opening balance at 1 July 2024		
Non-current provisions	608,233	608,233
	608,233	608,233
 Amounts used	 (40,121)	 (40,121)
Balance at 30 June 2025	568,112	568,112
 Comprises		
Non-current	568,112	568,112
	568,112	568,112

Other provisions

Amounts which are expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on factors beyond the control of the local government.

Make good provisions Katanning Landfill Site

Under the licence for the operation of the Katanning landfill site, the Shire has a legal obligation to restore the site.

The estimated future obligations include the costs of restoring the affected areas and continued monitoring of the site.

The provision of future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the remediation obligation at the reporting date. Further remediation costs are reviewed annually and any changes in the estimate are reflected in the present value of the remediation provision at each reporting date.

MATERIAL ACCOUNTING POLICIES

Provisions

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

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

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

16. REVALUATION SURPLUS

	2025 Opening balance	2025 Closing balance	2024 Opening balance	2024 Closing balance
	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	8,181,336	8,181,336	8,181,336	8,181,336
Revaluation surplus - Buildings - non-specialised	5,403,411	5,403,411	5,403,411	5,403,411
Revaluation surplus - Buildings - specialised	4,744,578	4,744,578	4,744,578	4,744,578
Revaluation surplus - Furniture and equipment	1,773	1,773	1,773	1,773
Revaluation surplus - Plant and equipment	1,011,022	1,011,022	1,011,022	1,011,022
Revaluation surplus - Other property, plant and equipment - motor vehicles	160,555	160,555	160,555	160,555
Revaluation surplus - Other property, plant and equipment - painting & sculptures	579,346	579,346	579,346	579,346
Revaluation surplus - Infrastructure - roads	240,066	240,066	240,066	240,066
Revaluation surplus - Infrastructure - footpaths	136,673,080	136,673,080	136,673,080	136,673,080
Revaluation surplus - Infrastructure - drainage	2,333,663	2,333,663	2,333,663	2,333,663
Revaluation surplus - Infrastructure - parks and ovals	20,167,819	20,167,819	20,167,819	20,167,819
Revaluation surplus - Infrastructure - other	5,871,027	5,871,027	5,871,027	5,871,027
Revaluation surplus - Other infrastructure - bridges	391,595	391,595	391,595	391,595
	185,759,271	185,759,271	185,759,271	185,759,271

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

17. RESTRICTIONS OVER FINANCIAL ASSETS

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

- Cash and cash equivalents

Note	2025 Actual \$	2024 Actual \$
3	13,495,164	12,650,478
	13,495,164	12,650,478
27	8,718,555	7,794,695
12	0	348,255
12	4,776,609	4,507,528
	13,495,164	12,650,478

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

Restricted reserve accounts

Contract liabilities

Capital grant liabilities

Total restricted financial assets

**18. UNDRAWN BORROWING FACILITIES AND CREDIT
STANDBY ARRANGEMENTS**

Credit standby arrangements

Bank overdraft limit

Bank overdraft at balance date

Credit card limit

Credit card balance at balance date

Total amount of credit unused

Loan facilities

Loan facilities - current

Loan facilities - non-current

Total facilities in use at balance date

Unused loan facilities at balance date

250,000	250,000
0	0
65,000	65,000
0	0
315,000	315,000
302,233	293,447
2,704,400	3,006,633
3,006,633	3,300,080
0	0

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

19. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11 , the Shire has identified sites to be possible sources of contamination. Details of those sites are:

- 1. Katanning Regional Sheep Saleyard - Crown Reserve 50922, Lot 500 Katanning-Nyabing Road, Katanning. This site is suspected of being contaminated but has not been assessed at this time.
- 2. Shire Depot - Lot 996 Cullen Street, Katanning
This site is suspected of being contaminated but has not been assessed at this time.

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the Department of Water and Environmental Regulation on the need and criteria for remediation on a risk based approach, the Shire is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Water and Environmental Regulation Guidelines.

20. CAPITAL COMMITMENTS

	2025	2024
	\$	\$
Contracted for:		
- capital expenditure projects	9,682,912	0
	9,682,912	0
Payable:		
- not later than one year	7,359,013	0
- within 1 year and 2 years	2,323,899	0

The capital expenditure projects outstanding at the end of the current reporting period represent the construction of the Katanning Early Childhood Hub. This project is expected to be completed 30 September 2026

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

21. RELATED PARTY TRANSACTIONS

(a) Council member remuneration

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

Note	2025 Actual	2025 Budget	2024 Actual
	\$	\$	\$
President's annual allowance	38,000	38,000	29,375
President's meeting attendance fees	17,000	17,000	15,000
President's annual allowance for ICT expenses	1,100	1,100	1,100
President's travel and accommodation expenses	6,176	350	0
	62,276	56,450	45,475
Deputy President's annual allowance	9,500	9,500	8,125
Deputy President's meeting attendance fees	17,000	17,000	15,000
Deputy President's annual allowance for ICT expenses	1,100	1,100	1,100
Deputy President's travel and accommodation expenses		300	0
	27,600	27,900	24,225
All other council member's meeting attendance fees	85,000	85,000	72,500
All other council member's annual allowance for ICT expenses	5,500	5,500	5,317
All other council member's travel and accommodation expenses	167	1,350	0
	90,667	91,850	77,817
21(b)	180,543	176,200	147,517

(b) Key management personnel (KMP) compensation

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

Short-term employee benefits	761,694	557,390
Post-employment benefits	95,145	63,990
Employee - other long-term benefits	26,002	18,875
Employee - termination benefits	37,939	80,417
Council member costs	180,543	147,517
21(a)	1,101,323	868,189

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

21. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

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

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

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

	2025 Actual	2024 Actual
	\$	\$
Purchase of goods and services	81,682	39,307

(d) 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 Shire, directly or indirectly, including any council member, are considered key management personnel.

ii. Other Related Parties

During the previous year, a company controlled by a related party of a council member, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm's length transactions under the Shire's procurement process.

The purchase of goods involved materials for plant maintenance and tourism services, being \$81,682 in the current year (\$39,307 in prior year).

Outside of normal citizen type transactions with the Shire, there were no other related party transactions involving key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

iii. Entities subject to significant influence by the Shire

There were no such entities requiring disclosure during the current or previous year.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

22. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire did not have any significant events occurring after the reporting date that have a significant effect on the financial statements.

23. OTHER MATERIAL 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 report is presented.

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest revenue

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

In accordance with Australian Accounting Standards the Shire's 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 except for non-financial assets that are:

- land and buildings classified as property, plant and equipment;
- infrastructure; or
- vested improvements that the local government controls, in circumstances where there has been an impairment indication of a general decrease in asset values.

These non-financial assets are assessed in accordance with the regulatory framework detailed in Note 9.

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 *Property, Plant and Equipment*) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

24. RATING INFORMATION

(a) General rates

RATE TYPE		Rate in	Number	2024/25	2024/25	2024/25	2024/25	2024/25	2024/25	2024/25	2023/24
Rate description	Basis of valuation	\$	of properties	Actual rateable value*	Actual rate revenue	Actual interim rates	Actual total revenue	Budget rate revenue	Budget interim rate	Budget total revenue	Actual total revenue
		\$		\$	\$	\$	\$	\$	\$	\$	\$
Gross Rental Value	Gross rental valuation	0.10020	1,425	27,936,277	2,799,215	43,797	2,843,012	2,799,215	(100,000)	2,699,215	2,414,376
Unimproved Value	Unimproved valuation	0.00612	198	293,095,261	1,793,743	(51,683)	1,742,060	1,792,095	3,500	1,795,595	1,719,722
Total general rates			1,623	321,031,538	4,592,958	(7,886)	4,585,072	4,591,310	(96,500)	4,494,810	4,134,098
Minimum payment		\$									
Gross Rental Value	Gross rental valuation	1,200	389	2,678,971	466,800	0	466,800	466,800	0	466,800	701,568
Unimproved Value	Unimproved valuation	1,200	153	13,267,013	183,600	0	183,600	183,600	0	183,600	176,256
Total minimum payments			542	15,945,984	650,400	0	650,400	650,400	0	650,400	877,824
Total general rates and minimum payments			2,165	336,977,522	5,243,358	(7,886)	5,235,472	5,241,710	(96,500)	5,145,210	5,011,922
Ex-gratia rates		Rate in									
CBH			1	0	4,820	0	4,820	5,150	0	5,150	4,842
Total amount raised from rates (excluding general rates)			1	0	4,820	0	4,820	5,150	0	5,150	4,842
Discounts							(5,491)			(2,685)	0
Total rates							5,234,801			5,147,675	5,016,764
(b) Rates related information											
Rates instalment interest							15,309			13,000	12,637
Rates instalment plan charges							9,690			10,000	9,810
Rates overdue interest							72,111			75,000	65,611
Rates written off							(87,331)			(100,000)	(302)

*Rateable Value at time of raising of rate.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

25. DETERMINATION OF SURPLUS OR DEFICIT

		2024/25 (30 June 2025 carried forward)	2024/25 Budget (30 June 2025 carried forward)	2023/24 (30 June 2024 carried forward)
Note		\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
		(259,274)	(46,178)	(104,831)
		3,454	0	8,174
		0	0	(183,301)
		0	40,000	0
9(a)	Add: Depreciation	9,189,295	7,317,569	9,028,003
Non-cash movements in non-current assets and liabilities:				
	Pensioner deferred rates	(88,645)	0	0
	Employee benefit provisions	(26,497)	0	(48,163)
	Other provisions	(40,121)	0	34,429
	Contract liabilities	0	0	(4,336,743)
	Non-cash amounts excluded from operating activities	8,778,212	7,311,391	4,397,568
(b) Surplus or deficit after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
27	Less: Reserve accounts	(8,718,555)	(6,829,015)	(7,794,695)
4(a)	Less: Financial assets at amortised cost - self-supporting loans	(22,754)	0	(21,880)
	Less: Financial assets at amortised cost			
	Less: Current assets not expected to be received at end of year			
	- LG House Equity	0	0	142,607
	Add: Current liabilities not expected to be cleared at end of year			
	- Current portion of borrowings	302,233	293,444	293,447
13	- Current portion of contract liability held in reserve	1,143,149	936,340	929,590
	- Current portion of lease liabilities	878	955	878
10(b)	- Employee benefit provisions	514,778	630,441	582,279
	Total adjustments to net current assets	(6,780,271)	(4,967,835)	(5,867,774)
Net current assets used in the Statement of financial activity				
	Total current assets	17,115,180	7,505,459	17,124,846
	Less: Total current liabilities	(7,535,526)	(2,537,624)	(7,144,823)
	Less: Total adjustments to net current assets	(6,780,271)	(4,967,835)	(5,867,774)
	Surplus or deficit after imposition of general rates	2,799,383	0	4,112,249

SHIRE OF KATANNING
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FOR THE YEAR ENDED 30 JUNE 2025

26. BORROWING AND LEASE LIABILITIES

(a) Borrowings

		Actual							Budget			
Purpose	Note	Principal at 1 July 2023	New loans during 2023-24	Principal repayments during 2023-24	Principal at 30 June 2024	New loans during 2024-25	Principal repayments during 2024-25	Principal at 30 June 2025	Principal at 1 July 2024	New loans during 2024-25	Principal repayments during 2024-25	Principal at 30 June 2025
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration Building		2,039,001	0	(103,074)	1,935,927	0	(107,030)	1,828,897	1,828,893	0	(107,030)	1,721,863
Adged & Key Worker Accom		601,113	0	(44,561)	556,552	0	(45,146)	511,406	511,407	0	(45,145)	466,262
Water Cart		128,873	0	(16,702)	112,171	0	(16,848)	95,323	95,323	0	(16,847)	78,476
CAT Grader		189,521	0	(24,562)	164,959	0	(24,776)	140,183	140,181	0	(24,776)	115,405
Road Sweeper		200,374	0	(39,384)	160,990	0	(40,828)	120,162	120,162	0	(40,827)	79,335
Prime Mover		181,290	0	(35,633)	145,657	0	(36,941)	108,716	108,718	0	(36,939)	71,779
Total		3,340,172	0	(263,916)	3,076,256	0	(271,569)	2,804,687	2,804,684	0	(271,564)	2,533,120
Self-supporting loans												
Katanning Country Club		244,867		(21,043)	223,824		(21,878)	201,946	(21,880)		(21,880)	(43,760)
Total self-supporting loans		244,867	0	(21,043)	223,824	0	(21,878)	201,946	(21,880)	0	(21,880)	(43,760)
Total borrowings	13	3,585,039	0	(284,959)	3,300,080	0	(293,447)	3,006,633	2,782,804	0	(293,444)	2,489,360

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

Borrowing finance cost payments

Purpose	Loan number	Institution	Interest rate	Date final payment is due	Actual for year ending 30 June 2025	Budget for year ending 30 June 2025	Actual for year ending 30 June 2024
					\$	\$	\$
Administration Building	158	WATC*	3.80%	2/05/2038	(91,922)	(72,558)	(76,512)
Adged & Key Worker Accom	159	WATC*	1.31%	6/11/2035	(2,065)	(7,149)	(7,733)
Water Cart	160	WATC*	0.87%	6/11/2030	(3,037)	(939)	(1,084)
CAT Grader	161	WATC*	0.87%	6/11/2030	(6,672)	(1,381)	(1,595)
Road Sweeper	163	WATC*	3.62%	17/02/2028	(6,037)	(5,274)	(6,718)
Prime Mover	164	WATC*	3.62%	17/02/2028	(12,814)	(4,772)	(6,078)
Total					(122,547)	(92,073)	(99,720)
Self-supporting loans finance cost payments							
Katanning Country Club	162	WATC*	3.93%	17/02/2033	(10,650)	(8,472)	(9,310)
Total self-supporting loans finance cost payments					(10,650)	(8,472)	(9,310)
Total finance cost payments					(133,197)	(100,545)	(109,030)

* WA Treasury Corporation

SHIRE OF KATANNING
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FOR THE YEAR ENDED 30 JUNE 2025

26. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease liabilities

		Actual							Budget			
Purpose	Note	Principal at 1 July 2023	New leases during 2023-24	Principal repayments during 2023-24	Principal at 30 June 2024	New leases during 2024-25	Principal repayments during 2024-25	Principal at 30 June 2025	Principal at 1 July 2024	New leases during 2024-25	Principal repayments during 2024-25	Principal at 30 June 2025
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CEMS Vehicle		16,050	0	(15,172)	878	0	0	878	878	0	(955)	(77)
Total lease liabilities	10(b)	16,050	0	(15,172)	878	0	0	878	878	0	(955)	(77)
Lease finance cost payments												
Purpose	Lease number	Institution	Interest rate	Date final payment is due	Actual for year ending 30 June 2025	Budget for year ending 30 June 2025	Actual for year ending 30 June 2024	Lease term				
CEMS Vehicle	491912/001	SG Fleet Australia	26.70%	11/08/2024	\$ 0	\$ 0	\$ (400)	48 Months				
Total finance cost payments					0	0	(400)					

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

27. RESERVE ACCOUNTS

	2025 Actual opening balance	2025 Actual transfer to	2025 Actual transfer (from)	2025 Actual closing balance	2025 Budget opening balance	2025 Budget transfer to	2025 Budget transfer (from)	2025 Budget closing balance	2024 Actual opening balance	2024 Actual transfer to	2024 Actual transfer (from)	2024 Actual closing balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Leave reserve	776,586	34,126	0	810,712	776,531	30,479	0	807,010	744,023	32,563	0	776,586
(b) Plant Replacement Reserve	213,541	372,508	0	586,049	231,719	372,988	0	604,707	511,584	17,301	(315,346)	213,541
(c) Amherst Village Building Maintenance Reserve	199,711	8,776	(40,000)	168,487	199,698	7,833	(40,000)	167,531	181,755	17,955	0	199,711
(d) Amherst Village Refundable Deposit Reserve	1,087,829	247,073	0	1,334,902	1,087,753	85,000	(85,000)	1,087,753	1,179,038	51,591	(142,800)	1,087,829
(e) Old Saleyards Reserve	955,972	42,009	0	997,981	955,905	37,519	0	993,424	915,887	40,085	0	955,972
(f) Waste Management Reserve	457,848	95,119	0	552,967	457,816	92,969	0	550,785	438,649	19,198	0	457,848
(g) Land & Building Reserve	1,518,811	66,741	0	1,585,552	1,518,706	189,954	(1,243,555)	465,105	1,607,616	70,348	(159,155)	1,518,811
(h) Land & Building Facilities for Seniors Reserve	366,173	16,091	0	382,264	366,147	14,371	0	380,518	364,328	15,354	0	366,173
(i) Regional Sheep Saleyards Reserve	868,807	71,570	0	940,377	868,746	34,032	(70,000)	832,778	684,730	170,569	0	868,807
(j) Christmas Decoration Reserve	65,559	2,881	0	68,440	65,555	2,573	0	68,128	62,811	2,749	0	65,559
(k) GRV Revaluation Reserve	26,141	21,149	0	47,290	26,138	21,045	0	47,183	63,371	2,771	(40,000)	26,141
(l) Quartermaine Oval Reserve	369,427	16,234	(385,102)	559	369,401	14,475	(387,782)	(3,906)	306,030	63,397	0	369,427
(m) KLC Facilities Reserve	337,987	14,852	0	352,839	337,963	13,216	0	351,179	225,788	112,199	0	337,987
(n) Election Reserve	35,736	6,570	0	42,306	35,733	6,403	0	42,136	34,238	1,498	0	35,736
(o) Library Building Reserve	21,170	930	0	22,100	21,168	830	0	21,998	17,888	3,283	0	21,170
(p) Community & Economic Development Reserve	282,620	12,419	(50,000)	245,039	282,600	11,092	(100,000)	193,692	270,770	11,850	0	282,620
(q) Lake Ewlyamartup Facilities Reserve	26,476	1,164	0	27,640	26,473	1,037	0	27,510	20,576	5,901	0	26,476
(r) Parks & Playgrounds Reserve	80,058	3,518	0	83,576	80,052	3,135	0	83,187	62,330	17,729	0	80,058
(s) Katanning Aquatic Centre Reserve	22,266	978	0	23,244	22,264	867	0	23,131	6,961	15,306	0	22,266
(t) Housing Reserve	81,975	364,254	0	446,229	81,970	3,196	0	85,166	35,421	46,553	0	81,975
	7,794,695	1,398,962	(475,102)	8,718,555	7,812,338	943,014	(1,926,337)	6,829,015	7,733,794	718,200	(657,301)	7,794,695

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

SHIRE OF KATANNING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2025

27. RESERVE ACCOUNTS

In accordance with council resolutions or adopted budget 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 account	Purpose of the reserve account
Restricted by council	
(a) Leave reserve	To fund accrued employee leave entitlements.
(b) Plant Replacement Reserve	To fund future plant purchases.
(c) Amherst Village Building Maintenance Reserve	To fund maintenance of Amherst Village.
(d) Amherst Village Refundable Deposit Reserve	To fund refundable deposits at Amherst Village.
(e) Old Saleyards Reserve	To fund future capital and maintenance works.
(f) Waste Management Reserve	To fund capital and maintenance works.
(g) Land & Building Reserve	To fund construction and maintenance of council owned buildings.
(h) Land & Building Facilities for Seniors Reserve	To fund construction and maintenance of land and buildings for the use of seniors.
(i) Regional Sheep Saleyards Reserve	To fund capital and maintenance works.
(j) Christmas Decoration Reserve	To fund significant christmas decoration purchases.
(k) GRV Revaluation Reserve	To fund quinquennial gross rental value revaluations.
(l) Quartermaine Oval Reserve	To fund future maintenance and upgrades of Quartermaine Oval.
(m) KLC Facilities Reserve	To fund future maintenance and upgrades to the KLC buildings and grounds.
(n) Election Reserve	To fund biennial councillor elections.
(o) Library Building Reserve	To fund future maintenance and upgrades to the library building.
(p) Community & Economic Development Reserve	To fund Community and Economic Development Projects.
(q) Lake Ewlyamartup Facilities Reserve	To fund facilities at Lake Ewlyamartup.
(r) Parks & Playgrounds Reserve	To fund future maintenance and upgrades.
(s) Katanning Aquatic Centre Reserve	To fund future maintenance and upgrades to the KLC Aquatic Centre.
(t) Housing Reserve	To fund construction, renewal and maintenance of Shire owned housing.



AUDIT CONCLUDING REPORT

Shire of Katanning

For the year ended
30 June 2025



27 November 2025

Shire of Katanning
52 Austral Terrace
Katanning WA 6317

Dear Members of the Council, the Audit and Risk Committee and Management

AUDIT CONCLUDING REPORT – YEAR ENDED 30 JUNE 2025

We enclose our Audit Concluding Report in respect of the year ended 30 June 2025 which sets out the followings:

- Executive Summary
- Conclusions on Key Focus Areas
- Audit Adjustments
- Design and Implementation of Internal Controls (including IT General Controls)
- Other Key Matters

This report is intended solely for the use of the Members of the Council, Audit and Risk Committee and Management for the purpose of communicating matters of interest with regard to the audit (i.e. promote effective communication between the auditor and those charged with governance) and may not be used for any other purpose or disclosed to anyone else without our prior written consent.

We look forward to discussing this report with you.

Yours faithfully



Wen-Shien Chai
Partner – Audit and Assurance
[Moore Australia Audit \(WA\)](#)

Executive Summary

The key purpose of this report is to communicate the results of the audit with those charged with governance. We have performed an audit of the financial report of the Shire of Katanning (the Shire) for the year ended 30 June 2025 in accordance with Australian Auditing Standards ('AAS') . We provide you with the following information in relation to the audit.

SCOPE

The purpose of our audit is to express an opinion as to whether the Shire's annual financial report:

- a. is based on proper accounts and records; and
- b. presents fairly, in all material respects, the results of the operations of the Shire of the year ended 30 June 2025 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, the Australian Accounting Standards.

OTHER REPORTING

We will also report to the Shire any material weaknesses in the systems of internal control and accounting, and provide recommendations on other significant matters which came to our attention during our audit.

AUDITOR RESPONSIBILITIES

The Office of the Auditor General (OAG) for Western Australia is responsible for the audit of the Shire, including determining the scope and extent of the audit and for the audit opinion expressed.

Moore Australia was engaged by the OAG to perform the audit of the Shire's annual financial report for the year ended 30 June 2025.

We request management and those charged with governance to review this document to ensure that they concur with the matters raised, and there are no further significant considerations or matters that could impact on the audit and the financial report.

AUDIT OPINION

We will recommend to the OAG to issue an unmodified audit opinion.

In order to finalise our audit, we require a copy of the signed financial report and representation letters.

Conclusions on Key Focus Areas

As part of our risk assessment, key focus areas were identified based on our understanding of the Shire and the local government sector to ensure audit focus on areas of highest risk. No additional focus areas have been identified during the course of the audit.

KEY FOCUS AREAS

MANAGEMENT
OVERRIDE OF
CONTROLS
AND FRAUD

VALUATION OF LAND
AND BUILDINGS &
INFRASTRUCTURE
ASSETS

REVENUE
RECOGNITION

COMPLETENESS &
ACCURACY OF
LIABILITIES AND
EXPENSES

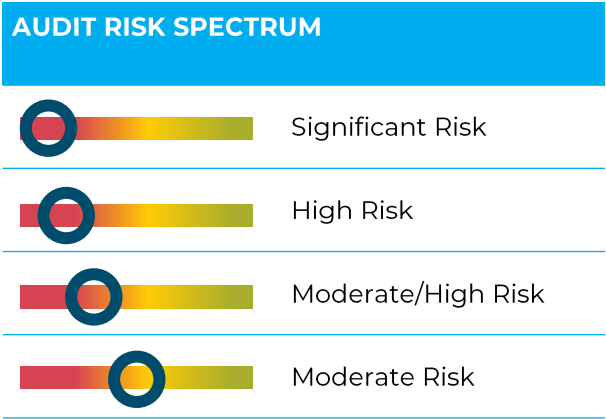
ACCOUNTING FOR
REHABILITATION
COSTS

ACCOUNTING FOR
EMPLOYEE RELATED
PROVISIONS

DISCLOSURES IN THE
FINANCIAL REPORT



Conclusions on Key Focus Areas



Conclusions on Key Focus Areas

RISK

1. Management Override of Controls and Fraud



DETAILS

Management is involved in day-to-day operations and monitoring of the Shire, which gives them the ability to manipulate accounting records and prepare fraudulent financial reports by overriding controls in place. Due to the unpredictable way in which such an override could occur, this leads to potential fraud risk and is always assessed as a significant risk.

The primary responsibility for the prevention and detection of fraud rests with both those charged with governance and management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.


WORK PERFORMED

- Reviewed journal entries and other adjustments for evidence of possible material misstatements due to fraud;
- Reviewed accounting estimates and application of accounting policies for evidence of bias or aggressive accounting practices;
- For significant or unusual transactions, evaluated the business rationale (or lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets;
- Maintained professional skepticism throughout the audit; and
- Enquired with management and those charged with governance if any fraud has taken place during the year.

AUDITORS CONCLUSION

Based on our audit procedures performed, we did not identify any instances of management override of controls. Therefore, we are satisfied that the risk of fraud from management override has been reduced to an acceptable level.

Conclusions on Key Focus Areas

RISK	DETAILS	WORK PERFORMED
2. Valuation of Land & Buildings and Infrastructure Assets 	<p>These are the biggest classes of non-financial assets reported in the Shire's statement of financial position where there is a mix of cost (for plant and equipment) and fair value (for land, buildings and infrastructure – revalued every 5 years) accounting involved.</p> <p>The Shire's land and buildings were last revalued as at 30 June 2022 and infrastructure assets were last revalued as at 30 June 2023.</p> <p>There is a significant inherent risk given the nature of assets held and judgement applied in determining fair values, depreciation and impairment assessments.</p>	<ul style="list-style-type: none">Reviewed and updated documented system procedures and performed walkthroughs of the fixed asset cycles to assess the design and implementation of internal controls;Assessed accounting policies to ensure they were in accordance with AASB 116 <i>Property, Plant and Equipment</i>, AASB 13 <i>Fair Value Measurement</i> and AASB 136 <i>Impairment of Assets</i>;Sample tested asset additions, disposals, and depreciations; andReviewed management's impairment assessment against the Shire's circumstances.

AUDITORS CONCLUSION

Based on our audit procedures performed, we are satisfied that valuation of land & buildings and infrastructure assets are reasonable and fairly stated as at 30 June 2025.

\$267mil

2025
property, plant and equipment
and infrastructure assets

\$272mil

2024
property, plant and equipment
and infrastructure assets


\$4mil

2025
additions

\$ 9mil

2025
depreciation expense

Conclusions on Key Focus Areas

RISK	DETAILS	WORK PERFORMED
<p>4. Completeness and Accuracy of Liabilities and Expenses</p> 	<p>There is an inherent risk that expenditure and corresponding liabilities, are not brought to account in the correct accounting period.</p> <p>Most of the Shire’s expenses relates to employee costs, materials and contracts and depreciation.</p>	<ul style="list-style-type: none">• Reviewed and updated documented system procedures and performed walkthroughs of the expenditure cycles to assess the design and implementation of internal controls;• Reviewed post year-end bank statements up to the date of audit procedures and traced a sample of payments to supporting documentation—including tax invoices and payroll reports—to confirm that all material liabilities were appropriately recorded as at the reporting date;• Supporting documentation was traced to posted expenditure accounting transactions to check if transactions were recorded in the correct accounting year;• Ensured GST has been properly accounted for; and• Ensured classification of expenditure accounting transactions have been coded appropriately to its function and activities.

AUDITORS CONCLUSION


From the work performed, we are satisfied that transactions have been recognised in the correct accounting periods and therefore expenditure and liabilities are accurately recorded for the year ended 30 June 2025.

\$2mil
2025
trade and other payables

\$5mil
2025
employee costs

\$4mil
2025
materials and contracts

Conclusions on Key Focus Areas

RISK	DETAILS	WORK PERFORMED
5. Accounting for Rehabilitation Costs 	<p>The Shire operates the Katanning Landfill Site. There is a present obligation to rehabilitate/make good at the end of the asset's useful life.</p> <p>Accounting for rehabilitation costs involves a degree of management estimation and uncertainty in their calculation in respect of inflation rate, discount factor and work costs. There is a risk that the asset and the related liability may not be recognised in accordance with AASB 116 <i>Property, Plant, and Equipment</i> and AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>.</p>	<ul style="list-style-type: none">• Enquired management if there is a change in circumstances regarding the Shire's present obligations and verified the representation to relevant agreements;• Enquired about investigation progress made on the sites noted and reviewed the Shire's management assumptions, inputs and rehabilitation costs worksheet to ensure cost estimates relating to the asset and liability are calculated using a reasonable approach in accordance with AASB 116 and AASB 137; and• Assessed the adequacy of the required disclosures in the financial report.


AUDITORS CONCLUSION

Based on procedures performed, we are satisfied that the landfill site rehabilitation are reasonable and fairly stated as at 30 June 2025.

\$568k
2025
rehabilitation provision

\$40k
2025
Provision decrease

Conclusions on Key Focus Areas

RISK	DETAILS	WORK PERFORMED
<div>6. Accounting for Employee Related Provisions</div> <div></div>	Provisions for employee benefits involve a degree of management estimation and uncertainty in the calculation in respect of present value inputs (inflation rates and discount factors), timing and probabilities of settlement.	<ul style="list-style-type: none">• Agreed underlying employee information to signed employment contracts and approved leave documentation to confirm the validity and accuracy of employee entitlements;• Reviewed management's underlying assumptions, inputs and calculation of employee related provisions to ensure they are in accordance with AASB 119 <i>Employee Benefits</i>; and• Reviewed the disclosure of the provisions to ensure they are consistent with AASB 119 <i>Employee Benefits</i>.

AUDITORS CONCLUSION


Based on our audit procedures performed, we are satisfied that the provisions for annual leave and long service leave as at 30 June 2025 are reasonable and fairly stated.

\$597k
2025
employee related provisions

\$257k
2025
annual leave

\$340k
2025
long service leave

Conclusions on Key Focus Areas

RISK	DETAILS	WORK PERFORMED
7. Other Disclosures in the Financial Report 	<p>The Shire, as a class 3 local government, is required to disclose material information in relation to:</p> <ul style="list-style-type: none">• Auditor remuneration;• Contingent assets and liabilities;• Post balance date events;• Related party transactions (including Key management personnel compensation);• Capital commitments; and• Information required by legislation.	<ul style="list-style-type: none">• Reviewed the processes completed by the Shire to assess whether they are robust, and these disclosure requirements are addressed adequately; and• Reviewed of the system and records used by the Shire to ensure material disclosures are prepared based on proper records and accounts.

AUDITORS CONCLUSION

Based on our audit procedures performed, we are satisfied that appropriate and adequate disclosures have been made in the financial report. As at this date, we are not aware of any significant post balance date events that need to be disclosed.

Conclusions on Key Focus Areas

Particulars of the significant accounting issues which arose are included in this section of the report for further consideration, where appropriate, by those charged with governance.

1

ACCOUNTING POLICIES

The 30 June 2025 financial report has been prepared in accordance with Australian Accounting Standards and policies are consistent with those applied in the 30 June 2024 financial report.

The following change to the accounting policies were noted during the year:

- AASB 2022-10 – Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

The change to the accounting standards applies to the revaluation of land & buildings and infrastructure assets and requires valuers and management value assets based on the current use being presumed to be the highest and best and not the market approach, taking into account public sector restrictions.

We are not aware of any other material changes in accounting policies applied during the financial year.

Our audit procedures included a review of the accounting policies to ensure that they were consistently applied throughout the year.

2

JUDGEMENTAL MATTERS AND ESTIMATIONS

The preparation of the financial report requires the use of management judgements and accounting estimates or assumptions, which affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities.

Certain estimates can be particularly sensitive because of their significance to the financial report and the possibility that actual future events affecting them may differ significantly from management's current assumptions and expectations.

Where necessary, we have challenged the judgements of management based on our examination of evidential matter relating to those estimates.

We are satisfied that the accounting estimates for the year are reasonable considering known circumstances. In our view a prudent approach has been adopted by management in applying judgements and in making estimates.

Audit Adjustments

Audit Adjustments

Australian Auditing Standards require us to accumulate all known and likely misstatements and audit adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

The table below summarises all uncorrected misstatements to the financial report for the current and prior periods that affect the current period. For uncorrected misstatements, management has determined that their effects are immaterial, both individually and in aggregate, to the financial report taken as a whole. We concur with the determination of management.

UNADJUSTED DIFFERENCES

There are no unadjusted misstatements in the financial report.

ADJUSTED DIFFERENCE

Account	Nature	Debit (\$)	Credit (\$)
Infrastructure Assets	Assets	67,186	
Trade Payables	Liabilities		67,186
Being invoices for FY 2025 which have not accrued.			

Design and Implementation of Internal Controls (including IT General Controls)

Design and Implementation of Internal Controls (including IT General Controls)

DETAILS

Auditors review the design and implementation of internal controls, including IT controls, to assess whether systems are effectively mitigating risks, safeguarding assets, and ensuring the reliability of financial reporting.

This evaluation helps determine whether controls are appropriately structured to prevent or detect errors and irregularities in a timely manner. IT controls, in particular, are critical in today's digital environment, as they underpin the integrity of automated processes and data security. By understanding how controls are designed and whether they have been properly implemented, auditors can form a basis for testing their operating effectiveness and provide assurance over the Shire's control environment.

WORK PERFORMED

We have reviewed the design and implementation of the key financial controls by documenting our understanding of the Shire's systems, performing tests of controls (payroll and procurement) and conducting walkthroughs.

In particular, targeted testing of controls included:

- Monthly account reconciliation preparation and independent review;
- Payroll transactions, in particular timesheet preparation and approval, signed employment contracts and pay run report approval processes; and

- Expenditure transactions to ensure compliance with the Shire's purchasing policy and alignment with procurement best practices.

We have also conducted a high-level IT General Controls review relating to:

- System Security and Access Control;
- Technology Framework;
- Service Management, Operations and Change Control;
- Security Governance and Reporting; and
- Security training.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial report and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire gained during our work to make comments and suggestions which, we hope, will be useful to you.

Design and Implementation of Internal Controls (including IT General Controls)

CURRENT PERIOD FINDINGS

We are pleased to advise that the following findings have been noted during our interim and final audit:-

Final Audit

- Purchase order not complied with the purchasing policy (on-going).

Interim Audit

- Manual journals (addressed);
- Non-compliance with purchasing policy (on-going); and
- No cyber security strategic plan and policy in place (addressed).

PRIOR PERIOD FINDINGS

The previous period management letter had identified findings to be actioned by the Shire. Below is an update on the findings based on our follow up during the current year audit:-

- Trust bank reconciliation not performed regularly (addressed);
- Borrowings reconciliation not performed (addressed);
- Non independent review of month end reconciliation (addressed); and
- No cyber security policy in place (addressed).

Management Letter Points

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit.

These are summarised in the subsequent pages together with management comments. None of these issues raised have a bearing on the view of whether the financial report presents at true and fair view. Our audit work is designed primarily to enable us to express an opinion on the financial statements as a whole and cannot be relied upon to reveal all the weaknesses in the systems and internal controls.

RISK RATING	DEFINITION
H	Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit opinion, it should be addressed promptly
M	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
L	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Final Management Letter Point

RISK	OBSERVATION	RISK RATING	IMPLICATION	RECOMMENDATION
Purchase order not complied with the purchasing policy	<p>During our sample testing of four payment transactions, we identified one instance where the purchase order did not specify any monetary value. This omission indicates non-compliance with the procurement policy, which requires all purchase orders to clearly state the approved value prior to processing.</p> <p>This finding was raised during our interim audit.</p>	M	There is an increased risk that purchases are made without proper approval as per the purchasing policy.	All authorised officers should be reminded by management of their obligations that the purchase orders should be complete and complied with the purchasing policy.

MANAGEMENT COMMENTS

Management will undertake a review of all outstanding purchase orders to ensure compliance and ensure officers are made aware of purchasing policy requirements.

Other Key Matters

Other Key Matters

INDEPENDENCE

We have established policies and procedures designed to ensure our independence, including policies on holding financial interests in the Shire and other related parties, business relationships, employment relationships, and the provision of non-audit services.

We have assessed our audit independence at the planning stage and to the best of our knowledge and belief, we are of the opinion that each engagement team member and partners of all Moore network firms in Australia are not in contravention of the auditor independence and ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities with the Code.

We have further considered the safeguards the Moore Australia network has in place, and we are not aware of any services being provided that would compromise our independence as external auditor.

AUDITOR'S RESPONSIBILITY TO CONSIDER FRAUD

As auditors, we obtain reasonable assurance that the financial report (taken as a whole) is free from material misstatements due to fraud or error.

Accordingly, certain procedures have been performed as part of our audit by way of enquiry, evaluation and review as required by the Australian Auditing Standards on fraud, ASA 240.

Based on representations obtained from management and the work performed, we are confident that the risk of fraud in relation to financial reporting and non-compliance with laws and regulations is low and we have not identified any reportable matters for your attention.

LIAISON WITH MANAGEMENT

We had no disagreements with management about significant audit, accounting or disclosures matters.

There was no correspondence between us and management relating to any significant audit and accounting issues during the year other than those discussed above.

We have not identified any errors or irregularities that would cause the financial report to contain a material misstatement and did not note any apparent illegal acts.

There were no difficulties encountered in dealing with management related to the performance of the audit.

CONFLICTS OF INTEREST

The firm is not aware of any existing or potential relationship, transactions or holdings that would compromise its objectivity in the conduct of the services provided. Should the possibility of a perceived or actual conflict arise the matter would be raised with the OAG and Shire immediately and activities suspended until the issue was resolved to your satisfaction.

Other Key Matters

RESPONSIBILITIES OF MANAGEMENT AND THE COUNCIL

Management is responsible for keeping proper accounts and records, preparation and fair presentation of the annual financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. Management is also responsible for such internal control as determined necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management 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.

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

The primary responsibility for the prevention, deterrence and detection of fraud remains with management and those charged with governance.

Under "Clarity" Australian Auditing Standards, as a precondition of accepting the engagement we are required to determine whether the financial reporting framework to be applied in the preparation of the Shire's financial report is acceptable.

Given that the financial report continues to be prepared as a general-purpose financial report in line with previous years and with no changes in terms of regulations or other issues that might impact the requirements of the report, as at the date of issuing this report we continue to consider this framework acceptable.

As part of the audit requirements, Management is to provide the auditor a written representation that:

- they have fulfilled their responsibility for the preparation of the financial report in accordance with the applicable and other statutory reporting requirements, including where relevant their fair presentation, as set out in the terms of the audit engagement;
- they have provided the auditor with all relevant information and access as agreed in the terms of the audit engagement;
- all transactions have been recorded and are reflected in the financial report; and
- (if any) significant representations made by management for which the auditor is relying on in forming the audit opinion.

Management representation letters have been provided for this matter.

CONFIDENTIALITY

This document is strictly confidential and although it has been made available to management and those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Shire arising under our audit contract with the OAG.

The information contained in this document is confidential and cannot be conveyed to any party other than the party to which it is directed.

ABOUT MOORE AUSTRALIA

Moore Australia is a network of independent accounting, audit, tax and business advisory firms with offices across Australia. Our independent network enables us to share expertise, knowledge and best practice to ensure our clients receive the best advice and highest quality of services, wherever they do business in Australia. With over 550 people at offices around the country, you are sure to be find an advisor near you.

We have extensive experience in all sectors which are at the heart of the Australian economy, such as biotechnology, energy, mining and renewables, health and aged care, education, manufacturing, not-for-profit, property and construction, state and local government, retail, tourism and hospitality. We prize ourselves on delivering service lines which help clients thrive, including but not limited to audit and assurance, business advisory, taxation, corporate finance, governance and risk advisory.

At Moore Australia it's not about us. It's all about you. When it comes to providing personalized and commercially astute audit, accounting, tax and business advisory services, it simply can't be anything else.

MOORE INSIGHTS

Moore Insights are blog and news posts by Moore Global and Moore Australia industry experts, providing insight into industry trends.

A FOURTH INDUSTRIAL REVOLUTION? IT IS ONLY JUST STARTING



The digital transformation we are witnessing in manufacturing and distribution has been likened to a fourth industrial revolution.

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NAVIGATING THE RISK OF AI IN BUSINESS AND FINANCE



Artificial Intelligence (AI) has emerged as a game-changer for businesses. However, with great power comes great responsibility, and the adoption of AI brings a host of risks that need to be considered.

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FOCUS ON SUSTAINABILITY UNLOCKS BUSINESS POTENTIAL



Embracing ESG (Environmental, Social and Governance) principles and practices generates a significant revenue boost for ambitious mid-sized companies.

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