



Shire of
Katanning
Heart of the Great Southern

Annual Report
2018 – 2019



Heart of the Great Southern



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President's Report

The 2018/19 year has been one of very high activity, with the whole Shire team working collaboratively to achieve progress on our many projects.

Planning for the Piesse Park Development which includes a botanic garden, improved amphitheatre, stage, nature playground and a residential development progressed. While the implementation for the Welcome precinct Plan which included the new All Ages Playground, upgraded Skate Park, Lions Park and Changing places facility progressed to the construction stage. This project was completed in November 2019.



These two projects are the major components of the Katanning Supertown Heritage Centre Project funded by the State government through Royalty for Regions that has made a significant impact on the liveability of our community.

Of significant note during the year was the completion of the Administration and Civic Centre Building. This architecturally designed building is an additional feature of the Austral Terrace precinct and has provided a professional working space for our Staff and Council, and improved the interface with our community through interaction at a customer service level. The opportunity for community engagement through a versatile and accessible Council chambers has been a welcome addition to our community facilities. The building was officially opened by Minister Alannah MacTiernan on the 14th June 2019.

Strategic activity over the year has included the adoption of the Corporate Business Plan, special thanks to Executive Manager Lisa Hannagan for her dedication to this challenging task.

Council are working with the Executive to ensure that our Integrated Planning framework including informing strategies are both robust and ensure integrity in process. The coming years will present financial challenges to all local governments in renewing and maintaining assets. Council is working to ensure we are financially sustainable in the long term, while still providing service that the community requires.

The activity over the year in projects, community consultation and involvement in both community and business activities has contributed to the changing and renewed face of Katanning. Our community is going from strength to strength and a positive attitude towards our town is being enjoyed by community members and visitors alike. These things don't just happen, it is all part of a commitment to activating spaces and prioritising projects and community. March 2019 was highlighted by the 10th celebration of the Harmony Festival where over 5000 people attended to celebrate the diversity and rich culture present in the Katanning community.

I would like to thank all Councillors for your continued commitment to our community. There have been many meetings, particularly in planning for the redevelopment of the All Ages Playground and associated projects, that have required your commitment to balance the need for compliance and the aspirations of the community. Your commitment to the task in the face of these challenges is admirable and now in this new year we have been able to reward the community with a truly wonderful facility.

A special thanks is extended to Deputy President John Goodheart, your support and diligence in this role has been very much appreciated.

The Shire of Katanning has been fortunate to have the leadership of CEO Julian Murphy. We appreciate his professionalism and commitment to leading us through this busy time of crucial project work and development that has been challenging for all stakeholders. Thankyou Julian and all the Shire team for your dedication in delivering positive outcomes for our community this year.

2018/19 has again been a productive year for the Shire of Katanning. Thank you to every community member who has supported our community in anyway throughout the year, your contribution as a volunteer or active business creates the vibrant community we have today.

I have been encouraged by the support of the community for Councils activities this year and the progress that has been made for Katanning. Thankyou.

Cr Liz Guidera
President

Chief Executive Officer's Report

The past year has seen the achievement of a number of significant milestones with the delivery of important projects for Katanning:

- New Shire Administration & Civic Centre completed and opened in early 2019;
- Completion of the 48 hour overnight recreational vehicle rest area in Aberdeen Street, Katanning;
- Upgrades to paving and landscaping in Austral Terrace Katanning;
- Return of refurbished iconic giant play equipment to the Katanning All Ages Playground; and
- Completion of the FH Piesse mural on the rear of the old Katanning Hotel.



The Shire also made progress with the key elements of the Katanning Heritage Centre Projects:

- Upgrades of the All Ages Playground and Welcome Precinct;
- Construction of the bowling green at the Katanning Country Club;
- Planting and establishment work for the Piesse Park Botanic Gardens; and
- Planning for Wayfinding Signage, Brand Essence and Tourism Strategies.

2019 was the tenth year of Katanning's renowned Harmony Festival which brought the entire community together to celebrate multiculturalism and diversity. I would like to thank the Staff and Councillors for their contribution to the Harmony Festival, particularly the hardworking Community Development team that coordinate the event.

I have continued to represent the Shire of Katanning as a board member of the Katanning Regional Business Association (KRBA). My involvement with the KRBA provides an open line of communication between the Shire and local business representatives and has enabled the Shire to continue to build better relationships in this area.

Rural roads continued to be a focus for the Shire of Katanning with a stakeholder's workshop held in April 2019 to provide feedback on the availability of standpipe water and Road Hierarchy and to assist with setting priorities for Council's long-term roads program.

The Shire has actively engaged with its neighbouring Local Governments, working cooperatively in the areas of tourism, fire and emergency services, housing development, environmental health and building control. Both Elected Members and Senior Officers participate in a range of forums across the Great Southern where they are able to share experiences and ideas that can be implemented to improve the effectiveness of Local Governments.

Communication and engagement with the community is a priority for the Shire with a focus on providing information to the community through the Shire Matters Newsletter, the Shire website, Facebook and other social media platforms. In an everchanging world, the Shire continues to look for improvements in the way we communicate with the community.

I would like to thank the Katanning Community and volunteers for their ongoing support of the Shire and express my appreciation to the President Liz Guidera, Councillors and the Staff for their hard work and support over the past year.

Julian Murphy
Chief Executive Officer

Katanning in Brief

The Shire of Katanning is located in the Upper Great Southern Region of Western Australia approximately three hours' drive south east of Perth.

Katanning is a vibrant country community founded on rural industries.

Katanning provides a range of services to meet the community's needs including education, health, recreation facilities and affordable land and housing.

Shire of Katanning Statistics	
Distance from Perth	283km
Area	1,523 sq. km
Length of Sealed Roads	255.1km
Length of Unsealed Roads	528.6km
Population	4,151 (ABS, 2016, LGA)
Number of Electors * WA Electoral Commission, 2019	2,463
Number of Properties	2,128
Total Rates Levied	3,954,569
Total Revenue	15,556,713
Number of Employees	64 FTE

Councillors



Cr Liz Guidera
Shire President

Term expires 2023



Cr John Goodheart
Deputy Shire President

Term expires 2023



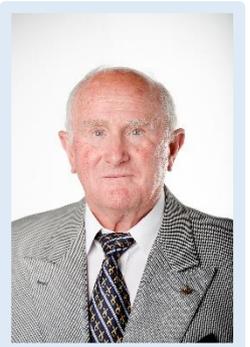
Cr Owen Boxall

Term expires 2021



Cr Serena Sandwell

Term expires 2023



**Cr Martin Van
Koldenhoven**

Term expires 2021



Cr Danny McGrath

Term expires 2021



Cr Ernie Menghini

Term expires 2021



Cr Kristy D'Aprile

Term expires 2021

Executive Management Team



Julian Murphy
Chief Executive Officer

Governance
Community Relations
Human Resources
OSH and Risk



Lisa Hannagan
Executive Manager Finance and Administration

Corporate Services
Finance and Rates
Customer Service and Administration
Information Technology



Sam Davis
Executive Manager Projects and Community Building

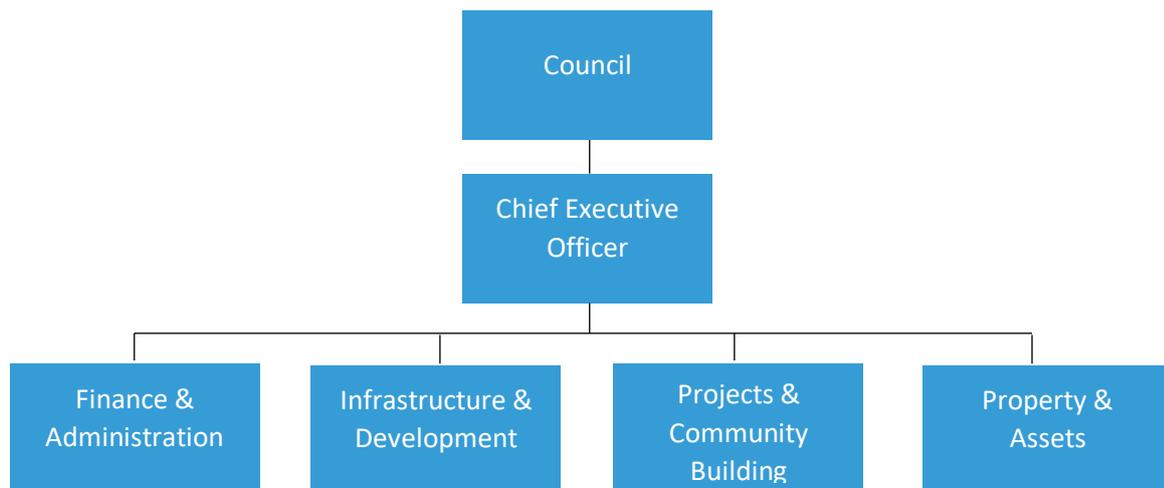
Strategic Planning
Community Development
Leisure Centre
Library and Art Gallery
Aquatic Centre



Heidi Cowcher
Executive Manager Property and Assets

Project Management
Building Maintenance
Infrastructure Management
Saleyards
Asset Management

Organisational Structure



Council Highlights, Events and Milestones

July 2018

Council Highlights

At the July Ordinary Council Meeting, Council approved the Design Development Report produced by Plan E for the Welcome Precinct and All Ages Playground.

Council accepted the donation of cinema equipment from the Friends of Little Gem Cinema.

Community Highlights

The Katanning Art Gallery presented the *NAIDOC Photographic Exhibition* from 6 July until 27 July 2018 and held a formal opening on Friday 6 July 2018.

The Shire of Katanning together with the Katanning Regional Business Association and the Wheatbelt Business Network held a community meeting to contribute to a Katanning Innovation Action Plan on Wednesday 18 July 2018.



The Katanning Town Hall held a winter concert by the South Side Symphony Orchestra (SSSO) on Saturday 28 July 2018 under the baton of Laurissa Wyllie-McCarthy, SSSO's newly appointed Music Director. They then held a free workshop and performance to share a musical experience with children, teens and all aspiring music lovers on Sunday 29 July 2019.

There were two Katanning Youth workshops for the July School Holidays on bath bomb making and poetry writing.

August 2018

Council Highlights

Each year Council set aside funds in the annual budget to support local community initiatives. At the August Ordinary Council Meeting, Council considered Community Financial Assistance Program applications and resolved to support the following groups:

- Katanning Regional Business Association for advertising of their 2018 Christmas on Clive event.
- Katanning Community Childcare Centre for their Promotion and Awareness Project utilising the local provider.
- Katanning Landcare for the Joe Tonga event, Eco Week Eco Exchanges event and video series.

At the same meeting, Council also granted Development Approval for an additional storage shed and Bowling Green and approved a waiver of the KLC Pioneer Room Gold Package for the Katanning Wanderers Football Club's Annual Wind Up and Awards Night.

Community Highlights

The Katanning Dramatic Society put on multiple shows of "Are You Being Served?" at Katanning Town Hall.

September 2018

Council Highlights

At the Ordinary Council Meeting held in September, Council approved Community Donations included in the Annual Budget for the 2018/19 financial year and provided the Katanning Art Gallery exhibition space for a 3-week period for David Papenfus and Margaret Innes' exhibition.

Community Highlights

Katanning Senior High School held a Katanning's Got Talent Show at Katanning Town Hall.



The *Hidden Treasures of the Great Southern 2018 Bloom Festival* started on 22 September 2019 with several Bloom-Themed events taking place in Katanning such as Magic Garden Making in the Katanning Library and Giant Paper Flower Making at the Katanning Hub CRC.

The Katanning Art Gallery hosted a *Blooming High Tea* to celebrate the *Blooming Art Exhibition* which presented amazing creative floral designs made by local identities, groups and individuals.



October 2018

Council Highlights

At the Ordinary Council Meeting held in November, Council approved the Piesse Park Concept Plan prepared by Emerge Associates and supported Anglicare WA's proposal to install the purple bench in support of the Women's Council Purple Bench Project.

Community Highlights

The Shire of Katanning hosted *Dane Simpson in Great Danes AborigiLOL* at the Katanning Town Hall, a hilarious variety night of music and comedy. Wagga comedian Dane Simpson (as seen on Channel Ten's *Have You Been Paying Attention* and at the Melbourne International Comedy Fest), emerging indigenous talent, starred in this highly engaging variety night.



Many more Bloom-Themed events were arranged in Katanning for the second half of the *Bloom Festival 2018* such as a Flower Crown, Soy Candle, Ice-Cream and Mini Garden Making Workshops; Friday Food Night and a Sesh at the Saleyards.



The Annual Katanning Agricultural Show was held at the Katanning Leisure Centre with fun activities, stall holders, parades and more.

November 2018

Council Highlights

At the Ordinary Council Meeting held in November, Council approved a 48 hour overnight stay period for the Aberdeen Street RV Rest Area.

Community Highlights

The Decadent and Depraved was screened at Katanning Town Hall. Katanning's very own talented actor Mitchell Page was present amongst other lead actors from the multi-award-winning independent film. The following day a Q&A with the Film Makers was held for the community to get to know more about making the film.





The Shire of Katanning held an All Ages Playground Farewell to say goodbye to the playground before it closed temporarily to undergo a major facelift. It was a great day for the community with free entertainment, including face painting, sausage sizzle and the miniature railway.

December 2018

Council Highlights

At the Ordinary Council Meeting held in December, Council approved Katanning Senior High School’s use of Katanning Town Hall for the delivery of a Certificate II in Hospitality course at a reduced rate and the ability to use the foyer as a Pop Up Café on certain Tuesdays that the public can access.

Community Highlights

Christmas on Clive was held 8 December 2018 and was a great community event with a free concert, food stalls, free rides and Santa.



On 16 December 2018 the Katanning Pool held a free event to celebrate turning 80 with a sausage sizzle, birthday cake and games and races. Closely followed by Carols by Candlelight in the Town Square with a free sausage sizzle and drinks.

The Katanning Regional Business Association hosted a Twilight Christmas Markets in Town Square to mark the start of extended trading. The cafes were open and local stalls with an appearance from Santa.

January 2019

Community Highlights

The community celebrated Australia Day at the Lions Park with a free breakfast and bouncy castle. Guest Speaker, Australia Day Ambassador Professor Ralph Martins AO made a speech; two residents received their Australian Citizenship and presentations were made to announce the winners of the Citizen of the Year and Community Long Service Awards 2019.



February 2019

Council Highlights

At the Ordinary Council Meeting held in February, Council considered Round 2 of the 2018/2019 Community Financial Assistance Program applications and resolved to support the following groups:

- Katanning Senior High School P&C for venue hire and decoration hire costs.
- Katanning Historical Society for display cabinets in the Katanning Museum.
- Katanning Mens Shed for the underground power connection to their future base at the Westrail Wool Consolidation Shed (The Woolstore).

Community Highlights

The Katanning Concert in the Park was held in February and featured free music by Murphy’s Lore and local entertainment. This event is supported by the Shire and is growing in popularity every year.



The Katanning Gallery presented the Gondwana Connections Exhibition for the whole month featuring giant paintings mapping special country.

March 2019

Council Highlights

The Ordinary Council Meeting for March was held in the new Council Chambers in the new Shire Administration and Civic Centre. Council adopted the Mid-Year Review as at 31 January 2019.

Community Highlights

Harmony Week celebrations ran during March 2019. This year Katanning Harmony Festival celebrated its 10th anniversary and biggest ever event.



The celebrations started on Friday 15 March 2019 with the Friday Food Night that was a great success with local food vendors and entertainment, including special guest, Famous Sharron. The “Believe it or Not Tour” ran in conjunction with the Food Night for the second year and featured a whistle stop tour of some of Katanning’s art, culture and architecture including the Mosque and other houses of faith.

On Saturday 16 March 2019 was the famous Harmony Festival in the heart of town. Thousands of visitors and community members flocked the streets to come together to celebrate the multiculturalism that Katanning is renowned for. It was a great day for all with a food village, market stalls, entertainment and activity zones.



April 2019

Council Highlights

Council agreed to implement a ‘no parking zone’ in front of the Katanning Police Station and accepted the tender by Pickles Auctions for the disposal of the Shire’s 2006 Caterpillar 12H grader at the Ordinary Council Meeting held in April.

Community Highlights

The Katanning Gallery opened the ‘How Did I Get Here?’ exhibition with Arts on the Move featuring video and photographic works from seven Australian contemporary artists which invited viewers to contemplate how their relationships and environments define their sense of self.

2019 Youth Week WA was a success with escape rooms held by Y4Y at the Katanning Public Library and Gallery and ending with the Katanning Youth Fest “Riddle Me This” in Katanning Town Hall, where kids could meet the team behind the escape rooms.

May 2019

Council Highlights

At the Ordinary Council Meeting held in May, Council invited tenders for the management and operation of the Katanning Aquatic Centre for a period of no less than three years and submitted an in-house tender.

Council endorsed the construction of four independent living units and three key worker housing units in the Piesse Lake Residential subdivision and presented the first Citizenship Ceremony in the new Council Chambers.



Community Highlights



Katanning Town Hall hosted the ladies from Candy Shop Show Australia who took audiences on a once-in-a-lifetime cabaret journey around the world in *Up, Up & Away!* Vocals showcased the incredible acoustics in the building and locals joined in with the dancing fever.

Katanning Gallery held an exhibition featuring *Local Art: Us*, by the Katanning Arts & Crafts Society which proved very popular amongst the community.

June 2019

Council Highlights

At the Ordinary Council Meeting held in June, Council endorsed the appointment of 21 persons as Fire Control Officers.

Community Highlights

Friends of the Library: Katanning hosted a Bollywood Night at the Katanning Library. The night included delectable Indian food, Bollywood music, dance and Henna tattoos that was enjoyed by all.

The Shire hosted a two-day Weaving Workshop at the Saleyards on wicker weaving and coil basketry.



Grants

The Shire received operating grants funding totalling over \$1.3 million during the reporting period.

Name of Grant/Source	Amount
Youth Activities	24,417
Drumbeats	40,000
Regional Venues Improvement Fund Grant - Library	25,000
Harmony Festival	43,648
Regional Exhibition Touring Boost - Library	3,000
Women's Economic Development Project	10,000
CALD Engagement	20,000
Tourism Attraction & Development	35,950
Regional Road Group	139,315
Roads to Recovery	338,529
Regional Waste Initiative	315,487
Direct Road Grant	112,389
WANDRAA	73,351
RADS Grant (Aero)	54,020
Hidden Treasures (Auspice)	73,189
TOTAL	\$1,308,295

Major Assets

Katanning Saleyards



2018/19 Actual		2018/19 Budget		2017/18 Actual	
Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
853,482	1,305,706	893,429	1,404,911	744,395	957,337

Yarding fees for 18/19 were above budget expectations as was income from the truck wash facility. The actual revenue is less than budgeted due to decreases in transfers from Saleyards and New Saleyards Reserves. Actual expenditure was less than expected, with minimal expenditure taking place in respect to the Decommission/Post Closure activities related to the Old Yards.

Katanning Leisure Centre



2018/19 Actual		2018/19 Budget		2017/18 Actual	
Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
310,824	1,555,597	379,130	1,685,558	381,439	1,673,225

Revenue was below expectations for the KLC, particularly in Entry Fees, Functions Hire, Kiosk and Gym and Fitness fees. A review into the operations was undertaken in June 2019 to look at ways to increase patronage. Expenditure for the period was also less than budgeted, primarily in the area of salary costs and the Works Program.

Road Infrastructure

Council consider spending on road infrastructure on an annual basis during the Budget deliberations.

Funds are contributed by Council and external sources such as the Regional Road Group and Roads 2 Recovery.

Road and work completed	2018/19 Actual	2018/19 Budget
Fairfield Road – Widen and Seal	210,000	216,689
Dumblebung Road – Repair failures	120,000	1,529
Warren Road – Reconstruct and widen crests	48,526	51,819
Fairfield Rd – carry forward	46,053	47,777
Hutton Road – Road works and drainage	402,182	357,971
Gibney Road - Road works and drainage	292,691	244,309
Langaweira Road – widen, seal and drainage	118,065	120,252
Cheviot Hills Road – Carry Forward	12,722	0
Special Projects	221,719	107,564
Total	\$1,471,958	\$1,147,910

Community Financial Assistance Program

Each year Council sets aside funds to provide financial support to the community.

In 2018/19, Council budgeted \$25,000 for the Community Financial Assistance Program.

Local community groups make application for funds and the following donations were awarded in the 2018/19 financial year:

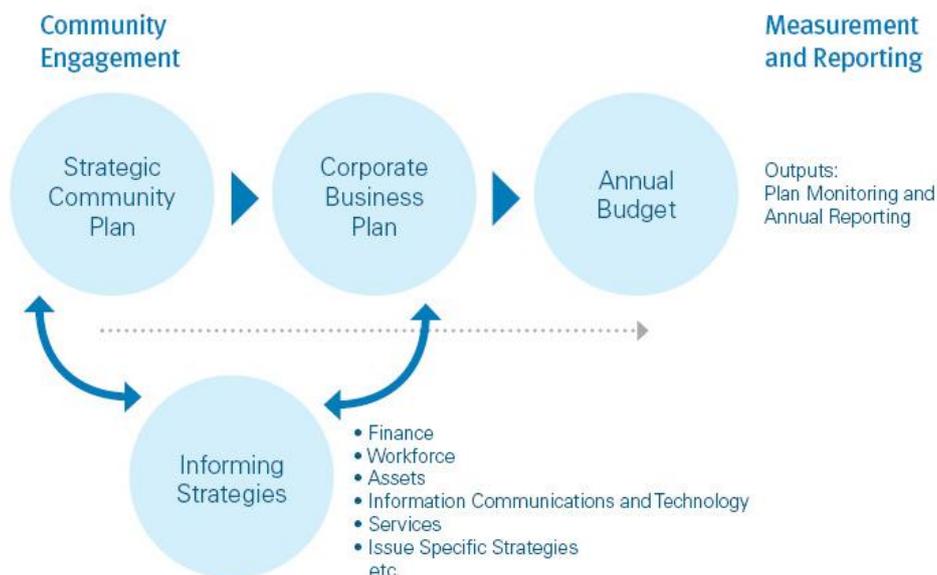
Round 1	Recipient
\$2,674.54 ex GST	Katanning Regional Business Association
\$1,201.15 ex GST	Katanning Community Childcare Centre
\$5,100.00 ex GST	Katanning Landcare
Round 2	
\$881.82 ex GST	Katanning Senior High School P&C
\$4,278.00 ex GST	Katanning Historical Society
\$9,000.00 ex GST	Katanning Men's Shed

Strategic Community Plan

In 2010, the Western Australian State Government introduced legislation requiring Local Governments to prepare an Integrated Planning and Reporting (IPR) Framework by June 2013. Integrated planning ensures that Councils Strategic Plan reflect the community aspirations, visions, and priorities of the district.

The Shire consulted widely with the community to produce the Strategic Community Plan and other plans within the IPR Framework.

The diagram below highlights the components of the framework:



Elements of Integrated Planning and Reporting Framework

In accordance with the legislation and following extensive community input, Council adopted its Strategic Community Plan in February 2013.

The plan is Council's principal planning and strategy document, which means that it governs all of the works that the Shire undertakes, either through direct services delivered, partnership arrangements, or advocacy on behalf of the community.

In accordance with the legislations, Council is required to report to the community annually its progress towards achieving the objectives.

Our Vision

"A prosperous, vibrant and diverse community working together"

In partnership with Council the community has developed a clear and powerful vision to build the future of Katanning based on an evolution of growth and progression. By mid-2023 the Shire of Katanning will;

Achieve a population of 15,000 by embracing its Aboriginal, agricultural, multicultural and built heritage as it moves forward as a cohesive community seeking investment in economic, environmental and social infrastructure. Our aim is to achieve self-supporting growth and recognition as the inland heart of the Great Southern.

Corporate Business Plan – Annual Highlights

Key Result Area	Annual Highlights
Social	<p data-bbox="488 499 1455 533">S1 – A capable, vibrant, healthy and connected community</p> <p data-bbox="488 557 991 591"><i>S1.1 Sport Leisure Recreation Connection</i></p> <p data-bbox="488 616 1437 880">The Shire ran a full range of programs over the reporting period that saw excellent utilisation of KLC facilities and function centre, programs included Youngstars School Holiday Program’s, Seniors Activities - Pingo, Quiz, Autumn Club, Carpet Bowls, Senior Gym, Seniors Exercise Groups – weekly & monthly, Group Fitness Programs with the introduction of a new express fitness programs to meet the fitness trend needs of the community, Social Badminton & Rollerblading Evenings.</p> <p data-bbox="488 904 1445 1093">The Katanning Leisure & Function Centre provided free meeting rooms for Club Committee Meetings to facilitate club development, clubs/groups utilising the facilities have included Katanning Netball Association, Katanning Equestrian Association, Great Southern Merino Sheep Breeders Association, Olympians Netball Club & Allstars Netball Club.</p> <p data-bbox="488 1117 1437 1305">The Shire has held meetings along with training sessions within the centre, including the KLC User Group, Townscape Committee, Public Meeting - Standpipes, Blessing of the Roads, Manual Handling Courses, Workplace Behaviours Seminar, Risk Workshop Local Emergency Management Committee and Skin Checks.</p> <p data-bbox="488 1330 1422 1594">In-kind contributions towards the use of the facilities and equipment use continues, supporting Shire programs along with organisations gaining equipment & venue access free of charge or through CEO donations, the likes of Nyoongar Wellbeing & Health – providing venue and equipment use for school holiday programs, community fundraisers in conjunction with the local clubs. Community uses of the Function Centre continued with commercial/government and private facilities hire.</p> <p data-bbox="488 1619 1422 1733">Schools winter sports carnivals have been held with use of the entire precinct along with the Clontarf Academy opting to utilise the venue its before school activities.</p> <p data-bbox="488 1758 1445 1872">A tender for the management of the Katanning Aquatic Centre was developed during the period for the 2019/20 season. The YMCA contract concluded at the end of season 18/19.</p>

S1.2 Health Support Services

The Shire developed an Expression of Interest to establish a **Medical Facility** in the old Shire Administration building. The EOI process will provide guidance to Council in its consideration for continued support for the provision of appropriate medical services to the community of Katanning.

S1.2 Health Support Services

- Disability Awareness training for Shire staff and Disability Access and Inclusion Plan (DAIP) reporting workshop for LG's conducted.
- DAIP report submitted.
- Community Arts Network Noongar project 'Place Names' has resulted in an event being prepared for the opening of the Bloom Festival 26 Sept - puppet/bigature making sessions with Katanning Senior High School students.

President, Deputy President and CEO met with the Katanning Medical Workforce Project Consultation Group in May to look at ways that Council can support the improvement of Health and Allied Medical Services in Katanning.

Councillors attended a tour of the Katanning Hospital and discussed provision of ED services and met with local GP service operators to discuss options and opportunities for them to increase services in Katanning.

President participated in filming a segment for Rural Health West who are developing an information package for prospective Doctors to encourage consideration of Katanning as a destination to live and practice.

S1.3.2 Art Learning Culture

Katanning Public Art Gallery

- New flooring and security system installed facilitated through Regional Venues Improvement Fund \$25,000.
- The Regional Exhibitions Touring Boost launch exhibition "How Did We Get Here".
- The Gallery was visited by Conservators from the Art Gallery of Western Australia who conducted a map and gap exercise on the Shire's art collection, gallery space and storage.
- Shire Art Collection baseline condition report documentation established.

Multiple exhibitions were held over the period and Drumbeat programmes were run in partnership with Tambellup Community Resource Centre for the local Noongar Community. The Shire of Katanning's Drumbeat programme has now been successfully completed and concluded at the end of June 2019.

A 2-day weaving workshop was facilitated by Fiona McGreevy master basket weaver - fully booked 12 participants.

UP, UP & AWAY! Cabaret was staged at Katanning Town Hall in May.

S1.3.4

Katanning Library

- Library door count remained consistently high over the period including a record number of visitors in one month.
- The Library supported Albany Men's Resource Centre to hold a Dads and Kids Fun Day, with bouncy castle, face painting, Albany Play in the Park, and goodie bag giveaways, it was well attended.
- Stronger Community Grant programme has enabled modernisation of the library helping to create a smart, fresh and modern atmosphere. This has included the purchase of acrylic signage, section divider sets, bay ends, kids' ottoman, reading Niche chairs, member's book interactive board, slim newspaper rack, kids DVD spinner. A new study corner has had a constant flow of usage by students, researchers and the general public pursuing their interest and the whole library was painted.
- Katanning Library joined 9890 locations throughout Australia who participated in National Simultaneous Storytime. We had 17 children attend.
- Katanning Library was permitted to become a Tier 1 library in the new State Library of Western Australia structure. The library was given access to Tier 1 based on its statistics, recent progress and programmes. The State Library of Western Australia's tiered system will come into effect over the next 12 months and will see benefits to collection management, programming and other Library priority delivery, access to additional funding opportunities, and improved networking and training.

S2 – A safe community

S2.1 Safe and secure

CCTV Audit/Review. A review of all CCTV Assets in Katanning, including location and condition of current units was undertaken by staff. The audit will assist an external investigation into finding where gaps exist, what additional resources are required and inform a plan setting out strategically how the Shire can improve coverage. The plan will be able to be used to seek additional funding when opportunities arise.

S3 – A resilient, engaged community with a strong sense of pride

S3.1 Diverse culture

A Cultural Collaboration Officer (grant funded) was recruited and has set out to Council the program to engage with and create opportunities for the Katanning CALD community.

	<p>A3.2 Social resilience participation and engagement</p> <p>National Youth Event ‘Escape Room and Riddle Me’ event were held during National Youth Week in April 2019</p> <p>A Youth Committee has been establishment (facilitated by the Shire) has 25 members who focus on youth activities. The committee has been set up to run independently of the Shire and are called Y4Y (Youth For Youth).</p> <p>Katanning Community Cinema Group (KCCGI) have held regular meetings during the period to progress commencement of service, including coming to an agreement with the Shire for facilities usage at the Town Hall.</p> <p>The Katanning Aboriginal Corporation has re-established itself with a new committee and are working towards utilising the Katanning Noongar Centre again.</p> <p>Friends of the Library committee has re-established and are currently fundraising to purchase resources to enhance the libraries facilities and programming.</p> <p>Read Write Now are utilising the ESL room more frequently due to a recent change which has ceased their access to the Coolingah Centre.</p> <p>Katanning Arts Inc. presented a vision for the future of Katanning Gallery to Council at the June OCM.</p> <p>The Shire provided assistance to the Katanning Community Childcare Inc. with a funding application to enhance its service delivery through building improvements and resourcing.</p>
<p>Built Environment</p>	<p>B1 – Infrastructure that meets community needs</p> <p><i>Council undertook an inspection of Shire Roads and major facilities, such as the KLC, Katanning Library & Gallery and Amherst Village to support the Budget process for the 2019/20 financial year.</i></p> <p><i>President and Executive staff met with Katanning Community Childcare to extend lease arrangements and discuss improvements to maintenance and facilities.</i></p> <p>Piesse Lake Residential Subdivision – after many years of planning, the subdivision was submitted for final approval in this reporting period. Approval was received after 30 June 2019 and the land will be developed and then released for sale in the 2020/21 financial year. Council commenced concept planning to build four independent living units on four of the strata lots to address and meet aged accommodation needs in the community.</p>

	<p>Further to this, Council is also planning to build three key worker housing units to address a shortage of appropriate and suitable accommodation for key workers in the community (doctor's, allied health and other important service providers).</p> <p>Council continues to ensure a high standard of maintenance on its community facilities, buildings and public amenities. Shire staff are responsive to community needs and ensure that at all times maintenance requirements are attended to in a timely manner.</p> <p>B2 – Places for the community to live, work and connect</p> <p>Final planning for the development of the Piesse Park precinct progressed. Construction is anticipated to commence in the second quarter of 2019/20.</p> <p>Town Centre projects included preparation for the redevelopment of the Katanning RSL Park, Katanning Rotary Park, the roundabout at Clive Street/Austral Terrace, the carpark opposite the Dome and the parking area opposite the Co-op. These areas are all at the final stage of planning, with the works to be commence and be completed in the second quarter of 2019/20.</p> <p>Council's participation in the Great Southern Housing Initiative was confirmed, and funding secured to build four independent living units and three key worker housing units in the soon to be released Piesse Lake Residential Subdivision. Funding will provide a significant cash boost for this project to be initiated and completed in the second half of 2019/20. These units address identified accommodation needs of the community and will work towards the provision of dedicated, purpose-built homes for these demographics of the community.</p>
<p>Natural Environment</p>	<p>N1 – A community and Council that are environmentally aware and engaged</p> <p>Eco Exchange Lunch and Matinee hosted by Katanning Landcare, Shire of Katanning and Great Southern Development Commission was held in April.</p> <p>N2 – A high level of biodiversity and healthy ecosystems</p> <p>Katanning Landcare progressed the establishment of a new botanical garden at Piesse Park that has been specifically designed to create a high level of biodiversity and a healthy ecosystem in the heart of town. The volunteers built 'bat houses' that have been placed in the Park to attract bats to live in the area and assist to address pests such as mosquitos (a bat can eat its body weight in mosquitos in one night).</p> <p>N3 – A strong sense of community ownership and pride for the natural environment</p> <p>Volunteers from Katanning Landcare continued to be actively involved in the establishment of the botanical garden at Piesse Lake Park. This will be an attractive area for all to enjoy and has been designed to be a demonstration site for many soil types in the Wheatbelt and Great Southern region.</p>

	<p>The Piesse Lake Planting programme in partnership with Katanning Landcare - winter planting programme progressed. A public smoking ceremony was conducted at the Lake to launch the planting session. The programme engages local volunteers to plant around the lake.</p> <p>A Piesse Lake Information session was held in June.</p>
<p>Economic</p>	<p>E1 – Local business and industry is resilient, growing</p> <p><i>Council is increasing their focus on economic development, by strategically aligning Katanning within the Great Southern region.</i></p> <p><i>Council involvement includes participation on WALGA Zone meetings, Mayors & Presidents Meetings and the Southern Link VROC (Voluntary Regional Organisation of Councils).</i></p> <p><i>Councillors and executive staff continue to build ties with the business community, including President attendance at the opening of the new facilities in Katanning, such as the McIntosh expansion.</i></p> <p><i>Shire representation (CEO) established with the Katanning Regional Business Association.</i></p> <p>Scope for the RFQ for delivery of food carts was been developed as a part of the Regional Economic Development Scheme grant.</p> <p>Two meetings attended with Community Resource Centre and Katanning Regional Business Association (KRBA) to explore opportunities for a pathway forward in economic development.</p> <p>E2 – A place to live and visit</p> <p>E2.1.1 Adopt a Tourism Strategy – RFQ was developed to seek assistance with a Tourism Strategy for Katanning, the plan will be considered by Council late in 2019.</p> <p>FORM Artwork installed a fantastic mural on the rear of the Katanning Hotel and this has contributed to the public art trail in the Shire and beyond.</p> <p>Regional trails workshop hosted by Great Southern Centre for Outdoor Recreation Excellence were held in Katanning.</p> <p>E2.3.1 Develop and implementation of strategies to strengthen town identity and community pride: Community, Council and Stakeholder workshop held on 17 April to initiate the development of a Katanning Brand Development and Content Plan: Final draft plan has been received for review.</p> <p>E3 – Sustainable economic and population growth</p> <p>The Shire has agreed to undertake a feasibility study into the establishment of a Shearing Centre of Excellence at the Katanning Saleyards. The concept is an initiative of AWI (Australian Wool Innovation) and aims to establish a Centre of</p>

	<p>Excellence in the regional centre of Katanning and provide opportunities for industry-based initiatives aimed at nurturing and supporting the agricultural industry, most notably shearing and wool classing.</p> <p>E4 – A culture of learning</p> <p>Leadership workshop in partnership with the Katanning Senior High School (KSHS) for the KSHS Leadership Student Group. Facilitated by the Great Southern Leadership Academy.</p> <p>President and Council participation in the Early Years Initiative has been established. The initiative is a partnership with the Telethon Kid’s Institute, Minderoo Foundation and its purpose is to empower and support communities to assess the needs of children and families and identify what works best to help their children to thrive, based on evidence and research. The Shire of Katanning, along with three other Central Great Southern shires is a partner community.</p>
Leadership	<p>L1 – An inclusive community, recognised as a great place to live and visit</p> <p>Community Perception Survey undertaken in March 2019 and the results were provided back to the Shire during the reporting period.</p> <p><i>President, Deputy and CEO attended presentation of the results of the Community Perception Survey with all other Great Southern Regional local governments who had participated in the process.</i></p> <p><i>The Katanning report clearly highlighted the need to improve communications within the Shire and that will be a focus of the first quarter of the 2019/20 financial year, with Council developing a Strategic Communication Policy.</i></p> <p>L2 – A collaborative, progressive and resilient local government which is sustainably resourced</p> <p>Council and staff moved into the new Administration and Civic Centre in February 2019. The new facility includes staff offices over two levels, a new Chambers, office space for the Shire President and a Councillor Lounge/informal meeting space.</p>

Compliance

National Competition Policy

This policy was introduced by the Commonwealth Government in 1995 to promote competition for the benefit of business, consumers and the economy by removing unnecessary protection of monopolies of markets where completion can be enhanced. It effects local government as factors such as exemption from company and income tax or possible local regulations and laws may give local government a potential advantage over private contractors.

In respect to Council’s responsibilities in relation to the National Competition Policy the Shire reports as follows:

- No business enterprise of the Shire of Katanning has been classified by the Australian Bureau of Statistics as either a Public Trading Enterprise or a Public Financial Enterprise.
- Competitive neutrality has not applied to any activities undertaken by the Shire in this reporting period.
- No allegations of non-compliance with the competitive neutrality principles have been made by any private entity.
- The principles of competitive neutrality will be implemented in respect of any relevant activity undertaken during the next financial reporting period.

Freedom of Information

In complying with the *Freedom of Information Act 1992*, the Shire of Katanning is required to prepare and publish an information statement.

The Shire of Katanning's Information Statement is reviewed annually and is available via Council's website or at the Shire administration office. The information statement contains information on the type of documents available to the public and how to access those documents.

1 Freedom of Information enquiries were processed during the 2018-2019 period.

State Records Act

The *State Records Act 2000* requires the Shire maintains and disposes of all records in the prescribed manner.

Principle 6 – Compliance: Government Organisations ensure their employees comply with the record keeping plan.

Rationale: An organisation and its employees must comply with the organisation's record keeping plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements:

The record keeping plan is to provide evidence to adduce that:

1. The efficiency and effectiveness of the organisation's record keeping system is evaluated not less than once every 5 years.
2. The organisation conducts a record keeping training program.
3. The efficiency and effectiveness of the record keeping training program is reviewed from time to time.
4. The organisation's induction program addresses employee roles and responsibilities in regard to their compliance with the organisation's record keeping plan.

The Shire has complied with Items 1 to 4.

Disability Access and Inclusion Plan

All Western Australian Local Government Authorities are required to develop and implement Disability Access and Inclusion Plans in accordance with the Disability Services Act (1993) to ensure people with disability have the same opportunity as others to access council services, facilities,

information, employment and civic participation. The Shire of Katanning offers many services that ensure the community is inclusive of people with disability and their families.

People with disabilities represent a significant section of the Katanning community. According to the Disability Services Commission (Disability Services Commission website, 2004) the number of people living in the Shire of Katanning who have a disability is 17.8% of the total population. This represents almost one in five people or approximately 900 people. Given that Katanning is also a regional service provider for the Shire's of Broomehill, Woodanilling, Dumbleyung, Kojonup, Gnowangerup and Kent it can be estimated that the number of people with Disabilities for whom the Shire of Katanning provides services and facilities is significantly higher than 1000.

The vast majority of people with a disability (or disabilities) live in the community. It is therefore important that they have the same opportunities and choices as other people to participate in community life.

Given the broad range of services provided to its communities, Local Government plays a vital role in the lives of people with disabilities, their carer's and families.

In 2018-2019 the following Shire initiatives contributed towards the Achievement for the DAIP outcomes:

- The Shire of Katanning organised a Disability Awareness training workshop for all Shire staff to attend on Wednesday 5 June 2019. This training was held at the Katanning Town Hall which is access friendly Shire venue. We held two sessions, with one session being open to surrounding Shires. This was organised to improve staff awareness of disability and accessibility issues and the roles of Local Government workers in this space. 47 Shire of Katanning staff attended the workshop.
- The Changing Places toilets (A fully accessible public toilet with change table and hoist for people with severe or profound disabilities) was officially opened in early 2019, it is located at the Katanning Lions Park. This will not only benefit Katanning and surrounding community but also the tourists/visitors travelling to the Great Southern.
- The new Shire of Katanning Administration Building was completed during this reporting period and the Shire officially moved in to the new building as of March 2019. The two story building features a lift, ambulant toilet & unisex toilet RH at both levels, a ramp at the back of the building leading to the carpark, ACROD parking for staff carpark and Austral Terrace.
- An upgrade to the footpaths in Austral Terrance from the Premier Mill Hotel to Zanyacs with additional ramps and a bench at the end of Clive and Albion Street.
- Upgrades of footpaths in front of the Bethshan Katanning and a number of other locations around Katanning were completed during the 2018/19 financial year.
- Improvements were made to a gravel pathway in Cornwall Street from the Caravan Park to CBD.
- Two ramps were installed on Bay Grove Road. This work was done to better facilitate usage by people with gophers and the like.
- At the Katanning airfield, the Shire installed handrails on the ramp to the patient transfer lounge and marked out one ACROD parking space in the newly constructed carpark.
- During this reporting period the Shire of Katanning employed 3 people who have identified as have a mental health illness.
- We have continued to support the Local Senior High School with their workplace learning program and during this reporting period we hosted a student who has a physical & neurological disability at the Katanning Public Library.

Employee Remuneration Disclosure

Regulation 19B of the *Local Government (Administration) Regulation 1996* requires the Shire to include the following information in its Annual Report:

- The number of employees of the Shire entitled to an annual salary of \$100,000 or more; and
- The number of those employees with an annual salary entitlement that falls within each band of \$10,000 over \$100,000.

Set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more.

\$ From	\$To	Number of Employees
100,000	109,999	
110,000	119,999	2
120,000	129,999	1
130,000	139,999	
140,000	149,999	
150,000	159,999	
160,000	169,999	1
Total		4

Public Interest Disclosures

The Public Interest Disclosures Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken. The Chief Executive Officer has complied with all obligations under the Act including:

Appointing the Executive Manager Finance & Administration as the PID officer for the organisation and publishing an internal procedure relating to the Shire's obligation. Providing protection from detrimental action or the threat of detrimental action for an employee of the Shire who makes an appropriate disclosure of public interest information.

There were no Public Interest Disclosure requests received during the reporting period.

Complaints Register

Section 5.121 of the *Local Government Act 1995* requires the Annual Report to contain details of the entries made in the Complaints Register regarding complaints made about elected members.

Nil complaints were lodged against elected members during the 2017-2018 period.



Shire of
Katanning
Heart of the Great Southern

Annual Financial Report
2018 – 2019



Heart of the Great Southern

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

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COMMUNITY VISION

A prosperous, vibrant and diverse community working together.

Principal place of business:
52 Austral Terrace
Katanning WA 6317

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

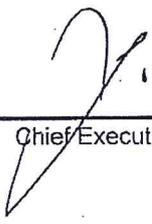
Signed on the

16th

day of

December

2019



Chief Executive Officer

Julian Murphy

Name of Chief Executive Officer



	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	21(a)	3,954,569	3,945,620	3,762,820
Operating grants, subsidies and contributions	2(a)	2,991,735	1,881,389	4,419,658
Fees and charges	2(a)	2,062,382	2,007,751	2,152,470
Interest earnings	2(a)	637,874	630,304	384,388
Other revenue	2(a)	538,022	472,172	499,381
		10,184,582	8,937,236	11,218,717
Expenses				
Employee costs		(4,578,759)	(4,860,350)	(4,278,399)
Materials and contracts		(1,946,648)	(2,682,832)	(4,037,063)
Utility charges		(507,896)	(471,775)	(421,194)
Depreciation on non-current assets	10(b)	(5,357,982)	(4,605,808)	(4,466,902)
Interest expenses	2(b)	(125,528)	(126,360)	(40,826)
Insurance expenses		(314,077)	(312,649)	(291,960)
Other expenditure		(335,706)	(376,822)	(234,925)
		(13,166,596)	(13,436,596)	(13,771,269)
		(2,982,014)	(4,499,360)	(2,552,552)
Non-operating grants, subsidies and contributions	2(a)	4,463,828	11,130,107	967,224
Profit on asset disposals	10(a)	68,684	76,008	91,657
(Loss) on asset disposals	10(a)	(101,771)	(87,278)	(541,086)
Fair value adjustments to financial assets at fair value through profit or loss	7(b)	-	-	14,287
		4,430,741	11,118,837	532,082
Net result for the period		1,448,727	6,619,477	(2,020,470)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	-	-	44,010,578
Total other comprehensive income for the period		-	-	44,010,578
Total comprehensive income for the period		1,448,727	6,619,477	41,990,108

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



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

FROM MOORE STEPHENS

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		511,258	489,024	166,860
General purpose funding		6,391,630	5,250,432	6,142,560
Law, order, public safety		150,380	206,266	169,085
Health		1,297	3,080	5,481
Education and welfare		169,302	193,954	95,390
Housing		212,292	226,797	216,380
Community amenities		934,242	929,695	962,623
Recreation and culture		478,974	508,979	515,580
Transport		346,183	260,506	1,916,156
Economic services		944,259	805,503	912,507
Other property and services		44,765	63,000	116,096
		10,184,582	8,937,236	11,218,718
Expenses				
	2(b)			
Governance		(975,668)	(1,196,453)	(947,759)
General purpose funding		(328,172)	(310,259)	(184,399)
Law, order, public safety		(396,086)	(445,235)	(441,843)
Health		(161,920)	(180,641)	(137,707)
Education and welfare		(429,622)	(509,208)	(489,844)
Housing		(335,128)	(341,850)	(298,700)
Community amenities		(1,125,000)	(1,058,044)	(1,257,227)
Recreation and culture		(3,632,183)	(3,675,718)	(3,501,856)
Transport		(4,232,452)	(4,042,521)	(5,077,866)
Economic services		(1,387,608)	(1,498,806)	(1,369,003)
Other property and services		(37,229)	(51,501)	(24,242)
		(13,041,068)	(13,310,236)	(13,730,446)
Finance Costs				
	2(b)			
Governance		(110,773)	(111,451)	(18,108)
Housing		(1)	(1)	(1,899)
Community amenities		-	-	(660)
Recreation and culture		(2,930)	(2,997)	(4,753)
Other property and services		(11,824)	(11,911)	(15,405)
		(125,528)	(126,360)	(40,825)
		(2,982,014)	(4,499,360)	(2,552,553)
Non-operating grants, subsidies and contributions				
	2(a)			
Profit on disposal of assets	10(a)	4,463,828	11,130,107	967,224
(Loss) on disposal of assets	10(a)	68,684	76,008	91,657
Fair value adjustments to financial assets at fair value through profit or loss	7(b)	(101,771)	(87,278)	(541,085)
		-	-	14,287
		4,430,741	11,118,837	532,083
Net result for the period		1,448,727	6,619,477	(2,020,470)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	-	-	44,010,578
Total other comprehensive income for the period		-	-	44,010,578
Total comprehensive income for the period		1,448,727	6,619,477	41,990,108

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

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	15,761,111	23,110,387
Trade receivables	5	1,193,138	1,526,514
Other financial assets	7(a)	6,664,473	9,494,633
Inventories	6	4,578	4,821
TOTAL CURRENT ASSETS		23,623,300	34,136,355
NON-CURRENT ASSETS			
Trade receivables	5	231,017	231,017
Other financial assets	7(b)	122,620	122,620
Property, plant and equipment	8	58,805,824	57,831,300
Infrastructure	9	152,317,821	148,581,117
TOTAL NON-CURRENT ASSETS		211,477,282	206,766,054
TOTAL ASSETS		235,100,582	240,902,409
CURRENT LIABILITIES			
Trade and other payables	12	13,560,147	20,585,406
Borrowings	13(a)	210,796	217,874
Employee related provisions	14	667,575	679,190
TOTAL CURRENT LIABILITIES		14,438,518	21,482,470
NON-CURRENT LIABILITIES			
Trade and other payables	12	22,565	22,565
Borrowings	13(a)	2,525,913	2,736,709
Employee related provisions	14	169,586	165,392
TOTAL NON-CURRENT LIABILITIES		2,718,064	2,924,666
TOTAL LIABILITIES		17,156,582	24,407,136
NET ASSETS		217,944,000	216,495,273
EQUITY			
Retained surplus		95,183,884	92,472,022
Reserves - cash backed	4	8,282,831	9,545,966
Revaluation surplus	11	114,477,285	114,477,285
TOTAL EQUITY		217,944,000	216,495,273

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



	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		94,928,471	9,109,987	70,466,707	174,505,165
Comprehensive income					
Net result for the period		(2,020,470)	-	-	(2,020,470)
Other comprehensive income	11	-	-	44,010,578	44,010,578
Total comprehensive income		(2,020,470)	-	44,010,578	41,990,108
Transfers from/(to) reserves		(435,979)	435,979	-	-
Balance as at 30 June 2018		92,472,022	9,545,966	114,477,285	216,495,273
Comprehensive income					
Net result for the period		1,448,727	-	-	1,448,727
Total comprehensive income		1,448,727	-	-	1,448,727
Transfers from/(to) reserves		1,263,135	(1,263,135)	-	-
Balance as at 30 June 2019		95,183,884	8,282,831	114,477,285	217,944,000

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,889,293	3,988,206	3,606,248
Operating grants, subsidies and contributions		3,423,920	2,184,443	4,184,950
Fees and charges		2,062,382	2,007,751	2,152,470
Interest received		637,874	630,304	384,388
Goods and services tax received		1,570,860	101,052	827,592
Other revenue		538,022	472,172	499,381
		12,122,351	9,383,928	11,655,029
Payments				
Employee costs		(4,607,185)	(4,885,461)	(4,247,778)
Materials and contracts		(8,929,968)	(15,004,728)	(3,498,974)
Utility charges		(507,896)	(471,775)	(421,194)
Interest expenses		(126,358)	(126,360)	(25,751)
Insurance paid		(314,077)	(312,649)	(291,960)
Goods and services tax paid		(1,624,254)	-	(202,347)
Other expenditure		(335,706)	(376,822)	(234,927)
		(16,445,444)	(21,177,795)	(8,922,931)
Net cash provided by (used in) operating activities	15	(4,323,093)	(11,793,867)	2,732,098
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of				
property, plant & equipment	8(a)	(3,979,844)	(16,505,444)	(3,355,711)
Payments for construction of infrastructure	9(a)	(6,500,251)	(1,803,515)	(2,346,088)
Payments for financial assets at amortised cost	7(a)	2,830,160	-	(9,494,633)
Non-operating grants, subsidies and contributions	2(a)	4,463,828	11,130,107	967,224
Proceeds from sale of property, plant & equipment	10(a)	377,798	363,000	263,591
Net cash provided by (used in) investing activities		(2,808,309)	(6,815,852)	(13,965,617)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(217,874)	(217,874)	(172,919)
Proceeds from new borrowings		-	-	2,500,000
Net cash provided by (used in) financing activities		(217,874)	(217,874)	2,327,081
Net increase (decrease) in cash held		(7,349,276)	(18,827,593)	(8,906,438)
Cash at beginning of year		23,110,387	32,490,033	32,016,825
Cash and cash equivalents at the end of the year	15	15,761,111	13,662,440	23,110,387

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	22 (b)	5,245,655	5,286,507	5,889,670
		<u>5,245,655</u>	<u>5,286,507</u>	<u>5,889,670</u>
Revenue from operating activities (excluding rates)				
Governance		556,066	536,638	191,832
General purpose funding		2,441,253	1,304,812	2,398,035
Law, order, public safety		150,380	206,266	169,085
Health		1,297	3,080	5,481
Education and welfare		169,302	193,954	95,390
Housing		212,292	226,797	216,380
Community amenities		934,242	929,695	962,623
Recreation and culture		489,068	519,949	515,580
Transport		352,692	277,930	1,977,948
Economic services		951,532	805,503	912,507
Other property and services		44,765	63,000	116,096
		<u>6,302,889</u>	<u>5,067,624</u>	<u>7,560,957</u>
Expenditure from operating activities				
Governance		(1,087,041)	(1,307,904)	(1,490,469)
General purpose funding		(328,172)	(310,259)	(184,399)
Law, order, public safety		(396,086)	(445,235)	(441,843)
Health		(161,920)	(180,641)	(137,707)
Education and welfare		(429,622)	(509,208)	(489,844)
Housing		(335,129)	(341,851)	(300,599)
Community amenities		(1,129,925)	(1,058,044)	(1,257,887)
Recreation and culture		(3,687,690)	(3,678,715)	(3,506,609)
Transport		(4,266,861)	(4,129,799)	(5,094,348)
Economic services		(1,396,868)	(1,498,806)	(1,369,003)
Other property and services		(49,053)	(63,412)	(39,647)
		<u>(13,268,367)</u>	<u>(13,523,874)</u>	<u>(14,312,355)</u>
Non-cash amounts excluded from operating activities	22(a)	5,200,135	4,617,079	4,928,453
Amount attributable to operating activities		<u>3,480,312</u>	<u>1,447,336</u>	<u>4,066,725</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		4,463,828	11,130,107	967,224
Proceeds from disposal of assets	10(a)	377,798	363,000	263,591
Purchase of property, plant and equipment	8(a)	(3,979,844)	(16,505,444)	(3,355,711)
Purchase and construction of infrastructure	9(a)	(6,500,251)	(1,803,515)	(2,346,088)
Amount attributable to investing activities		<u>(5,638,469)</u>	<u>(6,815,852)</u>	<u>(4,470,984)</u>
FINANCING ACTIVITIES				
Repayment of borrowings	13(b)	(217,874)	(217,874)	(172,919)
Proceeds from borrowings	13(b)	-	-	2,500,000
Transfers to reserves (restricted assets)	4	(2,400,527)	(9,991,953)	(641,760)
Transfers from reserves (restricted assets)	4	3,663,662	11,632,723	205,781
Amount attributable to financing activities		<u>1,045,261</u>	<u>1,422,896</u>	<u>1,891,102</u>
Surplus/(deficit) before imposition of general rates		<u>(1,112,896)</u>	<u>(3,945,620)</u>	<u>1,486,843</u>
Total amount raised from general rates	21	<u>3,950,377</u>	<u>3,945,620</u>	<u>3,758,812</u>
Surplus/(deficit) after imposition of general rates	22(b)	<u>2,837,481</u>	<u>-</u>	<u>5,245,655</u>

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Operating grants, subsidies and contributions			
Governance	191,426	166,960	78,346
General purpose funding	2,045,927	939,062	1,994,483
Law, order, public safety	90,239	160,478	153,505
Education and welfare	159,213	184,200	86,180
Housing	-	-	1,110
Community amenities	5,512	5,233	7,491
Recreation and culture	48,464	46,500	62,208
Transport	332,765	248,956	1,899,667
Economic services	118,189	130,000	103,572
Other property and services	-	-	33,096
	2,991,735	1,881,389	4,419,658
Non-operating grants, subsidies and contributions			
Governance	3,652,534	8,674,500	27,555
Community amenities	315,488	1,743,367	-
Recreation and culture	11,740	11,740	7,000
Transport	484,066	700,500	932,669
	4,463,828	11,130,107	967,224
Total grants, subsidies and contributions	7,455,563	13,011,496	5,386,882

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

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

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 20. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

2. REVENUE AND EXPENSES (CONTINUED)

(a) Revenue (Continued)	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	114,481	-	126,969
Other	423,541	472,172	372,412
	<u>538,022</u>	<u>472,172</u>	<u>499,381</u>
Fees and Charges			
Governance	1,202	1,250	5,407
General purpose funding	20,191	18,750	19,763
Law, order, public safety	30,068	20,169	14,167
Health	1,297	3,080	2,061
Education and welfare	10,051	9,704	9,051
Housing	66,524	83,767	66,654
Community amenities	759,127	777,398	792,181
Recreation and culture	344,862	415,280	380,245
Transport	7,736	8,350	16,488
Economic services	809,272	660,003	806,783
Other property and services	12,052	10,000	39,670
	<u>2,062,382</u>	<u>2,007,751</u>	<u>2,152,470</u>
Interest earnings			
Reserve accounts interest	218,816	215,000	215,005
Rates instalment and penalty interest (refer Note 21(c))	94,942	69,000	68,499
Other interest earnings	324,116	346,304	100,884
	<u>637,874</u>	<u>630,304</u>	<u>384,388</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses	2019 Actual \$	2019 Budget \$	2018 Actual \$
Auditors remuneration			
- Audit of the Annual Financial Report	55,000	34,500	33,509
- Audit fees associated with grant acquittals	10,200	27,000	8,700
- Other Services	-	-	2,027
	<u>65,200</u>	<u>61,500</u>	<u>44,236</u>
Interest expenses (finance costs)			
Borrowings (refer Note 13(b))	125,528	126,360	40,826
	<u>125,528</u>	<u>126,360</u>	<u>40,826</u>
Rental charges			
- Operating leases	18,253	14,159	14,805
	<u>18,253</u>	<u>14,159</u>	<u>14,805</u>

3. CASH AND CASH EQUIVALENTS

	NOTE	2019	2018
		\$	\$
Cash at bank and on hand		15,761,111	23,110,387
Term deposits	7(a)	6,664,473	9,494,633
		22,425,584	32,605,020
Comprises:			
- Unrestricted cash and cash equivalents		2,374,531	2,427,553
- Restricted cash and cash equivalents		20,051,053	30,177,467
		22,425,584	32,605,020
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Employee Leave Reserve	4	729,458	660,997
Plant Replacement Reserve	4	550,500	827,395
Amherst Village Building Maintenance Reserve	4	93,070	91,225
Amherst Village Refundable Deposits Reserve	4	1,013,412	1,171,929
Saleyard Reserve	4	1,031,319	1,005,939
Waste Management Reserve	4	989,335	893,245
Land and Building Reserve	4	2,445,071	3,907,089
Land and Building Facilities for Seniors Reserve	4	627,983	611,926
New Saleyards Reserve	4	560,611	232,722
Christmas Decoration Reserve	4	20,561	10,073
GRV Revaluation Reserve	4	11,260	25,181
Quartermaine Oval Reserve	4	95,191	52,909
KLC Facilities Reserve	4	97,681	55,336
Election Reserve	4	9,712	-
Library Building Reserve	4	7,667	-
		8,282,831	9,545,966
Other restricted cash and cash equivalents			
Unspent grants/contributions	20	11,768,222	20,333,562
Unspent loans	13(c)	-	297,939
Bonds and deposits	12	10,426	-
Total restricted cash and cash equivalents		20,051,053	30,177,467

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

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

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

4. RESERVES - CASH BACKED

	2018		2019		2019		2019		2019		2018		2018	
	Actual	Transfer	Actual	Transfer	Budget	Transfer	Budget	Transfer	Budget	Transfer	Actual	Transfer	Actual	Transfer
	Opening	to	Opening	to	Opening	to	Opening	to	Opening	to	Opening	to	Opening	to
	Balance		Balance		Balance		Balance		Balance		Balance		Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Employee Leave Reserve	660,997	66,461	-	-	660,099	64,897	-	-	724,996	-	690,474	31,763	660,997	-
(b) Plant Replacement Reserve	827,395	94,144	(371,039)	-	825,958	18,638	(300,000)	-	544,596	-	808,457	18,938	827,395	-
(c) Amherst Village Building Maintenance Reserve	91,225	1,845	-	93,070	91,066	2,055	-	-	93,121	-	89,137	2,088	91,225	-
(d) Amherst Village Refundable Deposits Reserve	1,171,929	28,038	(186,555)	1,013,412	1,169,740	26,395	(24,827)	1,171,308	1,171,308	-	1,117,498	151,381	1,171,929	(96,950)
(e) Saleyard Reserve	1,005,939	28,380	(1,000)	1,031,319	1,004,192	22,660	(123,556)	903,296	903,296	-	982,914	23,025	1,005,939	-
(f) Waste Management Reserve	893,245	96,090	-	989,335	891,693	239,290	-	1,130,983	1,130,983	-	872,799	20,446	893,245	-
(g) Land and Building Facilities for Seniors Reserve	3,907,089	1,570,054	(3,032,072)	2,445,071	3,899,998	1,588,004	(3,296,840)	2,191,162	2,191,162	-	3,762,761	144,328	3,907,089	-
(h) Land and Building Facilities for Seniors Reserve	611,926	16,057	-	627,983	610,864	13,785	-	624,649	624,649	-	597,920	14,006	611,926	-
(i) New Saleyards Reserve	232,722	375,885	(47,996)	560,611	232,097	182,921	(150,000)	285,018	285,018	-	188,027	44,695	232,722	-
(j) Christmas Decoration Reserve	10,073	10,488	-	20,561	10,000	10,225	-	20,225	20,225	-	10,073	10,073	10,073	-
(k) GRV Revaluation Reserve	25,181	11,079	(25,000)	11,260	25,000	11,163	(25,000)	11,163	11,163	-	-	25,181	25,181	-
(l) Quartermaine Oval Reserve	52,909	42,282	-	95,191	52,528	41,183	-	93,711	93,711	-	-	52,909	52,909	-
(m) KLC Facilities Reserve	55,336	42,345	-	97,681	54,937	41,237	-	96,174	96,174	-	-	102,927	(47,591)	-
(n) Election Reserve	-	9,712	-	9,712	-	9,500	-	9,500	9,500	-	-	-	-	-
(o) Heritage Project Reserve	-	7,667	-	7,667	-	7,500	(7,712,500)	-	-	-	-	-	-	-
(p) Library Building Reserve	-	-	-	-	-	-	-	-	7,500	-	-	-	-	-
	9,545,966	2,400,527	(3,663,662)	8,282,831	9,528,172	9,991,953	(11,632,723)	7,887,402	7,887,402	-	9,109,987	641,760	9,545,966	(205,781)

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

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Employee Leave Reserve	Ongoing	To be used to fund accrued employee leave entitlements.
(b) Plant Replacement Reserve	Ongoing	To be used for future plant purchases.
(c) Amherst Village Building Maintenance Reserve	Ongoing	To be used for maintenance at Amherst Village.
(d) Amherst Village Refundable Deposits Reserve	Ongoing	To be used to fund refundable deposits at Amherst Village.
(e) Saleyard Reserve	Ongoing	To be used for future capital and maintenance works.
(f) Waste Management Reserve	Ongoing	To be used for capital and maintenance works.
(g) Land and Building Reserve	Ongoing	To provide for construction and maintenance of council owned buildings.
(h) Land and Building Facilities for Seniors Reserve	Ongoing	To be used for construction and maintenance of land and buildings for the use of seniors.
(i) New Saleyards Reserve	Ongoing	To be used for future capital and maintenance works.
(j) Christmas Decoration Reserve	Ongoing	To be used to fund quinquennial gross rental value revaluations.
(k) GRV Revaluation Reserve	Ongoing	To be used to fund future significant christmas decoration purchases.
(l) Quartermaine Oval Reserve	Ongoing	To be used to fund future maintenance and upgrades to Quartermaine Oval.
(m) KLC Facilities Reserve	Ongoing	To be used to fund future maintenance and upgrades to the KLC building and grounds.
(n) Election Reserve	Ongoing	To be used to fund biennial councillor elections.
(o) Heritage Project Reserve	2019/20	To be used for the Heritage Centre project.
(p) Library Building Reserve	Ongoing	To be used to fund future maintenance and upgrades to the library building.

5. TRADE RECEIVABLES

Current

Rates Outstanding	
Sundry Debtors	
GST Receivable	
Accrued Income	
Allowance for impairment of receivables and rates	
Payments in Advance	

Non-current

Pensioner's rates and ESL deferred

	2019	2018
	\$	\$
	652,094	586,818
	657,647	1,017,065
	178,519	144,986
	-	21,637
	(303,608)	(303,608)
	8,486	59,616
	<u>1,193,138</u>	<u>1,526,514</u>
	231,017	231,017
	<u>231,017</u>	<u>231,017</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 23.

Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Classification and subsequent measurement

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

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

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

6. INVENTORIES

	2019	2018
	\$	\$
Current		
Fuel and materials	4,578	4,821
	4,578	4,821

The following movements in inventories occurred during the year:

Carrying amount at 1 July	4,821	25,308
Inventories expensed during the year	(150,256)	(162,609)
Additions to inventory	150,013	142,122
Carrying amount at 30 June	4,578	4,821

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

7. OTHER FINANCIAL ASSETS

	NOTE	2019 \$	2018 \$
(a) Current assets			
Other financial assets at amortised cost		6,664,473	9,494,633
		<u>6,664,473</u>	<u>9,494,633</u>
Other financial assets at amortised cost			
- Financial assets at amortised cost - term deposits	3	6,664,473	9,494,633
		<u>6,664,473</u>	<u>9,494,633</u>
(b) Non-current assets			
Financial assets at fair value through profit and loss		122,620	122,620
		<u>122,620</u>	<u>122,620</u>
Financial assets at fair value through profit and loss			
Units in Local Government House Trust		122,620	122,620
		<u>122,620</u>	<u>122,620</u>
During the year, the following gains/(losses) were recognised in profit and loss:			
Fair value gains/(losses) on equity investments at fair value through profit and loss are recognised in other gains/(losses) and classified as other property and services		-	14,287
		<u>-</u>	<u>14,287</u>

Changes in the fair value of Units in Local Government House recognised as non-current financial assets at fair value through profit and loss have not been recognised nor considered as they are unlikely to be material and unable to be reliably determined at the time of preparation of these Statements

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

Refer to Note 26 for explanations regarding the change in accounting policy and reclassification of available for sale financial assets to financial assets at fair value through profit and loss.

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Land - Freehold Land	Total land	Buildings - Non-specialised	Buildings - Specialised	Total buildings	Total land and buildings	Furniture	Plant	Paintings and Sculptures	Motor Vehicles	Equipment	Total property, plant and equipment						
Balance at 1 July 2017	3,543,100	3,543,100	3,089,063	46,488,272	49,577,335	53,120,435	16,074	2,941,799	225,979	590,165	798,604	57,693,056						
Additions	-	-	56,018	2,691,963	2,747,981	2,747,981	-	325,188	-	186,780	95,762	3,355,711						
(Disposals)	-	-	-	(524,603)	(524,603)	(524,603)	-	(37,850)	-	(150,567)	-	(713,020)						
Revaluation increments / (decrements) transferred to revaluation surplus	-	-	-	-	-	-	-	-	29,727	-	-	29,727						
Depreciation (expense)	-	-	(105,406)	(1,702,369)	(1,807,775)	(1,807,775)	(1,786)	(438,144)	(2,306)	(174,011)	(110,152)	(2,534,174)						
Carrying amount at 30 June 2018	3,543,100	3,543,100	3,039,675	46,953,263	49,992,938	53,536,038	14,288	2,790,993	253,400	452,367	784,214	57,831,300						
Comprises:																		
Gross carrying amount at 30 June 2018	3,543,100	3,543,100	3,145,081	48,655,632	51,800,713	55,343,813	17,860	3,601,615	253,400	661,293	984,714	60,862,695						
Accumulated depreciation at 30 June 2018	-	-	(105,406)	(1,702,369)	(1,807,775)	(1,807,775)	(3,572)	(810,622)	-	(208,926)	(200,500)	(3,031,395)						
Carrying amount at 30 June 2018	3,543,100	3,543,100	3,039,675	46,953,263	49,992,938	53,536,038	14,288	2,790,993	253,400	452,367	784,214	57,831,300						
Additions	-	-	38,181	2,927,796	2,965,977	2,965,977	182,732	425,996	-	323,407	81,732	3,979,844						
(Disposals)	(77,500)	(77,500)	-	(17,451)	(17,451)	(94,951)	(4,549)	(119,476)	-	(189,709)	(2,200)	(410,885)						
Depreciation (expense)	-	-	(105,352)	(1,721,279)	(1,826,631)	(1,826,631)	(7,730)	(461,624)	-	(173,172)	(125,278)	(2,594,435)						
Carrying amount at 30 June 2019	3,465,600	3,465,600	2,972,504	48,142,329	51,114,833	54,580,433	184,741	2,635,889	253,400	412,893	738,468	58,805,824						
Comprises:																		
Gross carrying amount at 30 June 2019	3,465,600	3,465,600	3,183,262	51,560,451	54,743,713	58,209,313	194,093	3,858,911	253,400	668,119	1,060,946	64,244,782						
Accumulated depreciation at 30 June 2019	-	-	(210,758)	(3,418,122)	(3,628,880)	(3,628,880)	(9,352)	(1,223,022)	-	(255,226)	(322,478)	(5,438,958)						
Carrying amount at 30 June 2019	3,465,600	3,465,600	2,972,504	48,142,329	51,114,833	54,580,433	184,741	2,635,889	253,400	412,893	738,468	58,805,824						

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - Freehold Land	Level 2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	Price per hectare
Land - Freehold Land	Level 2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Improvements to land using construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Buildings - Non-specialised	Level 2	Market approach using recent observable market data for similar properties	Management Valuation	June 2017	Open market values of similar items adjusted for condition and comparability.
Buildings - Specialised	Level 2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2017	Construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Furniture	Level 2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Open market values of similar items adjusted for condition and comparability.
Plant	Level 2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Open market values of similar items adjusted for condition and comparability.
Paintings and Sculptures	Level 2	Market approach using recent observable market data for similar items	Independent registered valuer	June 2018	Market Price
Motor Vehicles	Level 2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Open market values of similar items adjusted for condition and comparability.
Equipment	Level 2	Market approach using recent observable market data for similar items	Management Valuation	June 2016	Open market values of similar items adjusted for condition and comparability.

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

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

SHIRE OF KATANNING
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9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks & Ovals	Infrastructure - Other	Infrastructure - Bridges	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	77,665,690	2,913,424	12,668,976	2,354,291	7,959,744	624,781	104,186,906
Additions	1,251,775	57,961	288	544,100	491,964	-	2,346,088
Revaluation increments / (decrements) transferred to revaluation surplus	44,564,474	(1,048,162)	(2,100,034)	1,223,650	1,588,497	(247,574)	43,980,851
Depreciation (expense)	(1,272,321)	(88,480)	(283,414)	(112,573)	(162,924)	(13,016)	(1,932,728)
Carrying amount at 30 June 2018	122,209,618	1,834,743	10,285,816	4,009,468	9,877,281	364,191	148,581,117
Comprises:							
Gross carrying amount at 30 June 2018	122,209,618	1,834,743	10,285,816	4,009,468	9,877,281	364,191	148,581,117
Carrying amount at 30 June 2018	122,209,618	1,834,743	10,285,816	4,009,468	9,877,281	364,191	148,581,117
Additions	1,260,504	-	779	3,974,645	1,264,323	-	6,500,251
Depreciation (expense)	(1,996,417)	(123,278)	(178,315)	(206,279)	(249,229)	(10,029)	(2,763,547)
Carrying amount at 30 June 2019	121,473,705	1,711,465	10,108,280	7,777,834	10,892,375	354,162	152,317,821
Comprises:							
Gross carrying amount at 30 June 2019	123,470,122	1,834,743	10,286,595	7,984,113	11,141,604	364,191	155,081,368
Accumulated depreciation at 30 June 2019	(1,996,417)	(123,278)	(178,315)	(206,279)	(249,229)	(10,029)	(2,763,547)
Carrying amount at 30 June 2019	121,473,705	1,711,465	10,108,280	7,777,834	10,892,375	354,162	152,317,821

SHIRE OF KATAMINING
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Footpaths	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Drainage	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Parks and Ovals	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Other	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - Bridges	Level 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments (Level 3) inputs

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

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

10. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control

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

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

Land under roads

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

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

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, *Local Government (Financial Management) Regulation 4(2)* provides, in the event of such an inconsistency, the *Local Government (Financial Management) Regulations* prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

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

(a) Disposals of Assets

	2019		2018		2019		2018		2019		2018	
	Actual Net Book Value	Actual Sale Proceeds	2019 Actual Profit	2018 Actual Loss	Budget Net Book Value	Budget Sale Proceeds	2019 Budget Profit	2018 Budget Loss	2019 Actual Net Book Value	2018 Actual Sale Proceeds	2019 Actual Profit	2018 Actual Loss
Land - Freehold Land	77,500	41,613	7,273	(43,160)	-	-	-	-	-	-	-	-
Buildings - Specialised	17,451	-	-	(17,451)	-	-	-	-	524,603	-	-	(524,603)
Furniture	4,549	-	-	(4,549)	-	-	-	-	0	-	-	-
Plant	119,476	88,457	-	(31,019)	164,969	93,500	12,871	(84,340)	37,850	66,818	45,451	(16,483)
Motor Vehicles	189,709	247,728	61,411	(3,392)	209,301	269,500	63,137	(2,938)	150,567	196,773	46,206	-
Equipment	2,200	-	-	(2,200)	-	-	-	-	-	-	-	-
	410,885	377,798	68,684	(101,771)	374,270	363,000	76,008	(87,278)	713,020	263,591	91,657	(541,086)

The following assets were disposed of during the year.

	2019		2018	
	Actual Net Book Value	Actual Sale Proceeds	2019 Actual Profit	2018 Actual Loss
Furniture and Equipment				
Recreation and culture				
Assets under \$5000 expensed	4,549	-	-	(4,549)
Furniture and Equipment Total	4,549	-	-	(4,549)
Plant and Equipment				
Transport				
06 Caterpillar Grader	106,232	78,182	-	(28,050)
Toro Mower KA24675	13,244	10,275	-	(2,969)
Plant and Equipment Total	119,476	88,457	-	(31,019)
Motor Vehicles				
Governance				
Mazda CX-5 2016 KA03	21,083	23,182	2,099	-
Toyota Prado 2017 01KA	38,571	56,364	17,793	-
Toyota Camry 2016 KA1100	12,758	17,273	4,515	-
Holden Colorado 7 Trailblazer KA472	23,387	30,909	7,522	-
Holden Colorado 7 Trailblazer KA189	23,627	30,000	6,373	-
Holden Colorado 7 Trailblazer KA062	24,402	30,909	6,507	-
Governance Total	143,828	188,637	44,809	-
Recreation and culture				
Holden Colorado 4X4 Crew Cab Pick Up 2017 KA566	15,360	25,455	10,095	-
Recreation and culture Total	15,360	25,455	10,095	-
Transport				
05 Mitsubishi Triton T/Top Ute KA673	6,119	2,727	-	(3,392)
Holden Colorado 7 Trailblazer KA00	24,402	30,909	6,507	-
Transport Total	30,521	33,636	6,507	(3,392)
Motor Vehicles Total	189,709	247,728	61,411	(3,392)
Equipment				
Economic services				
Assets under \$5000 expensed	2,200	-	-	(2,200)
Equipment Total	2,200	-	-	(2,200)
Land				
Assets under \$5000 expensed	35,500	-	-	(35,500)
Recreation and culture Total	35,500	-	-	(35,500)
Economic services				
Lot 512 Daping St	20,000	27,273	7,273	-
Lot 499 Daping St	22,000	14,340	-	(7,660)
Economic services Total	42,000	41,613	7,273	(7,660)
Land Total	77,500	41,613	7,273	(43,160)
Buildings - Specialised				
Community amenities				
Assets under \$5000 expensed	4,925	-	-	(4,925)
Community amenities Total	4,925	-	-	(4,925)
Recreation and culture				
Assets under \$5000 expensed	12,526	-	-	(12,526)
Recreation and culture Total	12,526	-	-	(12,526)
Buildings Total	17,451	-	-	(17,451)
	410,885	377,798	68,684	(101,771)

Assets Expensed

In June 2018 Regulation 17(a) of the Local Government (Financial Management) Regulations 1995 was amended to include:

"(5) An asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000."

During this financial year the Shire identified all assets that had been purchased in prior years for under \$5,000, and expensed them in accordance with that amendment.

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

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings - Non-specialised	105,352	-	105,406
Buildings - Specialised	1,721,279	1,873,069	1,702,369
Furniture	7,730	1,786	1,786
Plant	461,624	441,781	438,144
Paintings and Sculptures	-	2,306	2,306
Motor Vehicles	173,172	159,890	174,011
Equipment	125,278	117,220	110,152
Infrastructure - Roads	1,996,417	1,348,578	1,272,321
Infrastructure - Footpaths	123,278	88,583	88,480
Infrastructure - Drainage	178,315	283,419	283,414
Infrastructure - Parks & Ovals	206,279	112,573	112,573
Infrastructure - Other	249,229	163,587	162,924
Infrastructure - Bridges	10,029	13,016	13,016
	5,357,982	4,605,808	4,466,902

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Asset Class	Useful life
Land	Not depreciated
Buildings - non-specialised	8 - 34 Years
Buildings - specialised	4 - 63 Years
Furniture & Fittings	10 - 24 Years
Plant	5 - 10 Years
Equipment	5 - 50 Years
Motor Vehicles	4 - 5 Years
Paintings & Sculptures	Not depreciated
Infrastructure - Roads (Sub Grade)	Not depreciated
Infrastructure - Roads (Surface)	8 years
Infrastructure - Roads (Pavement)	45 Years
Infrastructure - Road (Kerbing)	85 Years
Infrastructure - Footpaths	15 Years
Infrastructure - Drainage	25 - 76 Years
Infrastructure - Parks & Ovals	12 - 56 Years
Infrastructure - Other	6 - 111 Years
Infrastructure - Bridges	23 - 56 Years

Depreciation rates

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

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

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

SHIRE OF KATANNING
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11. REVALUATION SURPLUS

	2019		2019		2019		2018		2018		2018	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on	2019 Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Revaluation Movement on	2018 Closing Balance		
Revaluation surplus - Land - Freehold Land	5,916,036	-	-	-	5,916,036	5,916,036	-	-	-	-	-	5,916,036
Revaluation surplus - Buildings - Non-specialised	299,740	-	-	-	299,740	299,740	-	-	-	-	-	299,740
Revaluation surplus - Buildings - Specialised	6,300,165	-	-	-	6,300,165	6,300,165	-	-	-	-	-	6,300,165
Revaluation surplus - Furniture	1,773	-	-	-	1,773	1,773	-	-	-	-	-	1,773
Revaluation surplus - Plant	1,011,022	-	-	-	1,011,022	1,011,022	-	-	-	-	-	1,011,022
Revaluation surplus - Paintings and Sculptures	240,066	-	-	-	240,066	210,339	29,727	-	29,727	-	-	240,066
Revaluation surplus - Motor Vehicles	160,555	-	-	-	160,555	160,555	-	-	-	-	-	160,555
Revaluation surplus - Equipment	579,346	-	-	-	579,346	579,346	-	-	-	-	-	579,346
Revaluation surplus - Infrastructure - Roads	82,408,244	-	-	-	82,408,244	37,843,770	44,564,474	-	44,564,474	-	-	82,408,244
Revaluation surplus - Infrastructure - Footpaths	1,480,269	-	-	-	1,480,269	2,528,431	-	(1,048,162)	(1,048,162)	-	-	1,480,269
Revaluation surplus - Infrastructure - Drainage	10,454,103	-	-	-	10,454,103	12,554,137	-	(2,100,034)	(2,100,034)	-	-	10,454,103
Revaluation surplus - Infrastructure - Parks and Ovals	1,487,166	-	-	-	1,487,166	263,516	1,223,650	-	1,223,650	-	-	1,487,166
Revaluation surplus - Infrastructure - Other	4,078,974	-	-	-	4,078,974	2,490,477	1,588,497	-	1,588,497	-	-	4,078,974
Revaluation surplus - Infrastructure - Bridges	59,826	-	-	-	59,826	307,400	-	(247,574)	(247,574)	-	-	59,826
	114,477,285	-	-	-	114,477,285	70,466,707	47,406,348	(3,395,770)	44,010,578	(247,574)	-	114,477,285

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

13. INFORMATION ON BORROWINGS (Continued)

(c) Unspent Borrowings

Particulars	Date Borrowed	Unspent Balance 1 July 2018	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2019
		\$	\$	\$	\$
Loan 158 - New Administration Building	01 Jan 18	297,939	-	(297,939)	-
* WA Treasury Corporation		297,939	-	(297,939)	-

(d) Undrawn Borrowing Facilities

	2019	2018
	\$	\$
Credit Standby Arrangements		
Bank overdraft limit	250,000	250,000
Credit card limit	65,000	65,000
Credit card balance at balance date	(6,375)	(9,087)
Total amount of credit unused	308,625	305,913

Loan facilities

Loan facilities - current	210,796	217,874
Loan facilities - non-current	2,525,913	2,736,709
Total facilities in use at balance date	2,736,709	2,954,583

Unused loan facilities at balance date - 297,939

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

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

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2018			
Current provisions	409,281	269,909	679,190
Non-current provisions	-	165,392	165,392
	<u>409,281</u>	<u>435,301</u>	<u>844,582</u>
Additional provision	270,828	24,968	295,796
Amounts used	(278,392)	(24,825)	(303,217)
Balance at 30 June 2019	<u>401,717</u>	<u>435,444</u>	<u>837,161</u>
Comprises			
Current	401,717	265,858	667,575
Non-current	-	169,586	169,586
	<u>401,717</u>	<u>435,444</u>	<u>837,161</u>

Amounts are expected to be settled on the following basis:

	2019 \$	2018 \$
Less than 12 months after the reporting date	470,999	291,729
More than 12 months from reporting date	467,203	640,125
Expected reimbursements from other WA local governments	(101,041)	(87,272)
	<u>837,161</u>	<u>844,582</u>

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	15,761,111	13,662,440	23,110,387
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	1,448,727	6,619,477	(2,020,470)
Non-cash flows in Net result:			
Adjustments to fair value of financial assets	-	-	(14,288)
Depreciation	5,357,982	4,605,808	4,466,902
(Profit)/loss on sale of asset	33,087	11,270	449,429
Changes in assets and liabilities:			
(Increase)/decrease in receivables	333,376	446,692	376,945
(Increase)/decrease in inventories	243	5,008	20,487
Increase/(decrease) in payables	(7,025,259)	(12,352,015)	444,599
Increase/(decrease) in provisions	(7,421)	-	(24,282)
Grants contributions for the development of assets	(4,463,828)	(11,130,107)	(967,224)
Net cash from operating activities	(4,323,093)	(11,793,867)	2,732,098

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
Governance	7,365,963	4,332,947
Law, order, public safety	257,913	238,967
Health	226,587	244,118
Education and welfare	305,167	330,653
Housing	6,166,834	6,334,613
Community amenities	1,738,134	1,080,301
Recreation and culture	31,947,664	28,839,665
Transport	140,703,639	141,885,313
Economic services	22,503,739	23,207,474
Other property and services	30,625	40,986
Unallocated	23,854,317	34,367,372
	<u>235,100,582</u>	<u>240,902,409</u>

17. CONTINGENT LIABILITIES

The Shire of Katanning has identified the following sites, in relation to land owned, vested or leased that is known to be or suspected of being contaminated.

At the time of this report the value and timing of remediation has not been ascertained, but the Shire holds funds in Reserve for the Old Saleyard Reserve and Waste Management Reserve for that purpose.

1. Lot 9241 on Plan 215173, Crown Reserve 6044, Katanning-Nyabing Rd, Katanning - *Shire of Katanning Refuse Site*. The license is valid until 29/1/2025 and the Shire has a legal obligation to rehabilitate the site once it is closed. A post closure management plan has been drafted in accordance with our license conditions. The Shire does not anticipate the site closing in 2025 and will look to apply to extend our license beyond 2025.
2. Lot 505 Dore Street, Katanning - *The Old Saleyard*
3. Crown Reserve 50922, Lot 500 Katanning-Nyabing Road, Katanning 6317 *Katanning Regional Sheep Saleyard*
4. Lot 996 Cullen Street, Katanning WA 6317 *Shire Depot*

18. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

Contracted for:

- capital expenditure projects

2019	2018
\$	\$
724,688	-
724,688	-

The capital expenditure project outstanding at the end of the current reporting period represents the construction of the tip shed, all ages playground, relocation of the bowling green, solar lights and housing project.

(b) Operating Lease Commitments

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

Payable:

- not later than one year
- later than one year but not later than five years

2019	2018
\$	\$
17,402	18,253
10,152	20,093
27,554	38,346

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

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

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

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting Fees	80,000	90,000	90,000
President's Allowance	5,000	5,000	5,000
Deputy President's Allowance	20,000	20,000	20,000
Travelling Expenses	-	2,000	88
Telecommunications Allowance	8,800	9,900	9,900
	113,800	126,900	124,988

Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	814,482	744,756
Post-employment benefits	86,672	80,371
Other long-term benefits	20,842	17,324
Termination benefits	1,508	60,942
	923,504	903,393

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP.

19. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Sale of goods and services - KMP	22,604	34,281
Purchase of goods and services - KMP	147,605	177,821
Amounts outstanding from related parties:		
Trade and other receivables	550	10,563

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

20. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received (2)	Expended (3)	Closing	Received (2)	Expended (3)	Closing
	Balance (1) 1/07/17	2017/18	2017/18	Balance (1) 30/06/18	2018/19	2018/19	Balance 30/06/19
	\$	\$	\$	\$	\$	\$	\$
Governance							
Supertown - RDL	301,314	-	(17,903)	283,411	-	(283,411)	-
RDL - Early Childhood Hub	5,474,005	-	(177,193)	5,296,812	-	(1,122,363)	4,174,449
Supertown - Heritage - RDL	15,601,810	-	(919,333)	14,682,477	-	(7,365,729)	7,316,748
Supertown - Heritage - Lotterywest	-	-	-	-	210,034	(210,034)	-
Supertown - Heritage - WALGA (Changing Places)	-	-	-	-	100,000	(100,000)	-
Katanning Country Club Redevelopment Project (Auspice)	-	27,555	-	27,555	142,445	-	170,000
Law, order, public safety							
Cat Act Sterilisation Project	254	-	-	254	-	-	254
Aware - Risk Assessment	-	-	-	-	5,301	(3,328)	1,973
Education and welfare							
Youth Activities	-	31,931	(31,931)	-	32,196	(32,196)	-
National Youth Week (CPFS Grant)	-	1,000	(1,000)	-	500	(426)	74
NAIDOC Week	1,091	-	0	1,091	-	-	1,091
Harmony Festival	-	42,818	(42,818)	-	43,648	(43,648)	-
All Ways 5 Days / Aboriginal Engagement Project	21,351	5,808	(22,029)	5,130	-	-	5,130
Seniors Week	-	1,000	(1,000)	-	-	-	-
Drumbeats	47,812	-	(39,301)	8,511	40,000	(30,578)	17,933
PIAF	4,000	-	(3,000)	1,000	-	-	1,000
Grant Income Indigenous Governance	-	-	-	-	3,500	-	3,500
Fostering Integration Grant Income	-	-	-	-	39,368	-	39,368
Community amenities							
CLGF Regional Waste Initiative	-	-	-	-	315,487	(315,487)	-
Recreation and culture							
Kidsport	-	11,546	(11,146)	400	891	(959)	332
Club Development Officer	-	20,000	(20,000)	-	-	-	-
Community Water Supply Project	-	10,000	(10,000)	-	-	-	-
Regional Venues Improvement Fund Grant	-	-	-	-	25,000	(24,930)	70
Transport							
Community Safe Speed Promise Grant	1,004	-	-	1,004	-	-	1,004
Regional Road Group	-	491,933	(491,933)	-	139,315	(139,315)	-
Roads to Recovery	-	440,736	(430,288)	10,448	344,751	(355,199)	-
WANDRRA	-	1,718,127	(1,718,127)	-	-	-	-
RADS	-	13,000	(13,000)	-	54,020	(54,020)	-
Economic services							
Hidden Treasures (Auspice)	5,022	78,793	(71,279)	12,536	73,189	(75,429)	10,296
Gearing Up	-	19,492	(16,559)	2,933	-	(2,933)	-
Business Activation	-	-	-	-	20,000	(20,000)	-
Tourism Attraction and Development	-	-	-	-	25,000	-	25,000
Total	21,457,663	2,913,739	(4,037,840)	20,333,562	1,614,645	(10,179,986)	11,768,222
	2017			2018			2019
	\$			\$			\$
Grants received recognised as revenue	3,563,784			2,178,492			277,025
Grants received recognised as a liability - see Note 12	17,893,879			18,155,070			11,491,197
	21,457,663			20,333,562			11,768,222

Notes:

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

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

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

21. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	Rate In \$	Number of Properties	2018/19 Actual		2018/19 Interim		2018/19 Budget		2018/19 Budget		2017/18 Actual	
				Rateable Value \$	Rate	Actual Rates \$	Rate	Rate	Back Rate \$	Total Revenue \$	Total Revenue \$		
Gross rental valuations		0.10245	1,151	18,883,544	1,937,337	1,753	1,939,090	1,933,305	2,000	1,931,305	1,835,817		
Gross Rental Value							1,295,799	1,292,927	-	1,292,927	1,209,714		
Unimproved valuations		0.01041	209	124,200,500	1,294,363	1,436	3,234,889	3,226,232	-	3,224,232	3,045,531		
Unimproved Value			1,360	143,084,044	3,231,700	3,189			(4,000)				
Sub-Total													
Minimum payment													
Gross rental valuations		991	648	4,185,730	642,168	729	642,897	642,168	-	642,168	641,280		
Gross Rental Value													
Unimproved valuations		991	120	6,426,636	118,920	71	118,991	118,920	-	118,920	115,200		
Unimproved Value			768	10,612,366	761,088	800	761,888	761,088	-	761,088	756,480		
Sub-Total			2,128	153,696,410	3,992,788	3,989	3,996,777	3,987,320	(4,000)	3,985,320	3,802,011		
Discounts/concessions (refer Note 21(b))							(45,924)	(43,000)		(43,000)	(42,721)		
Rates adjustments							(476)	(1,000)		(1,000)	(478)		
Total amount raised from general rate							3,950,377	3,941,320		3,941,320	3,758,812		
Ex-gratia rates							4,192	4,300		4,300	4,008		
Totals							3,954,569	3,945,620		3,945,620	3,762,820		

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

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21. RATING INFORMATION (Continued)

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

Rates Discounts		2019		2018		Circumstances in which Discount is Granted
Rate or Fee Discount Granted	Discount %	Actual \$	Budget \$	Actual \$		
General Rates	2%	44,432	41,487	41,294	41,294	
Waivers or Concessions		44,432	41,487	41,294	41,294	
Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	2019 Actual \$	2019 Budget \$	2018 Actual \$		
Katanning Country Club	Concession	1,492	1,513	1,427	1,427	
Total Discounts, Incentives, Concessions, & Write-offs		45,924	43,000	42,721	42,721	
Rate or Fee and Charge to which the Waiver or Concession is Granted	Reasons for the Waiver or Concession					
Katanning Country Club	Council resolved to continue providing a 50% concession in rates otherwise payable on lots 2, 130 & 4 Round Drive, commencing on 1 July 2014 for a period of 10 years, in recognition of the recreation facilities the Club provides to the Katanning community.					

21. RATING INFORMATION (Continued)

(c) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One	25/09/2018	-	0.00%	11.00%
Option Two	25/09/2018	-	5.50%	11.00%
	28/01/2019	10	5.50%	11.00%
Option Three	25/09/2018	0	5.50%	11.00%
	26/11/2018	10	5.50%	11.00%
	28/01/2019	10	5.50%	11.00%
	29/03/2019	10	5.50%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	82,197	57,000	56,226
Interest on instalment plan	12,745	12,000	12,273
	<u>94,942</u>	<u>69,000</u>	<u>68,499</u>
Charges on instalment plan	10,670	10,000	10,653
	<u>105,612</u>	<u>79,000</u>	<u>79,152</u>

22. RATE SETTING STATEMENT INFORMATION

Note	2018/19	2018/19	2018/19
	(30 June 2019 Carried Forward) \$	Budget (30 June 2019) Carried Forward) \$	2018/19 (1 July 2018) Brought Forward) \$
(a) Non-cash amounts excluded from operating activities			
<p>The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i>.</p>			
Adjustments to operating activities			
Less: Profit on asset disposals	10(a) (68,684)	(76,008)	(91,657)
Less: Movement in liabilities associated with restricted cash	(197,700)	-	(13,059)
Movement in ATO liabilities	-	-	53,857
Movement in accrued salaries and wages	-	-	1,044
Movement in accrued interest on debentures	-	-	15,075
Movement in pensioner deferred rates (non-current)	-	-	(20,514)
Movement in Bonds and deposits	10,426	-	-
Movement in employee benefit provisions (non-current)	(4,194)	-	(24,282)
Movement in other provisions (non-current)	534	-	-
Add: Loss on disposal of assets	10(a) 101,771	87,279	541,087
Add: Depreciation on assets	10(b) 5,357,982	4,605,808	4,466,902
Non cash amounts excluded from operating activities	5,200,135	4,617,079	4,928,453
(b) Surplus/(deficit) after imposition of general rates			
<p>The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.</p>			
Adjustments to net current assets			
Less: Reserves - restricted cash	3 (8,282,831)	(7,887,402)	(9,545,966)
Less: Payments in advance	-	(250)	(59,616)
Add: Local Government House Equity	122,620	-	122,620
Add: Amherst deposits	934,539	-	1,132,239
Add: Borrowings	13(a) 210,796	210,796	217,874
Add: Current Employee entitlements	667,575	733,671	679,190
Add: Accrued wages and interest	-	-	45,429
Total adjustments to net current assets	(6,347,301)	(6,943,185)	(7,408,230)
Net current assets used in the Rate Setting Statement			
Total current assets	23,623,300	14,675,791	34,136,355
Less: Total current liabilities	(14,438,518)	(7,732,606)	(21,482,470)
Less: Total adjustments to net current assets	(6,347,301)	(6,943,185)	(7,408,230)
Net current assets used in the Rate Setting Statement	2,837,481	-	5,245,655

23. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

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

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

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	1.22%	15,761,111	1,603,206	14,157,906	-
Financial assets at amortised cost - term deposits	2.15%	6,664,473	6,664,473	-	-
2018					
Cash and cash equivalents	1.23%	23,110,387	2,794,671	20,315,716	-
Financial assets at amortised cost - term deposits	2.46%	9,494,633	9,494,633	-	-

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	141,579	203,157

* Holding all other variables constant

Borrowings

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

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

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

The loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for rates receivable. No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	40,670	310,903	175,962	355,577	883,111
Loss allowance	-	-	-	-	-
30 June 2018					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	\$285,685	\$179,217	\$120,650	\$232,282	817,835
Loss allowance	-	-	-	-	-

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

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2019					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	87.22%	
Gross carrying amount	293,015	7,951	8,595	348,086	657,647
Loss allowance	-	-	-	(303,608)	(303,608)
30 June 2018					
Sundry Receivables					
Expected credit loss	0.00%	0.00%	0.00%	80.53%	
Gross carrying amount	621,550	4,337	14,147	377,032	1,017,065
Loss allowance	-	-	-	(303,608)	(303,608)

23. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	13,560,147	22,565	-	13,582,712	13,582,712
Borrowings	309,466	1,104,000	2,334,650	3,748,116	2,736,709
	<u>13,869,613</u>	<u>1,126,565</u>	<u>2,334,650</u>	<u>17,330,828</u>	<u>16,319,421</u>
2018					
Payables	20,585,406	22,565	-	20,607,971	20,607,971
Borrowings	323,943	1,233,879	2,514,238	4,072,060	2,954,583
	<u>20,909,349</u>	<u>1,256,444</u>	<u>2,514,238</u>	<u>24,680,031</u>	<u>23,562,554</u>

24. TRUST FUNDS

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

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

They are now included in trade payables (refer Note 12) and restricted cash (refer Note 3).

	1 July 2018	Amounts Received	Amounts Paid	Reclassification to bonds - trade payables	30 June 2019
	\$	\$	\$		\$
Transport Licensing	27,841	2,672,053	(2,697,233)	(2,661)	-
Saleyard Bonds	850	4,150	(3,350)	(1,650)	-
Katanning Leisure Centre Bonds	(3,145)	-	(1,001)	4,146	-
Town Hall Bonds	1,390	2,650	(3,050)	(990)	-
Cat Trap Bonds	90	1,440	(1,440)	(90)	-
Other Bonds & Guarantees	7,650	650	(600)	(7,700)	-
Carpark Contribution Liability	8,168	-	-	-	8,168
Public Open Space Contributions	38,000	-	-	-	38,000
Agricultural Society Contributions	13,818	2,000	-	-	15,818
BCITF License Levy	521	2,778	(3,249)	(50)	-
Building License Levy	-	5,345	(4,034)	(1,311)	-
Sale of Paintings	(80)	190	(190)	80	-
Art Prize Sponsorship	200	-	-	(200)	-
Katanning Cinema Project Contributions	-	5,400	-	-	5,400
	95,303	2,696,656	(2,714,147)	(10,426)	67,386

25. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Shire.

26. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 retrospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in accumulated surplus/(deficit).

(a) Classification and measurement

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

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

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

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire did not designate any financial assets as at fair value through profit and loss.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L. Upon adoption of AASB 9, the Shire did not recognise any additional impairment on the Shire's Trade receivables.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined, in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	ECL under AASB 9 as at 01 July 2018
	\$	\$	\$
Loans and receivables under AASB 139 / Financial assets at amortised cost under AASB 9	(303,608)	-	(303,608)

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

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

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

(a) Revenue from Contracts with Customers

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

	AASB 118 carrying amount		AASB 15 carrying amount
Note	30 June 2019	Reclassification	01 July 2019
	\$	\$	\$
<i>Contract liabilities - current</i>			
Unspent grants, contributions and reimbursements	20	-	277,025
Adjustment to retained surplus from adoption of AASB 15	27(d)	(277,025)	277,025

(b) Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

The Shire of Katanning has assessed the impact of adopting AASB 16 and believes it will not have a material impact on the financial report.

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

(c) Income For Not-For-Profit Entities

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

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

	AASB 1004 carrying amount		AASB 1058 carrying amount	
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Trade and other payables	12	13,560,147	-	13,560,147

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

(d) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2019 is as follows:

	Note	Adjustments	2019
			\$
Retained surplus - 30 June 2019			95,183,884
Adjustment to retained surplus from adoption of AASB 15	27(a)	(277,025)	
Adjustment to retained surplus from adoption of AASB 1058	27(c)	-	(277,025)
Retained surplus - 01 July 2019			94,906,859

28. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

i) Impairment of assets

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

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

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

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

29. ACTIVITIES/PROGRAMS

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

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Administration and operation of facilities and services to members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services.	Rates, general purpose government grants and interest revenue.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
HEALTH	To provide an operational framework for environmental and community health.	Food quality and pest control, inspection of abattoir and operation of child health clinic, analytical testing and Environmental Health administration.
EDUCATION AND WELFARE	To provide services to disadvantaged persons, the elderly, children and youth.	Year round care, housing for the aged and educational services.
HOUSING	To provide and maintain staff and elderly residents housing.	Provision and maintenance of staff and elderly residents housing.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish and recycling collection services, operation of rubbish disposal site, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resource which will help the social well being of the community.	Maintenance of town hall, public halls, civic centres, aquatic centre, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, art gallery and other cultural facilities.
TRANSPORT	To provide safe, effective and efficient transport services to the community.	Construction and maintenance of roads, streets, bridges, footpaths, depot, airport and traffic control. Cleaning of streets and maintenance of street trees and street lighting. Purchase and disposal of Council's Road Plant.
ECONOMIC SERVICES	To help promote the Shire and its economic wellbeing.	Tourism and area promotion. Maintenance and operation of the Saleyards. Building Control. Provision of rural services including weed control, vermin control and standpipes.
OTHER PROPERTY AND SERVICES	To monitor and control Council's overheads operating accounts.	Private works operation, plant repair and operational costs and engineering operation costs.

30. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	0.26	2.58	2.47
Asset consumption ratio	0.62	0.67	0.98
Asset renewal funding ratio	0.97	0.89	1.07
Asset sustainability ratio	1.34	0.62	0.73
Debt service cover ratio	7.19	7.11	24.74
Operating surplus ratio	(0.44)	(0.46)	(0.18)
Own source revenue coverage ratio	0.52	0.46	0.46

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Katanning

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past three years.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. Accounting journal entries were prepared and posted by the same employee, without being reviewed by a senior staff member independent of preparation. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be independently reviewed and approved.
 - b. There was no evidence retained of independent review of changes made to the supplier masterfile. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 30 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



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

16 December 2019



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Katanning

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past three years.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. Accounting journal entries were prepared and posted by the same employee, without being reviewed by a senior staff member independent of preparation. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be independently reviewed and approved.
 - b. There was no evidence retained of independent review of changes made to the supplier masterfile. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 30 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

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

16 December 2019

[Date]

Moore Stephens
2 The Esplanade
Perth WA 6000

Dear Sirs,

Representation Letter in Respect of The Shire of Katanning's Annual Financial Report for the Year Ended 30 June 2019

This representation letter is provided in connection with your audit of the Shire of Katanning's annual financial report for the year ended 30 June 2019 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2019 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

1. GENERAL

- a) We have fulfilled our responsibilities for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- b) We have advised you of all material estimates, professional judgement or other variables used in the presentation of the financial report.
- c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report, except as disclosed in Note 26 to the financial report.
- d) The prior period comparative information in the financial report has not been restated, except, where required, to conform with changes in presentation for the current financial year.
- e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.
- f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- g) We have provided you with
 - i. Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - ii. Additional information that you have requested for the purpose of the audit.
 - iii. Unrestricted access to persons within the Shire from whom you determined it necessary to obtain audit evidence.

- h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your attention and made available to you.
- j) We have advised you of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
- k) We have provided to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- l) No frauds or suspected frauds affecting the Shire involving:
 - i. Management;
 - ii. Employees who have significant roles in internal control; or
 - iii. Others where the fraud could have a material effect on the financial reporthave occurred to the knowledge of management of the Shire.
- m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire's financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- n) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

2. FAIR VALUE MEASUREMENTS AND DISCLOSURES

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

3. GOING CONCERN

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

4. CONTINGENT LIABILITIES

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.

6. FINANCIAL LIABILITY FOR CONTAMINATED SITES

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Shire that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

7. RELATED PARTIES

We have disclosed to you the identity of the Shire's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Shire's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

8. KEY MANAGEMENT PERSONNEL COMPENSATION

We confirm the Shire's key management personnel (KMP) have not received any other money, consideration or benefit (except amounts being reimbursements for out of pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

9. SUBSEQUENT EVENTS

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the Shire.

10. INTERNAL CONTROL

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

11. INSURANCE

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

12. RISK MANAGEMENT

We confirm that we have established and maintained a risk management framework that is appropriate to the Shire.

13. FINANCIAL RATIOS

We confirm that the financial ratios included in the annual financial report have been prepared and fairly presented in accordance with the Local Government (Financial Management) Regulations 1996.

We confirm that the asset consumption ratio and the asset renewal funding ratio are supported by verifiable information and reliable assumptions.

14. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR'S REPORT

- a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the Shire's website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- c) We have clearly differentiated between audited and unaudited information in the construction of Shire's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

15. MISSTATEMENTS

We are not aware of any uncorrected misstatements that that are material, both individually and in the aggregate, to the financial report as a whole. However, we noted the following uncorrected misstatement listed below:

Account	Reported balance \$	Actual balance \$	Variance \$
Rates revenue	3,954,569	4,036,618	82,049
Trade receivables	1,193,138	1,275,187	82,049
Being the difference in rates reconciliation and rates in advance not recognised as revenue.			
Employee costs	4,578,759	4,596,630	17,871
Cash and cash equivalents	15,761,111	15,790,497	29,386
Trade and other payables	13,560,147	13,607,404	47,257
Being understatement of salaries and wages accrual as at 30 June 2019 and amounts held in the trust fund unallocated to the municipal funds.			
Interest received	637,874	666,384	28,510
Trade receivables	1,193,138	1,221,648	28,510
Being interest on invested monies not received as at 30 June 2019.			
Impact on Net result for the period			92,688
Impact on Net Assets			92,688

16. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.

Yours faithfully

Name:

Director Corporate Services

Date

Name:

Chief Executive Officer

Date

Our Ref:
Your Ref:

Ms Caroline Spencer
Auditor General
Office of the Auditor General
7th Floor, Albert Facey House
469 Wellington Street
PERTH WA 6000

Dear Ms Spencer

REPRESENTATION LETTER IN RESPECT OF THE SHIRE OF KATANNING'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

This representation letter is provided in connection with your audit of the Shire of Katanning's annual financial report for the year ended 30 June 2019 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended 30 June 2019 after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

1. GENERAL

- (a) We have fulfilled our responsibilities for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report, except as disclosed in Note 26 to the financial report.
- (d) The prior period comparative information in the financial report has not been restated except, where required, to conform with changes in presentation for the current financial year.
- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.

- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.
- (g) We have provided your auditors with
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - (ii) Additional information that your auditors have requested for the purpose of the audit.
 - (iii) Unrestricted access to staff and councillors of the Shire from whom your auditors determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the Shire involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others where the fraud could have a material effect on the financial reporthave occurred to the knowledge of management of the Shire.
- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire's financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

2. FAIR VALUE MEASUREMENTS AND DISCLOSURES

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

3. GOING CONCERN

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

4. CONTINGENT LIABILITIES

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.

6. FINANCIAL LIABILITY FOR CONTAMINATED SITES

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Shire that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

7. RELATED ENTITIES

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to the Auditor General if any of the functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2019.

8. RELATED PARTIES

We have disclosed to your auditors the identity of the Shire's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Shire's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

We confirm the Shire's key management personnel (KMP) have not received any other money, consideration or benefit (except amounts being reimbursements for out of pocket

expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

10. SUBSEQUENT EVENTS

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations of the Shire.

11. INTERNAL CONTROL

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

12. INSURANCE

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

13. RISK MANAGEMENT

We confirm that we have established and maintained a risk management framework that is appropriate to the Shire.

14. FINANCIAL RATIOS

We confirm that the financial ratios included in the annual financial report have been prepared and fairly presented in accordance with the Local Government (Financial Management) Regulations 1996.

We confirm that the asset consumption ratio and the asset renewal funding ratio are supported by verifiable information and reliable assumptions.

15. ACCOUNTING MISSTATEMENTS

The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report taken as a whole. A summary of these uncorrected misstatements is listed below.

Account	Reported balance \$	Actual balance \$	Variance \$
Rates revenue	3,954,569	4,036,618	82,049
Trade receivables	1,193,138	1,275,187	82,049
Being the difference in rates reconciliation and rates in advance not recognised as revenue.			
Employee costs	4,578,759	4,596,630	17,871
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Interest received	637,874	666,384	28,510
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Being interest on invested monies not received as at 30 June 2019.			
Impact on Net result for the period			92,688
Impact on Net Assets			92,688

16. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR'S REPORT

- (a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- (b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- (c) We have clearly differentiated between audited and unaudited information in the construction of the Shire's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

17. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.

Name:

Community & Business Services Directorate **Date**

Name:

Chief Executive Officer **Date**

Audit Concluding Memorandum

Shire of Katanning
Year Ended 30 June 2019



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1. Executive Summary

Introduction

Moore Stephens has been engaged by the Office of Auditor General (OAG) Western Australia to perform an audit of the Shire of Katanning's (the Shire) annual financial report for the year ended 30 June 2019.

The key purpose of this memorandum is to promote effective communication between the auditor and those charged with governance regarding the completion of the current year's audit.

We request management and the Audit Committee to review this document to help ensure:

- the Shire concurs with the matters raised, and
- there are no further significant considerations or matters that could impact the audit and the financial report.

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 contents of this document should not be disclosed to third parties without our prior written consent.

Audit Status and Report

We are pleased to advise we have fully completed our audit of the Shire's financial report for the year ended 30 June 2019.

We will recommend the OAG to issue an unqualified opinion on the Shire's financial report.

In accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996, we will also report:

- a) There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the DLGSCI standard and OAG threshold for the past 3 years, and
- b) The following material matters which indicate non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of our audit:
 - Accounting journal entries were prepared and posted by the same employee, without being reviewed by a senior staff member independent of preparation. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be independently reviewed and approved.
 - The process and procedures for changing supplier details was not formally documented. Further, there was no evidence retained of independent review of changes made to the supplier masterfile prior to payments made. This increased the risk of unauthorised changes to key information.

1. Executive Summary (continued)

Key Audit Risks or Focus Areas	<p>We identified key audit risks or audit focus areas as part of our risk assessment procedures undertaken throughout the audit.</p> <p>We are pleased to advise we have satisfactorily completed our audit procedures designed to address those risks and met our audit objectives. Particulars of the key audit risks and results of the relevant procedures performed are detailed in Section 2 of this memorandum.</p>
Summary of Audit Differences	<p>Non-trivial uncorrected audit differences have been Identified and disclosed in Section 3 of this memorandum.</p>
Internal Controls Relevant to Audit	<p>We did not identify any additional significant deficiencies in internal controls other than those identified in the formal management letter issued after the interim audit.</p>
Other Key Matters	<p>We confirm we have had no issues in relation to our independence as auditor of the Shire, irregularities and illegal acts, non-compliance with laws and regulations, appropriateness of accounting policies and liaison with management.</p> <p>We have also provided a brief summary of the new accounting standards that may impact the Shire in the future periods for your due considerations at Appendix 1.</p>

2. Key Audit Risks and Focus Areas

As part of our risk assessment, we identified key audit risks based on our extensive knowledge of the Shire, the industry and issues faced by metropolitan local governments. This risk assessment process is designed to ensure that we focus our audit work on the areas of highest risk.

This risk assessment and our responses have been updated throughout the engagement to ensure that all areas of material risk are addressed by our audit.

Set out below is an overview of what we have identified as the key audit risks and focus areas for the audit of the Shire's financial report for the year ended 30 June 2019. The table below also includes our audit procedures performed to address these risks together with the outcomes.

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
PROPERTY, PLANT AND EQUIPMENT INFRASTRUCTURE		
<p>This is a significant industry risk given the judgement applied in determining fair values as well as depreciation expense.</p> <p>As at 30 June 2019, the Shire reported a Property, Plant and Equipment and Infrastructure of \$211 million.</p>	<p>The following is a broad outline of our approach:</p> <p>Property, Plant and Equipment and Infrastructure</p> <ul style="list-style-type: none"> Documented and tested key audit controls around Property, Plant and Equipment and Infrastructure balances. Assessed accounting policies associated with fair value assessments and ensured they are in accordance with accounting standards. Substantively tested a sample of additions and disposals. Reviewed capitalisation threshold applied for compliance with new \$5,000 threshold required by Local Government (Financial Management) Regulation 17A(5). Reviewed impairment assessments. Reviewed fair value disclosures to ensure in accordance with AASB13 requirements. <p>Depreciation and amortisation</p> <ul style="list-style-type: none"> Understood and documented depreciation policies relevant to the various asset classes. Documented and tested key audit controls around the calculation of depreciation/amortisation. Performed depreciation recalculations based on our sampling approach. Performed substantive analytical procedures. In addition, given our industry experience, reviewed the determination of applicable depreciation rates. 	<p>Based on work performed, we are satisfied the Shire's fixed assets are fairly stated and disclosed in the 2019 financial report.</p>

2. Key Audit Risks and Focus Areas (continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS								
EMPLOYEE BENEFIT PROVISIONS										
<p>Provisions for annual leave and long service leave involves a degree of management estimation and uncertainty in their calculation.</p> <p>As at 30 June 2019, the Shire reported a total provision of \$837 thousand.</p>	<p>We documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on the internal controls. We performed substantive tests of details utilising our sampling methodology as well as year-end analytical review to obtain the required level of audit assurance.</p> <p>We also reviewed employee benefit provisions to ensure they are consistent with the payroll records and calculated in accordance with AASB119.</p>	<p>Based on work performed, we are satisfied the Shire's employee benefits provisions are fairly stated and disclosed in the 2019 financial report.</p>								
REVENUE										
<p>The Shire's main sources of revenue are:</p> <ul style="list-style-type: none"> • government grants; • rates; and • Other fee for service revenue streams. <p>Given the variety of revenue streams, there is a risk that revenue may not be recognised with relevant accounting standards.</p> <p>For the year ended 30 June 2019, the Shire has recognised:</p> <table border="1"> <tbody> <tr> <td>Rates</td> <td>\$3.95 million</td> </tr> <tr> <td>Operating grants, subsidies and contributions</td> <td>\$2.99 million</td> </tr> <tr> <td>Non-Operating grants, subsidies and contributions</td> <td>\$4.46 million</td> </tr> <tr> <td>Fees and Charges</td> <td>\$2.06 million</td> </tr> </tbody> </table>	Rates	\$3.95 million	Operating grants, subsidies and contributions	\$2.99 million	Non-Operating grants, subsidies and contributions	\$4.46 million	Fees and Charges	\$2.06 million	<p>Given the nature of local government grants, we substantively tested this revenue to third party documentation and vouched receipt of funds in accordance with our established sampling methodology. Also performed analytical review procedures.</p> <p>With respect to Rates, we documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on internal controls.</p> <p>We performed substantive test of details utilising our sampling methodology as well as year-end analytical review to obtain the required level of assurance.</p> <p>We also reviewed the design and implementation of controls of all main sources of revenue.</p> <p>In addition, we considered the impact AASB 15 will have on the local government industry and have assessed the comments regarding the impact in the financial report.</p> <p>We consider the nature, complexity and materiality of the revenue transactions in the process of identifying the risk of fraud in revenue.</p>	<p>Based on work performed, we are satisfied the Shire's revenue is fairly stated and disclosed in the 2019 financial report.</p>
Rates	\$3.95 million									
Operating grants, subsidies and contributions	\$2.99 million									
Non-Operating grants, subsidies and contributions	\$4.46 million									
Fees and Charges	\$2.06 million									

2. Key Audit Risks and Focus Areas (continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS						
EXPENDITURE								
<p>Expenditure forms a large part of a local government's operations. This takes the form of both operating and capital expenditure.</p> <p>For the year ended 30 June 2019, the Shire has recognised:</p> <table border="1"> <tr> <td>Employee costs</td> <td>\$4.58 million</td> </tr> <tr> <td>Materials and contracts</td> <td>\$1.95 million</td> </tr> <tr> <td>Depreciation</td> <td>\$5.36 million</td> </tr> </table>	Employee costs	\$4.58 million	Materials and contracts	\$1.95 million	Depreciation	\$5.36 million	<p>For the testing of expenditure, we documented and tested key audit controls and performed walkthroughs of the systems with a view to rely on internal controls.</p> <p>We performed substantive tests of detail based on our sampling methodology as well as year-end analytical review to obtain the required level of assurance.</p> <p>We paid particular attention to the cost allocation methodology associated with administration allocations, Public Works Overheads and Plant Operating Costs to ensure these are properly allocated as they impact the split between operational and capital expenditure.</p> <p>Specific attention was paid to credit cards, particularly in light of history and our experience of the industry.</p>	<p>Based on work performed, we are satisfied that the Shire's expenditure is fairly stated and disclosed in the 2019 financial report.</p>
Employee costs	\$4.58 million							
Materials and contracts	\$1.95 million							
Depreciation	\$5.36 million							
MANAGEMENT OVERRIDE OF CONTROLS								
<p>Management is involved in day to day operations and monitoring of the business, which gives them the ability to manipulate accounting records and manipulate financial disclosures by overriding controls in place. Due to the unpredictable way in which such override could occur, this leads to potential fraud risk.</p>	<p>The following procedures were performed:</p> <ul style="list-style-type: none"> • 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; and • For significant or unusual transactions, evaluated the business rationale (or the lack thereof) for evidence of fraudulent financial reporting or misappropriation of assets. 	<p>Based on work performed, we are satisfied that the risk of fraud from management override has been reduced to an acceptable level.</p>						
RELATED PARTY DISCLOSURE								
<p>Local governments are required to disclose related party transactions commencing the year ended 30 June 2017.</p>	<p>We reviewed the processes to ensure the required disclosures were adequately addressed and a robust system is in place. We also ensured related party transactions are at arm's length basis.</p> <p>We also remained alert for any undisclosed related party relationships/transactions whilst performing other audit procedures.</p>	<p>Based on work performed, we are satisfied that related party transactions are properly disclosed and at arm's length basis.</p>						

2. Key Audit Risks and Focus Areas (continued)

RISK AREAS	AUDIT PROCEDURES TO ADDRESS RISK	CONCLUSIONS
SIGNIFICANT ADVERSE TRENDS		
Reporting of any material matters that indicate significant adverse trends in the financial position of the Shire relating to the requirements of Local Government (Audit) Regulation 10(3)(a).	We used the statutory ratios disclosed and compared them against industry benchmarks and previously reported ratios. We also assessed how the ratios impact the operations of the Shire.	Based on work performed, we noted one matter that indicated a significant adverse trend in the financial position of the Shire, being the Shire's Operating Surplus Ratio has been below the industry benchmark and OAG threshold for the past 3 years.

3. Summary of Audit Differences

We are required by the auditing standards to communicate all differences (other than clearly trivial) that we noted during the audit.

The table below provides a summary of audit differences not corrected by management and their impact to the financial report:

Account	Reported balance \$	Actual balance \$	Variance \$
Rates revenue	3,954,569	4,036,618	82,049
Trade receivables	1,193,138	1,275,187	82,049
Being the difference in rates reconciliation and rates in advance not recognised as revenue.			
Employee costs	4,578,759	4,596,630	17,871
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Being understatement of salaries and wages accrual as at 30 June 2019 and amounts held in the trust fund unallocated to the municipal funds.			
Interest received	637,874	666,384	28,510
Trade receivables	1,193,138	1,221,648	28,510
Being interest on invested monies not received as at 30 June 2019.			
Impact on Net result for the period			92,688
Impact on Net Assets			92,688

4. Internal Controls Relevant to Audit

As part of our planned audit approach, we have evaluated the Shire's system of internal controls primarily to enable us to determine the appropriate nature and extent of our procedures.

This, however, does not constitute a comprehensive review. Accordingly, the Audit Committee may wish to discuss with management any matters they may have raised with respect to particular systems, which may necessitate a more comprehensive review.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements 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's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

We are pleased to advise we did not note any additional significant deficiencies in internal controls during the final audit other than those noted during the interim audit.

The following significant deficiencies in internal controls were included in the formal management letter issued after our interim audit:

FINDING	RECOMMENDATION	STATUS
JOURNALS NOT INDEPENDENTLY REVIEWED		
We noted manual accounting journal entries prepared and posted by the same employee were not independently reviewed by a second officer.	To help maintain the integrity of the accounting system and ensure the journals are correctly recorded, journal entries should be reviewed and authorised by a more senior staff member independent of preparation. This review should also seek to confirm the accuracy of the journals and should be evidenced accordingly.	We are satisfied that the Shire has addressed the finding. As this matter indicates non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996, it has also been reported in the Audit report.
CHANGES TO SUPPLIER DETAILS		
The process and procedures for changing supplier details is not formally documented. Further, there is no evidence retained to demonstrate whether changes to supplier details, including bank account details are being reviewed before each payment run.	The Shire should develop an approved policy or procedure to formally document the process for changing supplier details within the Supplier Master File. Changes to the Supplier Master File should be independently reviewed to ensure all changes are authorised and correct.	We are satisfied that the Shire has addressed the finding. As this matter indicates non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996, it has also been reported in the Audit report.

5. Other Key Matters

In accordance with Auditing Standards, we are required to communicate a number of matters with those charged with governance which is covered in the table below.

Matters Considered	Outcome
Ethics and Independence	<p>We have obtained independence declarations from all staff engaged in the audit.</p> <p>We confirm that to the best of our knowledge, we met the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report.</p> <p>We have further considered the safeguards the Moore Stephens Australia network has in place and we are not aware of any services being provided that would compromise our independence as external auditor.</p>
Fraud and Compliance with Laws and Regulations	<p>We have enquired with the Management regarding the existence of fraud and/or non-compliance with laws and regulations. We have also reviewed the general ledger and minutes for evidence of these.</p> <p>Based on the confirmation obtained from the Management and 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 have not identified any reportable matters for your attention.</p>
Appropriateness of Accounting Policies	<p>Based on the work performed, we are satisfied that accounting policies used for the preparation of financial report are acceptable financial reporting framework and in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.</p>
Appropriateness of the Use of Going Concern Basis of Accounting	<p>Based on the audit evidence obtained up to the date of our auditor's report, we are not aware of material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern.</p>
Liaison with Management	<p>We had no disagreements with management about significant audit, accounting or disclosures matters.</p> <p>There were no difficulties encountered in dealing with management related to the performance of the audit.</p>
New Accounting Standards for Future Periods	<p>Please refer Appendix 1 of this document.</p>

Appendix 1: Recent Regulatory and Technical Developments

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

The new and amended pronouncements that are relevant to the Shire are set out as follows:

Title	Issued / Complied	Applicable ⁽¹⁾	Objective
AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2019	<p>This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.</p>
AASB 16 Leases	February 2016	1 January 2019	<p>Under this Standard there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability onto their statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position once AASB 16 is adopted.</p> <p>Currently, operating lease payments are expensed as incurred. This will cease and will be replaced by both depreciation and interest charges.</p>
AASB 1058 Income of Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8)	December 2016	1 January 2019	<p>These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are:</p> <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates; and - Volunteer services.

Notes: ⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

The impact of these standards, if any, on the Shire's financial statements has been assessed by the management and disclosed in Note 27 to the 2019 annual financial report.

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