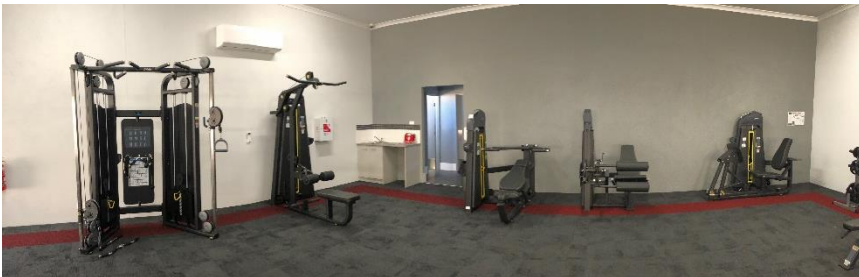
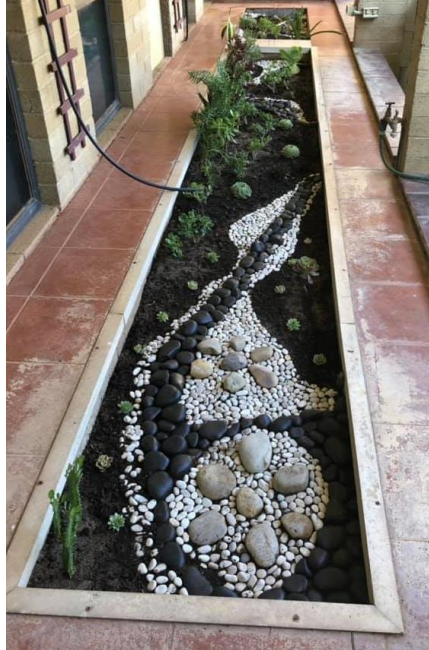




Shire of Koorda

2018/2019 Annual Report



DRIVE IN, STAY AWHILE

www.koorda.wa.gov.au

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Introduction to the Shire of Koorda









Approximately 240km and 3 hour's drive north-east of Perth, Koorda is situated along the popular 'Wheatbelt Way' self-drive trail. Koorda's main industries include wheat, coarse grain and sheep farming. During springtime, experience remarkable wildflower displays with some species unique to the area. Koorda is famously referred to as 'Corn Dolly Country,' attracting sightseers wanting to learn more about the ancient tradition of creating 'dollies' from stalks and husks of wheat.

The town offers great facilities for visitors to enjoy, from its wonderful Wheatbelt scenery, local attractions, museums and Drive In theatre, to sporting recreational services such as a golf course, tennis courts, lawn bowls, children's playgrounds, skate park and much, much more. There are numerous scenic areas to stop at, most with public BBQ and toilet facilities. Mollerin Rock, Newcarlbeon, Koorda Native Flora Reserve and Badgerin Rock are popular spots to enjoy the surroundings and perhaps catch some of the local inhabitants.

Shire of Koorda Statistics

Area	2,662 km ²
Length of Sealed Roads	245 kms
Length of Unsealed Roads	840 kms
Population	414 (Source: ABS 2016 Census)
Number of Electors	267
Total Rates Levied	\$1,041,439
Total Revenue	\$4,953,379
Number of Employees	19 FTE

Statistically in 2018/2019, the Shire has:

<p>Conducted 11 Council meetings and 3 Special Council meetings.</p> 	<p>Had 15 rural property sales to a value of \$4,490,654 and 7 town property sales to the value of \$512,000.</p> 	<p>Issued 11 building related approvals at a value of \$1.05 million.</p> 	<p>Had 713 visitors stay at Shire owned accommodation for a total of 1790 nights.</p> 
<p>Resealed 9.83km of bitumen roads totalling \$219,177.</p> 	<p>Re-sheeted approx. 11km of gravel roads totalling \$287,447.</p> 	<p>Progressed 3 road widening programs for approx. 10km totalling \$438,771.</p> 	<p>Had eight screenings at the Drive In with 716 ticket sales.</p> 

President's Report



I am pleased to be bringing you my 8th annual report for the year ended 30th June 2019.

The Shire has a very new look in several different ways.

Firstly, I would like to welcome Mr. Darren Simmons to Koorda as our new CEO. Darren comes to us with many years' experience in Local Government and has worked hard to get to know as many of the community members as possible and attended several different functions.

I would like to express my gratitude to David Burton, who after 7 years as CEO in Koorda, is now the CEO in Carnarvon. David and Ronnie contributed to the community, not only as CEO, but in various other capacities. During the recruitment and transition period we had the benefit of having Mr. Gary Martin as Acting CEO for 3 months, providing strong leadership and guidance to both staff and councillors.

Adding to the new look, and after several years of discussion and debate, an updated Shire Logo has been adopted, with a new slogan of "Drive In, stay awhile" replacing the outdated "Corn Dolly Country". New shire entry signs will be erected at our boundaries in the near future.

Travellers arriving in Koorda from the East on Koorda Bullfinch Road, will notice the new electronic speed sign near the police station. The sign will be a reminder to drivers to observe the 50 kph speed limit around town and hopefully encourage heavy vehicle operators to slow down as they approach BP at the end of the street.

Councils financial support of the Drive-In is providing dividends to the Koorda P&C. The new projector and speakers are not only providing a much-improved picture and sound quality, but also keeping a retro feel to the experience. There have been nearly 1000 patrons in the past 4 screenings, most of who are from out of town, injecting new money into both the reserve fund for ongoing maintenance, but more importantly to the P&C for them to use for the benefit of our primary school children. I would encourage you to speak to P&C members to find out how these funds have been used.

There have been several car, caravan and 4WD clubs visit Koorda, primarily to take advantage of the Drive-In, but also Koorda is a comfortable distance for them to travel for a weekend getaway. Stats have shown that our caravan park is one of the few in the NEW Travel catchment that has had an increase in patronage.

The Central East Aged Care Alliance (CEACA) units across the 11 participating Local Governments are nearing completion. The four new units in Koorda are expected to be ready for occupancy in the next few weeks. The units are designed for local elderly residents to stay in our community close to their family and friends. Demand is high for these units and unfortunately, some applicants may not be successful. A virtual tour of both the "Platinum" and "Gold units" is available online for anybody to view. Please contact the Shire office if you have trouble accessing the web site.

The new Gym and Changerooms were opened in August. There has been much interest in the “Koorda Kinetic Centre” gym membership with 35 already having signed up.

The changerooms have been given favorable reviews from both local and visitor teams. The facilities in both changerooms are of a very high standard and comparable with any city equivalent. Acknowledgement must be given to the Shire’s Manager of Finance and Administration, Miss Lana Foote, for her role as Project Manager, ensuring the project, while a little behind schedule, was delivered to Council’s expectations.

The Wheatbelt Secondary Freight Network (WSFN), is now nearly at construction stage. The ambitious project of 4,400 kms of identified freight routes across 42 Local Governments to be upgraded, has been 3 years in the planning and development stage. The Deputy Prime Minister announced a \$70 million funding allocation and combined with a further \$17 million from the State and Local Governments, will see an estimated 500 kms of roads reconstructed to a fit for purpose asset. Koorda will not see any construction work in the first funding round, but many residents will have indirect benefits by driving on these upgraded roads. The \$500 million project is expected to take between 15 and 20 years to complete and will rely on future Federal Government support and funding. The desired outcome is a safer and more productive road network.

The Local Government Act review is currently underway, one of outcomes is for mandatory Elected Member training for all successful candidates following the upcoming Local Government elections. This may be seen by some as being too onerous but will in fact provide Elected Members with a good understanding of their roles and responsibilities.

Council provided the funding for staff to invest in a new Electronic Management System to host the Shire’s records. The meticulous logging of nearly 80 years of printed documents, photos and other records, is currently underway.

In closing, I would like to thank the Staff and Councilors for their efforts during the past year and look forward to the challenges in 2020.

Cr Ricky Storer
Shire President

Chief Executive Officer's Report



It is my pleasure to present to the residents and ratepayers of the Shire of Koorda my first annual report as the new CEO for the Shire of Koorda (the Shire) in what is a 'new look' annual report to that of previous years.

My commencement and induction into the Shire's operations has been made so much easier thanks to the kind and friendly welcome I have received from the Shire President and Councillors, Shire staff and, particularly, the wider Koorda community for which I wish to record my thanks.

I also wish to thank and acknowledge my immediate predecessor CEOs being, Mr David Burton, for his work over the last 7 years, which has placed the Shire in a strong position going into the future and, Mr Gary Martin, who efficiently and effectively assumed the role of acting CEO from February to May 2019 and who assisted me greatly during the CEO handover process.

Even with the changes in the Shire's executive leadership during 2018/2019, the Shire Councillors and staff from the Shire and Koorda Community Resource Centre (as the Shire's community development partners) have continued to work diligently together for the community's benefit with a focus on prudent and responsible delivery of important programs and projects including:

- Agree, design and commence construction of a new 24/7 gym and sporting clubs changeroom facility at the Koorda Recreation Ground;
- Installation of new car-window speakers and digital laser projector at the Koorda Drive-In in order to re-launch driven-in operations;
- Partnering with our North Eastern Wheatbelt Regional Organisation of Councils (NEWROC) neighbours being the Shires of Mt Marshall and Wyalkatchem to secure a contemporary and legally compliant Records Management system;
- Refresh the Shire's corporate branding including a revised logo, business stationery, Shire boundary and facility signage, identity badges and organisational polo shirts;
- Design, tender and leasing of a new house for Government Regional Officers Housing (GROH);
- Engaging with the State Government on its Local Government Act Review and embracing resulting changes such as mandatory Councillor training, improving the provision of Shire information to the public and enhancing financial and statutory compliance by committing to the procurement and implementation of new business (finance) systems as part of the 2019/2020 budget; and
- The development of 'Team Koorda' being a multi-faceted corporate culture program that is focussed on elected and staff member engagement, communication, and team building that will provide for a positive working environment and, ultimately, enhanced productivity and community outcomes.

Council has also continued to advocate and enact affordable 'Ageing in Place' opportunities through its membership of the Central East Aged Care Alliance Inc (CEACA) which has facilitated and is coordinating the construction of 71 independent living units throughout the CEACA region with 4

units under construction in Koorda. It is anticipated that tenancy arrangements will be finalised in late 2019/early 2020.

During 2018/2019, the Shire continued to find ways to engage with the community on several levels including the use of community surveys, face-to-face meetings and via social media. Information on Shire activities is distributed through the Shire's section of the *Narkal Notes*, the Shire Website and its increasingly popular Facebook page.

In closing, Council has continued its strong support for Shire Staff to achieve positive outcomes for the community and, as such, I would like to extend my personal thanks to all staff and our elected members.

Darren Simmons
Chief Executive Officer



Councillors



Cr FJ (Rick) Storer (President)
Elected: 2005 – Retiring: 2021



Cr PL (Pam) McWha (Deputy President)
Elected: 2011 – Retiring: 2019



Cr LC (Lea) Smith
Elected: 2015 – Retiring: 2019



Cr BG (Buster) Cooper
Elected: 2015 – Retiring: 2019



Cr JM (Jannah) Stratford
Elected: 2017 – Retiring: 2021



Cr GW (Gary) Greaves
Elected: 2011 – Retiring: 2019



Cr RDG (George) Storer
Elected: 2017 – Retiring: 2021



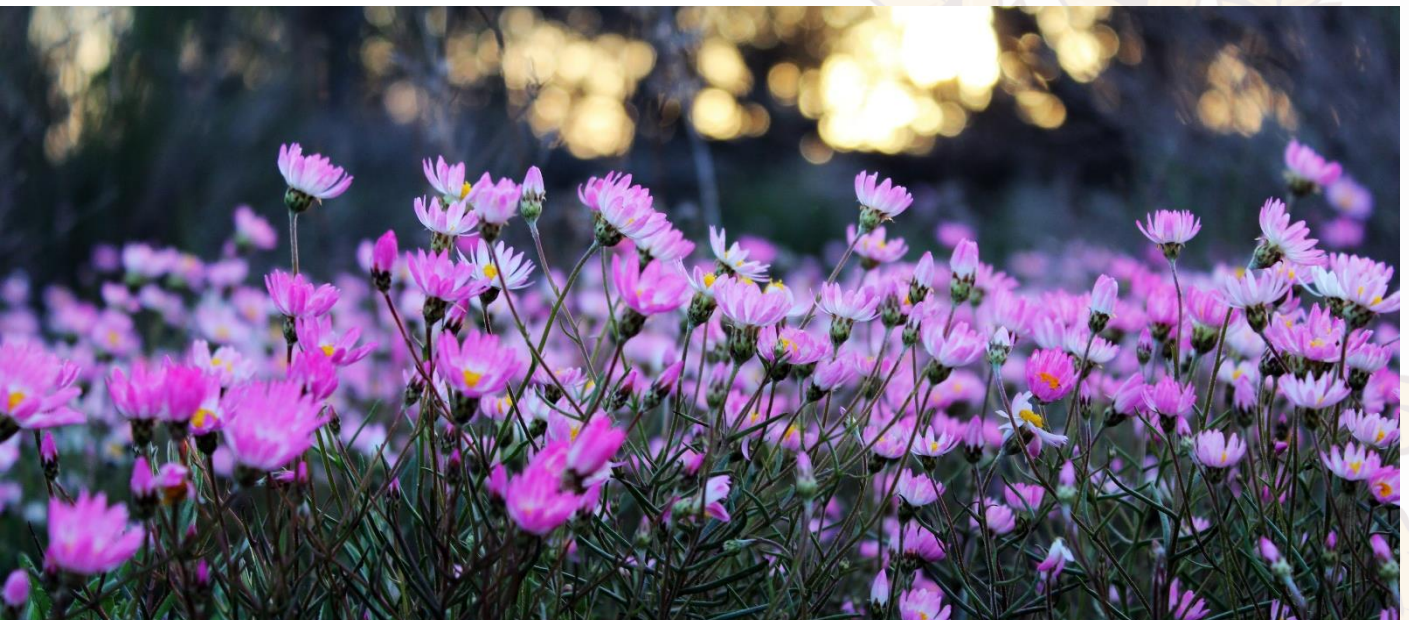
Welcome to the
Shire of
Koorda

Where we aim to build a vibrant and sustainable community,
with shared social values. In which we can live and work in
harmony with our environment.

We strive to;

- Be a community that is friendly, approachable, fair-minded and responsive;**
- Be good stewards of our environment and heritage;**
- Have a strong sense of our identification with our community, and;**
- Act with honesty and integrity.**

DRIVE IN, STAY AWHILE



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Integrated Planning and Reporting Framework

The Integrated Planning and Reporting Framework is designed to establish the community's vision and strategic direction for the Shire's future, including aspirations and service expectations. It is intended to drive the development of corporate business plans, resourcing and other informing strategies. An objective is the integration of asset, service and financial plans so that the Shire's resource capabilities are matched to the community's needs. This document is part of a series of strategic and forward planning documents used by the Shire.

The process has led to the development of priorities for social, economic, environmental, changing demographics and land use, and civic leadership.

Strategic Community Plan outlines community long term vision, values, aspirations and priorities.

Corporate Business Plan summarises current and future resources required to deliver priorities outlined in Strategic Community Plan.

Annual Budget allocates the funds and resources required to deliver the priorities outlined in the Strategic Community Plan and Corporate Business Plan.

A review of the Strategic Community Plan is to be undertaken every two years, with the next review scheduled for 2020.

In reviewing the Strategic Community Plan, the Shire used a number of approaches to engage the community, including a direct mail out to residents, seeking their views on where they see the community being in 10 years. In addition, members of the community were asked to provide feedback via the Shire's website at www.koorda.wa.gov.au.

All members of our community were given the opportunity through various forums to contribute to the development of this plan.

Shire of Koorda Strategic Community Plan

The Strategic Community Plan 2018-2028 was adopted by Council in July 2018 and provides guidance on the strategic direction for the delivery of services to the Koorda community.

The four (4) key areas of focus in the plan are as follows;

- 1) **Social:** to be a dynamic, passionate and safe community valuing our natural and unique heritage;
- 2) **Economic:** to have a diverse and innovative economy with a range of local employment opportunities;
- 3) **Environmental:** to have a balance respect for our environment and heritage, both natural and build;
- 4) **Civic Leadership:** to provide exceptional leadership, working with our community towards a sustainable future.

2018 - 2028 Strategic Community Plan

The Strategic Community Plan 2018-2028

SOCIAL: *To be a dynamic, passionate and safe community valuing our natural and unique heritage*

Outcome 1.1 - Create an environment that strengthens “a sense of community” and a country lifestyle

Strategies	Measuring Success
1.1.1 Advocate for enhanced service provision from government and community agencies	<i>Proactive engagement with all stakeholders and improved services</i>
1.1.2 Partner with the community to support the creation of community driven activity centres	<i>Proactive engagement with all stakeholders</i>
1.1.3 Support community organisations that have the ability to give local youth a voice on youth issues	<i>Identify need and opportunities for projects</i>
1.1.4 Develop, maintain and support appropriate recreation facilities	<i>Complete all high priority strategies</i>
1.1.5 Partner with stakeholders to achieve greater community participation in recreational facilities and services	<i>Proactive engagement with all stakeholders</i>
1.1.6 Advocate and strengthen Koorda as an administrative centre for local government services for the district	<i>Proactive engagement with all stakeholders</i>

Outcome 1.2 - Create an environment that provides for a caring and healthy community

Strategies	Measuring Success
1.2.1 Advocate for appropriate and accessible health services	<i>State services maintained</i>
1.2.2 Facilitate provision of services for aged persons and people with disabilities	<i>Increased commitment to regional initiative</i>
1.2.3 Provide an environment that enhances the growth, development and retention of youth	<i>Increased commitment to regional initiative</i>
1.2.4 Advocate for the provision of educational services within the community	<i>State services maintained</i>
1.2.5 Provide to the community quality regulatory services	<i>Level of non-compliant actions</i>

Outcome 1.3 - Provide services and processes to enhance public safety

Strategies	Measuring Success
1.3.1 Provide community services to uphold public safety standards	<i>Maintain strong and active engagement with all agencies</i>
1.3.2 Collaborate with stakeholders to update and implement the community safety plan	<i>Maintain strong and active engagement with all agencies</i>
1.3.3 Provide, monitor and improve bush fire and emergency services	<i>Maintain strong and active engagement with all agencies</i>
1.3.4 Lobby to maintain adequate police services	
1.3.5 Encourage greater community support and participation in the Roadwise Community	<i>Proactive engagement with all stakeholders, road incident statistics.</i>



DRIVE IN, STAY AWHILE

Economic: To be a diverse and innovative economy with a range of local employment opportunities

Outcome 2.1 - Create an environment that strengthens “a sense of community” and a country lifestyle

Strategies	Measuring Success
2.1.1 Lobby for the technological infrastructure necessary to support commercial and business growth	<i>Strong active engagement with government agencies, maintain and improve services</i>
2.1.2 Identify extent and type of industry growth and address our economic vulnerability	<i>Identify need and opportunities for projects</i>
2.1.3 Support processes that will enhance local business access to professional services and advice	<i>Develop affirmative business practices</i>
2.1.4 Facilitate and create sustainable business and community partnerships	<i>Identify need and opportunities for projects</i>
2.1.5 Promote new commercial and industrial development through appropriate zoning of land and the provision of suitable infrastructure	<i>Develop affirmative business practices</i>
2.1.6 Enhance the aesthetic environment to support business opportunities	<i>Support, sponsorship of local business initiatives</i>
2.1.7 Develop a strategy to attract and retain skilled people in the local area	
2.1.8 Build the capacity to develop and implement communication and marketing	<i>Achieve outcomes</i>
2.1.9 Develop the capacity to lobby other levels of government, or to provide funding supplements where those services may be threatened or withdrawn	<i>Strong active engagement with government agencies, maintain services</i>

Outcome 2.2 - Create an environment that provides for a caring and healthy community

Strategies	Measuring Success
2.2.1 Advocate, promote and market the Shire as a place to live, work and visit	<i>Increase in tourism numbers and population</i>
2.2.2 Provide relevant tourist information and marketing strategies	<i>Increased commitment to regional initiatives</i>
2.2.3 Support a coordinated approach for regional tourism promotion and management	<i>Increased commitment to regional initiatives</i>
2.2.4 Provide and support local festivals and tourist events	<i>Support, sponsorship of local tourism initiatives</i>
2.2.5 Facilitate the development of tourism activities associated with the Shire's diverse natural, social and built heritage	<i>Support, sponsorship of local cultural and tourism initiatives</i>
2.2.6 Develop partnerships to actively support visitor growth	<i>Support, sponsorship of local tourism initiatives</i>

Outcome 2.3 - Provide an effective and efficient transportation network

Strategies	Measuring Success
2.3.1 Facilitate transport services and infrastructure with key stakeholders	<i>Strong and active engagement with government agencies, maintain services</i>
2.3.2 Maintain an efficient, safe and quality local road network	<i>Gap analysis, WALGA road survey, improved AMP KPI's</i>
2.3.3 Advocate for the provision of regional transportation links, including rail, air and bus services	<i>Strong and active engagement with government agencies, maintain services</i>

Environmental: To have a balanced respect for our environment and heritage, both natural and built

Natural Environment

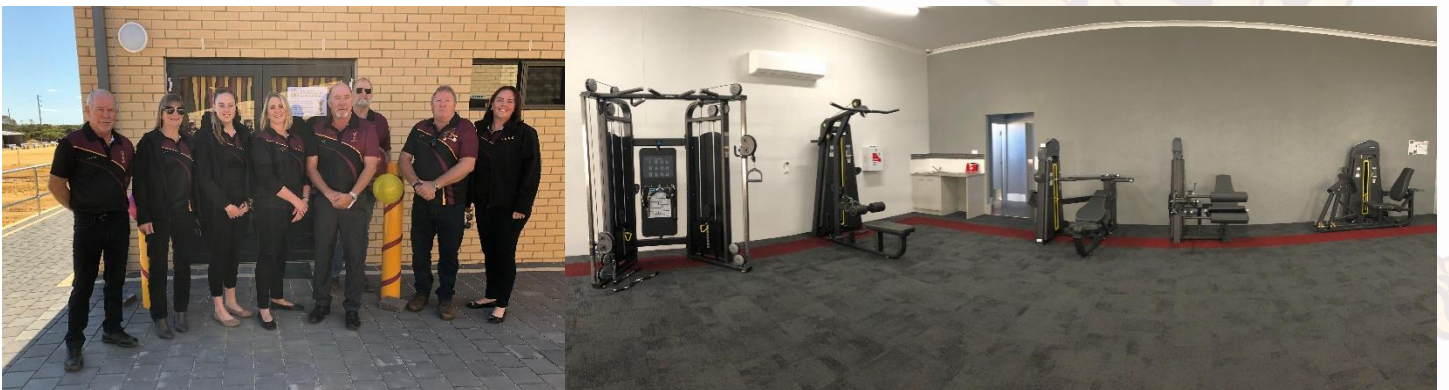
Outcome 3.1 - Enhance the health and integrity of the natural environment

Strategies	Measuring Success
3.1.1 Identify vulnerable environments or areas in need of protection	Achieve outcome, Report on environmental areas
3.1.2 Protect the integrity of the ecosystems of our waterways	Develop affirmative planning policy/practise
3.1.3 Employ risk management strategies and measure to protect natural assets from natural disasters, including fire and flood	Achieve outcome
3.1.4 Perform sustainable resource use and land management practices	Develop affirmative planning policy/practise
3.1.5 Create buffer zones to protect the natural environment against development	Enhanced education or involvement in projects
3.1.6 Support protection of existing and remnant vegetation along waterways	Develop affirmative planning policy/practise, statistics
3.1.7 Encourage and support community environmental projects	Enhanced education or involvement in projects
3.1.8 Provide leadership for energy conservation projects and initiatives	Increase in solar/wind technology
3.1.9 Encourage the consideration of renewable energy generation technologies in the Shire	Increase in solar/wind technology
3.1.10 Encourage property owners (residential and commercial) to install water recovery and recycling systems	Achieve outcomes
3.1.11 Encourage the use of recycled materials and create zero-waste culture amongst the community	Achieve outcomes

Built Environment

Outcome 3.2 - Build a sense of place through public infrastructure and facilities

Strategies	Measuring Success
3.2.1 Facilitate and integrate housing options, local services, employment and recreational spaces	Develop affirmative planning policy/practise
3.2.2 Align land use and infrastructure planning	Review planning policy
3.2.3 Provide commercial and industrial land aligned to economic need and growth	Develop affirmative planning policy/practise
3.2.4 Provide sustainable open space to recreate and connect	Develop affirmative planning policy/practise
3.2.5 Develop and maintain sustainable assets and infrastructure	Gap analysis, WALGA road survey, Improved AMP KPI's
3.2.6 Maintain and protect heritage buildings and site	Identify heritage assets/sites



DRIVE IN, STAY AWHILE

Civic Leadership: *To provide leadership, working with our community towards a sustainable future***Outcome 4.1 - To provide accountable and transparent leadership**

Strategies	Measuring Success
4.1.1 Enhance open and interactive communication between Council and the community	<i>Improvement in community survey</i>
4.1.2 Advocate the communities view against amalgamation of local governments	<i>Achieve outcomes</i>
4.1.3 Engage the community in decision making and a shared responsibility to achieve our goals	<i>Improvement in community survey</i>
4.1.4 Advocate on behalf of the businesses and residents with government and telecommunication providers to ensure the community benefits from advances in technology	<i>Improvement in community survey, new and improved services</i>
4.1.5 Actively lobby all levels of government for appropriate community facilities and service in the district	<i>New and improved services</i>
4.1.6 Facilitate networks for engaging government agencies and key stakeholders to activate our communities' priorities	<i>Improvement in community survey, outcomes achieved</i>
4.1.7 Develop successful and collaborative partnerships	<i>Achieve outcomes</i>

Outcome 4.2 - Improve the Shire's capability and capacity

Strategies	Measuring Success
4.2.1 Promote a culture of continuous improvement processes	<i>Compliance returns, Skills inventory, professional associations</i>
4.2.2 Facilitate resource sharing on a regional basis	<i>Increase in regional resource sharing, improved KPI's</i>
4.2.3 Use resources efficiently and effectively	<i>Physical KPI's, financial resources</i>
4.2.4 Operate in a financially sustainable manner	<i>Improvements in KPI's</i>

Outcome 4.3 - To be a local government that is respected, professional, trustworthy and accountable

Strategies	Measuring Success
4.3.1 Provide responsive high-level customer service	<i>Improvement in community survey</i>
4.3.2 Enhance the capacity and effectiveness of administrative processes	<i>Audit reports, policy framework for resource allocation, Compliance return and regulated process reviews</i>
4.3.3 Provide reporting processes in a transparent, accountable and timely manner	<i>Audit reports, Compliance return and regulated process reviews</i>
4.3.4 Recruit, retain and develop suitably qualified, experienced and skilled staff	<i>Competition of training programs, Skills inventory</i>
4.3.5 Provide flexible and attractive work conditions in a supportive work environment	<i>Staff retention rates, professional development</i>



Major Projects 2018/2019

Gymnasium and changerooms: Provisions were made in the 2018/2019 budget for the upgrades to the Koorda Recreation Centre. Following an unsuccessful application through National Stronger Regions Funding for the entire recreation upgrade project, Council were successful in obtaining a grant for the construction of new changerooms and a gymnasium.

The State Government, through the Department of Local Government, Sport and Cultural Industries - Sport and Recreation's (Sport and Recreation) Community Sporting and Recreation Facilities Fund (CSRFF), provides significant grant funding for sport and recreation facilities in Western Australia. Council received a third of the budgeted construction costs (\$251,883) through grant funding, with the remaining two thirds being allocated from the Recreation Reserve.

Council, with assistance from WALGA's procurement services team, undertook a public tender process to appoint a suitable Contractor for the construction of the gym and changerooms. The successful tenderer, Stallion Homes Co Pty Ltd, was appointed at a Special Meeting of Council in January 2019 and construction on the facility commenced shortly after contracts and relevant permits were obtained and formalised. The project was completed on budget and as mentioned in the President's report, the new facilities have attracted favourable reviews.



Opening of the Koorda Kinetic Centre Gym: With the construction and opening of the new changerooms and gymnasium, the Koorda Kinetic Centre was established and open for operation. The Gym operates 24 hours a day, 7 days a week and is located at the north end of the

Koorda Recreation Centre. The Gym has a vast range on equipment including; treadmill, elliptical machine, upright bike, rowing machine, leg press, leg extension/leg curl machine, chest/shoulder press machine, lat/row machine, multi press/squat rack, functional trainer, adjustable benches, dumbbells (1kg to 30kgs), gym balls and mats.

All paid and inducted members are provided with a key fob. An induction is required prior to members being granted with access to the centre. The Shire teamed with local business *Taylor Made Rehabilitation* to assist with the induction of prospective members.

Drive In Speakers & Digital projector replacement: With the vandalism of the Drive In speakers and the damage to the projector through an electrical storm, the Shire claimed replacements through our insurance company. The cost of the speaker upgrade was \$65,000 and the purchase of the new digital projector was \$110,000. The Drive In speakers, being a rare item to purchase, were ordered and manufactured in the USA, with the process taking over three months.

This included the manufacturing and shipping of 64 sets of speakers across the ocean from USA. The traditional Drive In speakers are a nostalgic reminder making them a welcome addition to the Koorda Drive In. Council hope it aids in the quirky ambiance of the traditional "Drive In" and we see a continuous increase in visitors on screening nights.



Road Program

The 2018/2019 Roadworks Program was an investment of \$1.36million. Council undertook the following construction works;

Road	Description of Works	Actual \$
Cadoux - Koorda	Reconstruct/Cement Stabilise	\$173,029
Cadoux - Koorda	Asphalt Intersection	\$80,740
Koorda - Kulja	Asphalt Intersection	\$74,384
Koorda - Kulja	Shoulder Reconstruction	\$81,876
Koorda - Kulja	Widen and Seal	\$73,274
Koorda - Dowerin	Widen and Seal	\$179,558
Burakin - Wialki	Widen and Seal	\$185,938
Koorda - Mollerin	Reseal	\$152,304
Booralaming - Kulja	Reseal	\$66,873
Booralaming - Kulja	Reformation and Sheet	\$40,007
Kulja - Mollerin	Reformation and Sheet	\$40,525
Graves	Reformation and Sheet	\$35,507
Anderson	Reformation and Sheet	\$39,273
Kirwan East	Reformation and Sheet	\$63,807
Martin	Reformation and Sheet	\$63,318

Employee Remuneration Disclosure

As per section 19B of the Local Government (Administration) Regulations 1996, the annual report must contain information on the number of employees entitled to an annual salary of \$100,000 or more. It also must be reported the number of employees in each band of \$10,000 over \$100,000.

\$ from	\$ to	Number of employees
100,000	109,999	0
110,000	119,999	0
120,000	129,999	0
130,000	139,999	0
140,000	149,999	1
Total		1

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 what was considered to be unnecessary protection of monopolies of markets where competition can be enhanced. It effects local governments as factors such as exemption from company and income tax or possible local regulation and laws may give local government a potential advantage over private contractors.

During the 2018/2019 financial year, the Shire met its obligation concerning National Competition Policy. The Shire has no local laws or policies that contain anti-competitive provisions. No complaints were received during the period.

Freedom of Information

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

The Shire of Koorda's information Statement is subject to review annually and is available via Council's website or at the Shire administration office. The information statement contained advice on the type of documents available to the public and how to access those documents.

The Shire received no Freedom of Information Applications in the 2018/2019 reporting year.

Disability Access and Inclusion Plan (DAIP)

Since 1995 it has been a requirement under the *Disability Services Act 1993*, that all Western Australian Local Governments develop and implement a Disability Access and Inclusion Plan (DAIP) that outlines the ways in which the Local Government will ensure that people with disability have equitable access to its facilities and services.

Council continue to monitor their current plan and are considering any additional requirements seen as desirable by Council or the community and ensured it met the key changes between the Disability Service Plans and the now legislated, disability access and inclusion plans (DAIP's).

Council has continued a program of upgrading access to sealed footpaths and some local amenities to ensure that community members utilising "wheelchairs or gophers" are not disadvantaged.

In 2019/2020 the Shire of Koorda's DAIP is due to be renewed. To aid with the review, the Local Government will ensure suffice community consultation is sought through various methods. These methods include;

- Publication in the local weekly newsletter, the *Narkal Notes*, advising the community that the Shire of Koorda is conducting a review of the Disability Access and Inclusion Plan;
- Request for community members to contact the Shire at the Office, by phone or writing to make suggestions/recommendations of issues related to access and inclusion that should be included in the revised Plan;
- Surveys in printed and electronic versions allowing community members to comment;
- Consultation with Councillors, internal staff, agents and contractors; and
- Targeted consultation.

Public Interest Disclosures

The *Public Interest Disclosures Act 2003* facilitates the disclosure of public interest information and provides protection for those making 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.

During the 2018/2019 period, no public interest disclosures were lodged.

Local Government (Rules of Conduct) Regulations 2007 - Complaints Register

These regulations require the reporting of various offences by elected members, as prescribed by the Regulations. Elected members must comply with their obligations under the *Local Government Act 1995* and subsidiary legislation. Complaints about elected member conduct are to be made to the Complaints Officer, who in accordance with section 5.120 of the *Local Government Act 1995*, must be a designated senior employee. The Shire's Complaints Officer is the Chief Executive Officer. Section 5.121 of the *Local Government Act 1995* requires the Annual Report to contain details of the entries made about elected members.

There were no formal complaints lodged against elected members in the year under review.

Sewerage Reports Scheme

In accordance with the operating license issued to the Shire of Koorda by the Environmental Regulation Authority, a report has been prepared on the operation of the sewerage scheme.

The scheme operated during the 2018/2019 period with an operating expenditure of \$101,185 and operating revenue of \$116,942 with the costs being ongoing maintenance and asset management.

Council will continue to budget for ongoing operating maintenance, annual sewer cleaning with the balance of the income received being set aside in a Reserve Fund for future requirements. The balance in the Sewerage Reserve at 30 June 2019 was \$880,064.

For the 2018/2019 period five (5) defect reports were received.

Records Management

The Shire is committed to meeting the requirements of the *State Records Act 2000* which requires the Shire to maintain and dispose of all records in the prescribed manner.

The Shire transitioned to an Electronic Document Management System during the year, utilising IT Vision's software; Altus ECM. Retaining documents in an electronic management system delivers best practice in recordkeeping and provides an efficient document processing service to meet customer needs and volume demands.

In accordance with the *State Records Act 2000* the Shire is required to have an approved Record Keeping Plan. The plan sets out matters regarding how records are created and how the Shire retains its records. The Shire's Record Keeping Plan was set to be reviewed during the 2018/2019 year, however in discussions with the State Records Commission, the Shire were granted an extension to 30 June 2020 to ensure the Shire's Record Keeping Plan was accurate to practices and encompassed.

As part of the implementation of the new electronic management system, two part time Record/Administration Officers were employed for the transition process of implementing the new Electronic system. A comprehensive training program was undertaken for all staff who create, collect and use records.

Staff Movements

The total number of Staff remained steady during 2018/2019. Three employees were farewelled during the year; Mary Segond von Banchet as Pool Manager, David Burton as CEO and Roly Blechynden as Town Maintenance Officer. We take this opportunity to acknowledge their efforts in working for the Shire of Koorda over many years.

During the year we welcomed; Rod Verelst as a Plant Operator, Vicki Verelst as a Cleaner, Darren Simmons as CEO, Megan Brooks and Kristyn Harrap as Records Officers and Tony Clarke as Town Maintenance Officer.

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

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COMMUNITY VISION

The Shire will endeavour to provide the community services and facilities to meet the needs of the community and enable them to enjoy a pleasant and healthy way of life.

Principal place of business:
Corner Allenby and Haig Streets, Koorda


SHIRE OF KOORDA
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 Koorda 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 Koorda 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 25th day of October 2019



Chief Executive Officer

Darren Simmons

Name of Chief Executive Officer



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	19(a)	1,048,309	1,056,798	1,025,406
Operating grants, subsidies and contributions	2(a)	2,102,629	969,367	1,942,899
Fees and charges	2(a)	548,331	441,699	474,529
Service charges	19(b)	3,205	3,525	3,205
Interest earnings	2(a)	163,880	129,500	149,537
Other revenue	2(a)	124,999	23,700	49,038
		<u>3,991,353</u>	<u>2,624,589</u>	<u>3,644,614</u>
Expenses				
Employee costs		(1,625,543)	(1,979,034)	(1,649,019)
Materials and contracts		(535,562)	(118,507)	(304,392)
Utility charges		(38,719)	(32,500)	(54,182)
Depreciation on non-current assets	10(b)	(1,943,077)	(2,283,279)	(2,278,710)
Insurance expenses		(101,126)	(121,800)	(92,725)
Other expenditure		(56,384)	(121,600)	(85,953)
		<u>(4,300,411)</u>	<u>(4,656,720)</u>	<u>(4,464,981)</u>
		<u>(309,058)</u>	<u>(2,032,131)</u>	<u>(820,367)</u>
Non-operating grants, subsidies and contributions	2(a)	922,158	2,301,794	941,872
Profit on asset disposals	10(a)	39,868	11,548	3,327
(Loss) on asset disposals	10(a)	(133,131)	(49,226)	(15,746)
		<u>828,895</u>	<u>2,264,116</u>	<u>929,453</u>
Net result for the period		519,837	231,985	109,086
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	(17,623,146)
Total other comprehensive income for the period		0	0	(17,623,146)
Total comprehensive income for the period		519,837	231,985	(17,514,060)

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



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Governance		0	200	51
General purpose funding		3,123,993	2,027,965	2,978,462
Law, order, public safety		22,709	26,910	26,489
Health		6,987	7,500	7,046
Housing		204,148	188,419	191,993
Community amenities		188,034	183,350	184,449
Recreation and culture		59,617	22,725	39,452
Transport		143,462	85,000	83,888
Economic services		43,018	29,020	61,148
Other property and services		199,385	53,500	71,636
		3,991,353	2,624,589	3,644,614
Expenses				
Governance		(345,830)	(416,644)	(310,893)
General purpose funding		(104,536)	(106,374)	(105,222)
Law, order, public safety		(70,430)	(98,812)	(68,736)
Health		(140,976)	(163,133)	(143,586)
Education and welfare		(28,166)	(54,878)	(36,386)
Housing		(277,523)	(280,809)	(251,342)
Community amenities		(267,716)	(298,942)	(248,010)
Recreation and culture		(1,052,291)	(1,003,295)	(969,167)
Transport		(1,771,255)	(2,002,924)	(2,088,080)
Economic services		(217,900)	(231,537)	(239,392)
Other property and services		(23,788)	628	(4,167)
		(4,300,411)	(4,656,720)	(4,464,981)
		(309,058)	(2,032,131)	(820,367)
Non-operating grants, subsidies and contributions	2(a)	922,158	2,301,794	941,872
Profit on disposal of assets	10(a)	39,868	11,548	3,327
(Loss) on disposal of assets	10(a)	(133,131)	(49,226)	(15,746)
		828,895	2,264,116	929,453
Net result for the period		519,837	231,985	109,086
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	11	0	0	(17,623,146)
Total other comprehensive income for the period		0	0	(17,623,146)
Total comprehensive income for the period		519,837	231,985	(17,514,060)

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



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

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	7,014,993	6,849,684
Trade receivables	5	188,004	134,758
Inventories	6	14,987	23,421
TOTAL CURRENT ASSETS		7,217,984	7,007,863
NON-CURRENT ASSETS			
Trade receivables	5	34,996	26,071
Other financial assets at fair value through profit and loss	7	52,551	0
Property, plant and equipment	8	12,866,313	12,701,145
Infrastructure	9	73,800,818	73,357,966
TOTAL NON-CURRENT ASSETS		86,754,678	86,085,182
TOTAL ASSETS		93,972,662	93,093,045
CURRENT LIABILITIES			
Trade and other payables	12	541,613	201,256
Employee related provisions	13	220,118	213,977
TOTAL CURRENT LIABILITIES		761,731	415,233
NON-CURRENT LIABILITIES			
Employee related provisions	13	83,483	69,005
TOTAL NON-CURRENT LIABILITIES		83,483	69,005
TOTAL LIABILITIES		845,214	484,238
NET ASSETS		93,127,448	92,608,807
EQUITY			
Retained surplus		49,851,175	49,372,720
Reserves - cash backed	4	5,623,122	5,582,936
Revaluation surplus	11	37,653,151	37,653,151
TOTAL EQUITY		93,127,448	92,608,807

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



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

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2017		50,021,621	4,824,949	55,276,297	110,122,867
Comprehensive income					
Net result for the period		109,086	0	0	109,086
Other comprehensive income	11	0	0	(17,623,146)	(17,623,146)
Total comprehensive income		109,086	0	(17,623,146)	(17,514,060)
Transfers from/(to) reserves		(757,987)	757,987	0	0
Balance as at 30 June 2018		49,372,720	5,582,936	37,653,151	92,608,807
Change in accounting policy	23(c)	(1,196)	0	0	(1,196)
Restated balance as at 1 July 2018		49,371,524	5,582,936	37,653,151	92,607,611
Comprehensive income					
Net result for the period		519,837	0	0	519,837
Total comprehensive income		519,837	0	0	519,837
Transfers from/(to) reserves		(40,186)	40,186	0	0
Balance as at 30 June 2019		49,851,175	5,623,122	37,653,151	93,127,448

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

SHIRE OF KOORDA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		1,033,340	1,094,997	1,026,070
Operating grants, subsidies and contributions		2,091,521	1,034,261	2,005,099
Fees and charges		548,331	441,699	478,811
Service charges		3,205	3,525	3,205
Interest received		163,880	129,500	149,537
Goods and services tax received		251,519	6,149	227,862
Other revenue		72,448	30,570	49,038
		4,164,244	2,740,701	3,939,622
Payments				
Employee costs		(1,608,305)	(1,988,527)	(1,255,879)
Materials and contracts		(183,390)	(114,242)	(605,958)
Utility charges		(38,719)	(32,500)	(54,182)
Interest expenses		0	0	(27,380)
Insurance paid		(101,126)	(121,800)	(92,725)
Goods and services tax paid		(288,809)	0	(198,110)
Other expenditure		(56,384)	(121,600)	(85,953)
		(2,276,733)	(2,378,669)	(2,320,187)
Net cash provided by / (used in) operating activities	14	1,887,511	362,032	1,619,435
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(1,517,405)	(3,484,419)	(488,705)
Payments for construction of infrastructure		(1,385,259)	(1,287,000)	(1,738,651)
Non-operating grants, subsidies and contributions		922,158	2,301,794	941,872
Proceeds from sale of property, plant & equipment		258,304	271,000	158,217
Net cash provided by / (used in) investment activities		(1,722,202)	(2,198,625)	(1,127,267)
Net increase / (decrease) in cash held		165,309	(1,836,593)	492,168
Cash at beginning of year		6,849,684	6,842,085	6,357,516
Cash and cash equivalents at the end of the year	14	7,014,993	5,005,492	6,849,684

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

SHIRE OF KOORDA
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2019

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)		1,223,671	1,369,278	1,595,307
		1,223,671	1,369,278	1,595,307
Revenue from operating activities (excluding rates)				
Governance		0	200	51
General purpose funding		2,082,554	978,037	1,957,654
Law, order, public safety		22,709	26,910	26,489
Health		6,987	7,500	7,046
Housing		204,148	188,419	191,993
Community amenities		188,034	183,350	184,449
Recreation and culture		59,617	22,725	39,452
Transport		161,078	96,486	83,888
Economic services		43,018	29,020	61,148
Other property and services		221,637	53,562	74,963
		2,989,782	1,586,209	2,627,133
Expenditure from operating activities				
Governance		(345,830)	(416,644)	(310,893)
General purpose funding		(104,536)	(106,374)	(105,222)
Law, order, public safety		(70,430)	(98,812)	(68,736)
Health		(140,976)	(163,133)	(143,586)
Education and welfare		(28,166)	(54,878)	(36,386)
Housing		(277,523)	(280,809)	(251,342)
Community amenities		(267,716)	(298,942)	(248,010)
Recreation and culture		(1,171,645)	(1,003,295)	(969,167)
Transport		(1,775,282)	(2,045,315)	(2,102,298)
Economic services		(227,650)	(231,537)	(239,392)
Other property and services		(23,788)	(6,207)	(5,695)
		(4,433,542)	(4,705,946)	(4,480,727)
Non-cash amounts excluded from operating activities	20(a)	1,995,483	2,320,957	2,346,404
Amount attributable to operating activities		1,775,394	570,498	2,088,117
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		922,158	2,301,794	941,872
Proceeds from disposal of assets	10(a)	258,304	271,000	158,217
Purchase of property, plant and equipment	8(a)	(1,517,405)	(3,484,418)	(488,705)
Purchase and construction of infrastructure	9(a)	(1,385,259)	(1,287,000)	(1,738,651)
Amount attributable to investing activities		(1,722,202)	(2,198,624)	(1,127,267)
FINANCING ACTIVITIES				
Transfers to reserves (restricted assets)	4	(442,686)	(888,802)	(802,987)
Transfers from reserves (restricted assets)	4	402,500	1,467,000	45,000
Amount attributable to financing activities		(40,186)	578,198	(757,987)
Surplus/(deficit) before imposition of general rates		13,006	(1,049,928)	202,863
Total amount raised from general rates	19	1,041,439	1,049,928	1,020,808
Surplus/(deficit) after imposition of general rates	20(b)	1,054,445	0	1,223,671

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

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 22 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			
General purpose funding	1,898,969	834,007	1,803,519
Law, order, public safety	15,270	20,360	15,045
Transport	143,462	85,000	83,888
Other property and services	44,928	30,000	40,447
	<u>2,102,629</u>	<u>969,367</u>	<u>1,942,899</u>
Non-operating grants, subsidies and contributions			
Governance	100,000	0	0
Recreation and culture	199,913	1,680,794	0
Transport	622,245	621,000	941,872
	<u>922,158</u>	<u>2,301,794</u>	<u>941,872</u>
Total grants, subsidies and contributions	<u>3,024,787</u>	<u>3,271,161</u>	<u>2,884,771</u>

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be 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 18. 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.

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	58,047	0	28,989
Other	66,952	30,570	20,049
	124,999	30,570	49,038
Fees and Charges			
General purpose funding	12,835	7,660	0
Law, order, public safety	7,439	6,550	11,444
Health	6,987	7,500	7,046
Housing	204,147	188,419	191,857
Community amenities	188,034	183,350	184,449
Recreation and culture	42,012	14,200	16,248
Economic services	43,018	29,020	58,194
Other property and services	43,859	5,000	5,291
	548,331	441,699	474,529
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Reserve accounts interest	138,686	110,000	121,747
Rates instalment and penalty interest (refer Note 19(d))	10,242	7,500	8,151
Other interest earnings	14,952	12,000	19,639
	163,880	129,500	149,537
(b) Expenses	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	31,000	25,000	19,500
	31,000	25,000	19,500
Rental charges			
- Operating leases	2,438	0	3,726
	2,438	0	3,726

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		7,014,993	6,849,684
		7,014,993	6,849,684
Comprises:			
- Unrestricted cash and cash equivalents		1,181,079	1,231,184
- Restricted cash and cash equivalents		5,833,914	5,618,500
		7,014,993	6,849,684
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Leave Reserve	4	195,766	190,964
Road Reserve	4	590,547	445,348
Plant Reserve	4	713,278	687,003
Council Building Reserve	4	1,067,860	1,141,652
TV Reserve	4	31,136	30,372
Recreation Reserve	4	1,238,188	1,502,118
Medical Practitioners Reserve	4	291,116	283,976
IT & Administration Reserve	4	277,685	173,326
Sewerage Reserve	4	880,064	798,973
Community Housing Reserve	4	41,120	40,111
JVC Units Reserve	4	44,644	43,549
Community Bus Reserve	4	61,261	59,759
NRM Reserve	4	21,520	20,992
Waste Management Reserve	4	150,113	146,431
JV Johnson Reserve	4	18,824	18,362
		5,623,122	5,582,936
Other restricted cash and cash equivalents			
Bonds, deposits and collections	12	99,792	32,102
Unspent grants/contributions	18	111,000	3,462
Total restricted cash and cash equivalents		5,833,914	5,618,500

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

4. RESERVES - CASH BACKED

	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance	2019 Budget Opening Balance	2019 Budget Transfer to	2019 Budget Transfer (from)	2019 Budget Closing Balance	2018 Actual Opening Balance	2018 Actual Transfer to	2018 Actual Transfer (from)	2018 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	190,964	4,802	0	195,766	191,771	4,225	0	195,996	186,306	4,658	0	190,964
(b) Road Reserve	445,348	145,199	0	590,547	445,345	106,523	(66,000)	485,868	288,121	157,227	0	445,348
(c) Plant Reserve	687,003	26,275	0	713,278	686,997	266,560	(241,000)	712,557	475,091	211,912	0	687,003
(d) Council Building Reserve	1,141,652	28,708	(102,500)	1,067,860	1,141,640	178,123	(142,500)	1,177,263	1,065,212	76,440	0	1,141,652
(e) TV Reserve	30,372	764	0	31,136	30,371	5,672	(5,000)	31,043	29,629	743	0	30,372
(f) Recreation Reserve	1,502,118	36,070	(300,000)	1,238,188	1,502,104	228,777	(960,000)	770,881	1,270,279	231,839	0	1,502,118
(g) Medical Practitioners Reserve	283,976	7,140	0	291,116	283,973	6,271	0	290,244	277,032	6,944	0	283,976
(h) IT & Administration Reserve	173,326	104,359	0	277,685	173,325	7,729	0	181,054	120,310	53,016	0	173,326
(i) Sewerage Reserve	798,973	81,091	0	880,064	798,963	62,656	0	861,619	747,916	51,057	0	798,973
(j) Community Housing Reserve	40,111	1,009	0	41,120	40,111	1,881	(8,000)	33,992	83,026	2,085	(45,000)	40,111
(k) JVC Units Reserve	43,549	1,095	0	44,644	43,548	958	(8,000)	36,506	42,489	1,060	0	43,549
(l) Community Bus Reserve	59,759	1,502	0	61,261	59,759	1,321	0	61,080	58,298	1,461	0	59,759
(m) NRM Reserve	20,992	528	0	21,520	20,992	463	0	21,455	20,479	513	0	20,992
(n) Waste Management Reserve	146,431	3,682	0	150,113	146,429	13,235	(30,000)	129,664	142,850	3,581	0	146,431
(o) JV Johnson Reserve	18,362	462	0	18,824	18,362	4,408	(6,500)	16,270	17,911	451	0	18,362
	5,582,936	442,686	(402,500)	5,623,122	5,583,690	888,802	(1,467,000)	5,005,492	4,824,949	802,987	(45,000)	5,582,936

All of the reserve accounts are supported by money held in financial institutions and match the amount shown as restricted cash in Note 3 and financial assets at amortised cost in Note 7 to this financial report.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Perpetual	To be used to fund annual, long serve, accrued holiday and sick leave requirements.
(b) Road Reserve	Perpetual	To be used to assist future road works difficult to fund on an annual basis including acts of nature.
(c) Plant Reserve	Perpetual	To be used to ensure purchases are basically funded from funds set aside and the use of those funds determined by a ten year Forward Plan, which is reviewed annually. The intent is that at least the annual plant depreciation component is set aside.
(d) Council Building Reserve	Perpetual	To be used to fund the major asset category the Shire owns, and allow some management of the various building requirements.
(e) TV Reserve	Perpetual	To be used to fund future upgrading or extension of receiver/transmission facility.
(f) Recreation Reserve	Perpetual	To be used to fund future upgrading, renovations and general requirements.
(g) Medical Practitioners Reserve	Perpetual	To be used to fund future costs of attracting and retaining a qualified medical practitioner within the District/Region.
(h) IT & Administration Reserve	Perpetual	To be used to fund future technology that will require future updating.
(i) Sewerage Reserve	Perpetual	To be used to fund upgrading and replacement of the town sewerage treatment plant.
(j) Community Housing Reserve	Perpetual	To be used to fund future maintenance and construction.
(k) JVC Units Reserve	Perpetual	To be restricted (not Council controlled) funds that must be used for future maintenance, upgrading or replacement of JV Units or returned to the Department of Housing and Works.
(l) Community Bus Reserve	Perpetual	To be used to fund the change over of costs of the community bus.
(m) NRM Reserve	Perpetual	To be used to fund the future retention of the NRM officer.
(n) Waste Management Reserve	Perpetual	To be used to fund future refuse development.
(o) JV Johnson Reserve	Perpetual	This reserve is created by the reserve of income over expenditure on this project - for future maintenance and development needs.

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
GST receivable	
Allowance for impairment of receivables	
Sports Club loan	

Non-current

Pensioner's rates and ESL deferred	
Sports Club loan	

	2019	2018
	\$	\$
	102,623	91,579
	20,296	18,026
	62,761	25,471
	(2,676)	(5,318)
	5,000	5,000
	188,004	134,758
	19,996	16,071
	15,000	10,000
	34,996	26,071

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 21.

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		
Stock on hand	14,987	23,421
	14,987	23,421
The following movements in inventories occurred during the year:		
Carrying amount at 1 July	23,421	7,540
(Use of Inventory)/Additions to inventory	(8,434)	15,881
Carrying amount at 30 June	14,987	23,421

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.

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7. OTHER FINANCIAL ASSETS

Non-current assets

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss

Units in Local Government House Trust

2019	2018
\$	\$
52,551	0
52,551	0
52,551	0
52,551	0

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.

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 21.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 23 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.

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	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	430,812	430,812	10,623,684	10,623,684	11,054,496	95,500	2,215,383	13,365,379
Additions	6,067	6,067	138,116	138,116	144,183	31,593	312,929	488,705
(Disposals)	0	0	0	0	0	0	(170,636)	(170,636)
Depreciation (expense)	0	0	(621,345)	(621,345)	(621,345)	(23,832)	(337,126)	(982,303)
Carrying amount at 30 June 2018	436,879	436,879	10,140,455	10,140,455	10,577,334	103,261	2,020,550	12,701,145
Comprises:								
Gross carrying amount at 30 June 2018	436,879	436,879	10,761,800	10,761,800	11,198,679	150,593	2,564,428	13,913,700
Accumulated depreciation at 30 June 2018	0	0	(621,345)	(621,345)	(621,345)	(47,332)	(543,878)	(1,212,555)
Carrying amount at 30 June 2018	436,879	436,879	10,140,455	10,140,455	10,577,334	103,261	2,020,550	12,701,145
Additions	0	0	904,747	904,747	904,747	184,938	427,720	1,517,405
(Disposals)	0	0	(99,990)	(99,990)	(99,990)	(25,669)	(225,908)	(351,567)
Depreciation (expense)	0	0	(628,601)	(628,601)	(628,601)	(27,536)	(344,533)	(1,000,670)
Carrying amount at 30 June 2019	436,879	436,879	10,316,611	10,316,611	10,753,490	234,994	1,877,829	12,866,313
Comprises:								
Gross carrying amount at 30 June 2019	436,879	436,879	11,556,547	11,556,547	11,993,426	279,764	2,680,335	14,953,525
Accumulated depreciation at 30 June 2019	0	0	(1,239,936)	(1,239,936)	(1,239,936)	(44,770)	(802,506)	(2,087,212)
Carrying amount at 30 June 2019	436,879	436,879	10,316,611	10,316,611	10,753,490	234,994	1,877,829	12,866,313

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	2	Market approach using recent observable market data for similar properties / income approach using discounted cashflow methodology	Independent registered valuer	June 2017	Price per hectare / market borrowing rate
Buildings	3	Cost approach using depreciated replacement cost	Independent registered valuer	June 2017	Construction costs and current condition
Buildings	3	Improvements to land valued using cost approach using depreciated replacement cost	Management valuation	June 2017	Improvements to land using construction costs and current condition, residual values and remaining useful life assessments inputs
Furniture and equipment	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Construction costs and current condition, residual values and remaining useful life assessments inputs
Plant and equipment					
Independent valuation 2016	2	Market approach using recent observable market data for similar assets	Independent valuer	June 2016	Market price per item
Management valuation 2016	3	Cost approach using depreciated replacement cost	Management valuation	June 2016	Purchase costs and current condition, residual values and remaining useful life assessments inputs

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

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

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.

	<u>Infrastructure - Roads</u>	<u>Infrastructure - Other</u>	<u>Total Infrastructure</u>
	\$	\$	\$
Balance at 1 July 2017	89,926,490	612,378	90,538,868
Additions	1,719,152	19,499	1,738,651
Revaluation increments / (decrements) transferred to revaluation surplus	(17,813,859)	190,713	(17,623,146)
Depreciation (expense)	(1,262,520)	(33,887)	(1,296,407)
Carrying amount at 30 June 2018	<u>72,569,263</u>	<u>788,703</u>	<u>73,357,966</u>
Comprises:			
Gross carrying amount at 30 June 2018	<u>72,569,263</u>	<u>788,703</u>	<u>73,357,966</u>
Carrying amount at 30 June 2018	72,569,263	788,703	73,357,966
Additions	1,355,425	29,834	1,385,259
Depreciation (expense)	(902,972)	(39,435)	(942,407)
Carrying amount at 30 June 2019	<u>73,021,716</u>	<u>779,102</u>	<u>73,800,818</u>
Comprises:			
Gross carrying amount at 30 June 2019	73,924,688	818,537	74,743,225
Accumulated depreciation at 30 June 2019	(902,972)	(39,435)	(942,407)
Carrying amount at 30 June 2019	<u>73,021,716</u>	<u>779,102</u>	<u>73,800,818</u>

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	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs
Infrastructure - Other	3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs and current condition, residual values and remaining useful life assessments inputs

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

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

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

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.

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

(a) Disposals of Assets

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	99,990	0	0	(99,990)	0	0	0	0	0	0	0	0
Furniture and equipment	25,669	0	0	(25,669)	0	0	0	0	0	0	0	0
Plant and equipment	225,908	258,304	39,868	(7,472)	308,678	271,000	11,548	(49,226)	170,636	158,217	3,327	(15,746)
	351,567	258,304	39,868	(133,131)	308,678	271,000	11,548	(49,226)	170,636	158,217	3,327	(15,746)

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

(b) Depreciation	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Buildings	628,601	594,896	621,345
Furniture and equipment	27,536	22,191	23,832
Plant and equipment	344,533	278,338	337,126
Infrastructure - Roads	902,972	1,356,055	1,262,520
Infrastructure - Other	39,435	31,799	33,887
	1,943,077	2,283,279	2,278,710

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.

Depreciation rates

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

Asset Class	Useful life
Buildings	50 years
Furniture and equipment	4 - 10 years
Plant and equipment	4 - 7 years
Motor Vehicles	4 years
Roads - Aggregate	25 Years
Roads - Unsealed - Gravel	35 Years
Drains and sewers	75 years
Airfield - runways	12 years

Depreciation (Continued)

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

- (a) 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
- (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

11. REVALUATION SURPLUS

	2019 Opening Balance	2019 Closing Balance	2018 Opening Balance	2018 Revaluation Increment	2018 Revaluation (Decrement)	Total Movement on Revaluation	2018 Closing Balance
	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	815,720	815,720	815,720	0	0	0	815,720
Revaluation surplus - Buildings	6,002,423	6,002,423	6,002,423	0	0	0	6,002,423
Revaluation surplus - Plant and equipment	603,573	603,573	603,573	0	0	0	603,573
Revaluation surplus - Infrastructure - Roads	29,800,929	29,800,929	47,614,788	0	(17,813,859)	(17,813,859)	29,800,929
Revaluation Surplus - Infrastructure - Other	430,506	430,506	239,793	190,713	0	190,713	430,506
	37,653,151	37,653,151	55,276,297	190,713	(17,813,859)	(17,623,146)	37,653,151

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.

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
 Accrued salaries and wages
 ATO liabilities
 Bonds, deposits and collections

	2019	2018
	\$	\$
	409,647	133,599
	12,843	13,679
	19,331	21,876
	99,792	32,102
	541,613	201,256

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

13. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Opening balance at 1 July 2018

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Current provisions	141,602	72,375	213,977
Non-current provisions	0	69,005	69,005
	141,602	141,380	282,982

Additional provision

Amounts used	98,772	63,908	162,680
	(120,551)	(21,510)	(142,061)

Balance at 30 June 2019

Comprises

Current	119,823	100,295	220,118
Non-current	0	83,483	83,483
	119,823	183,778	303,601

Amounts are expected to be settled on the following basis

	Annual leave		Long service leave	
	2019 \$	2018 \$	2019 \$	2018 \$
Less than 12 months after the reporting date	119,823	94,048	100,295	35,717
More than 12 months from reporting date	0	47,554	83,483	105,663
	119,823	141,602	183,778	141,380

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.

14. 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	7,014,993	5,005,492	6,849,684

Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net result	519,837	231,985	109,086
Non-cash flows in Net result:			
Depreciation	1,943,077	2,283,279	2,278,710
(Profit)/loss on sale of asset	93,263	37,678	12,419
Fair value measurement of financial asset	(52,551)	0	0
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(63,367)	116,112	96,898
(Increase)/decrease in inventories	8,434	1,420	(16,001)
Increase/(decrease) in payables	340,357	(6,648)	11,534
Increase/(decrease) in provisions	20,619	0	68,661
Grants contributions for the development of assets	(922,158)	(2,301,794)	(941,872)
Net cash from operating activities	1,887,511	362,032	1,619,435

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2019	2018
	\$	\$
General purpose funding	119,943	107,641
Law, order, public safety	443,695	462,923
Health	830,535	836,153
Education and welfare	90,693	103,310
Housing	3,276,965	3,391,747
Community amenities	1,541,976	1,492,366
Recreation and culture	7,022,142	6,670,770
Transport	74,627,553	74,040,130
Economic services	455,121	487,485
Other property and services	4,172,168	4,208,301
Unallocated	1,391,871	1,292,219
	93,972,662	93,093,045

16. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Meeting fees	11,020	11,000	12,366
President's Allowance	7,000	7,000	7,000
Deputy President's Allowance	1,501	1,500	1,501
Travelling Expenses	4,257	7,400	5,570
IT Allowance	6,300	6,300	6,300
	30,078	33,200	32,737

Other Key Management Personnel (KMP) Compensation Disclosure

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

	2019 Actual	2018 Actual
	\$	\$
Short-term employee benefits	302,027	287,394
Post-employment benefits	47,278	47,320
Other long-term benefits	34,815	32,942
	384,120	367,656

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

16. 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
	\$	\$
Purchase of goods and services		
- individuals	1,946	1,942
- companies	125,348	214,386
- community organisations	28,860	19,364
Sale of goods and services		
- individuals	2,195	518
- companies	1,225	35
- community organisations	7,517	6,286

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

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

iii. Entities subject to significant influence by the Shire

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

17. JOINT ARRANGEMENTS

Share of joint operations

The Shire together with the other NEWROC * Shires have a joint operation arrangement with regard to the provision of an Environmental Health and Building Surveying Service. The only assets are a motor vehicle and miscellaneous equipment. The Shire of Mt Marshall records the income and expenditure for this scheme and no assets are recorded in the Shire's asset register. The contribution by the shire to the provision of the environmental health and building surveying services for 2018/19 is \$39,665 (2017/18 \$27,670)

The Shire together with the Shire of Wyalkatchem support a medical practitioner. The asset involved in this joint arrangement is a motor vehicle, which is not recorded in the Shire's asset register. The contribution by the Shire to the provision of the medical services for 2018/19 is \$48,865 (2017/18 \$38,658)

* NEWROC stands for Northern Eastern Wheatbelt Regional Organisation of Councils. It consists of the Shires of Koorda, Mount Marshall, Mukinbudin, Trayning, Wyalkatchem and Nungarin.

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

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

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

Interests in joint arrangements (Continued)

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

18. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾	Expended ⁽³⁾	Closing	Received ⁽²⁾	Expended ⁽³⁾	Closing
	Balance ⁽¹⁾			Balance ⁽¹⁾			Balance
	1/07/17	2017/18	2017/18	30/06/18	2018/19	2018/19	30/06/19
	\$	\$	\$	\$	\$	\$	\$
Governance							
Wheatbelt Development Commission - Wheatbelt Secondary Freight Route Project co-ordination	0	0	0	0	100,000	0	100,000
Education and welfare							
Country Local Government Fund	5,181	0	(1,719)	3,462	0	(3,462)	0
Recreation and culture							
Kidsport	1,950	0	(1,950)	0	0	0	0
Sport Australia	0	0	0	0	11,000	0	11,000
Community Sporting and Recreation Facilities Fund	0	0	0	0	188,912	(188,912)	0
Transport							
Roads to recovery	0	584,000	(584,000)	0	277,735	(277,735)	0
Economic services							
State Natural Resource Management	1,181	0	(1,181)	0	0	0	0
Total	8,312	584,000	(588,850)	3,462	577,647	(470,109)	111,000

- 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.

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19. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	2018/19 Actual Rateable Value \$	2018/19 Actual Rate Revenue \$	2018/19 Actual Interim Rates \$	2018/19 Actual Total Revenue \$	2018/19 Budget Rate Revenue \$	2018/19 Budget Interim Rate \$	2018/19 Budget Back Rate \$	2018/19 Budget Total Revenue \$	2017/18 Actual Total Revenue \$
Differential general rate / general rate											
Gross rental valuations											
Residential	0.11067	120	774,176	85,325	234	85,559	85,527	0	0	85,527	85,616
Industrial	0.11067	1	5,720	633	0	633	633	0	0	633	606
Commercial	0.11067	8	132,432	24,550	(9,894)	14,656	24,550	0	0	24,550	22,378
Vacant	0.11067					0				0	
Special Rural	0.11067	6	47,424	5,248	0	5,248	5,248	0	0	5,248	4,514
Unimproved valuations											
Rural	0.020347	222	49,233,000	998,733	(713)	998,020	1,002,090	0	0	1,002,090	977,628
Sub-Total		357	50,192,752	1,114,489	(10,373)	1,104,116	1,118,048	0	0	1,118,048	1,090,742
Minimum payment	\$										
Gross rental valuations											
Residential	395	6	1,353	2,370	0	2,370	2,370	0	0	2,370	2,240
Industrial	395	1	162	395	0	395	395	0	0	395	320
Commercial	395	11	22,074	4,345	0	4,345	4,345	0	0	4,345	3,520
Vacant	395	5	996	1,975	0	1,975	1,975	0	0	1,975	1,600
Special Rural	395	3	2,205	1,185	0	1,185	1,185	0	0	1,185	960
Unimproved valuations											
Rural	395	13	137,232	8,492	(638)	7,854	5,135	0	0	5,135	2,880
Mining	395	8	37,333	1,975	832	2,807	1,975	0	0	1,975	3,520
Sub-Total		47	201,355	20,737	194	20,931	17,380	0	0	17,380	15,040
		404	50,394,107	1,135,226	(10,179)	1,125,047	1,135,428	0	0	1,135,428	1,105,782
Discounts/concessions (refer Note 19(c))						(83,608)				(85,500)	(84,974)
Total amount raised from general rate						1,041,439				1,049,928	1,020,808
Ex-gratia rates						6,870				6,870	4,598
Totals						1,048,309				1,056,798	1,025,406

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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19. RATING INFORMATION (Continued)

(b) Service Charges

Service Charges	Amount of Charge	2018/19 Actual Revenue Raised	2018/19 Actual Charges Applied to Costs	2018/19 Actual Charges Set Aside to Reserve	2018/19 Actual Reserve Applied to Costs	2018/19 Budget Revenue	2018/19 Budget Charges Applied to Costs	2018/19 Budget Charges Set Aside to Reserve	2018/19 Budget Reserve Applied to Costs	2017/18 Total Actual Revenue
TV & Satellite Transmission Levy	\$ 25	\$ 3,205	\$ 3,205	\$ 0	\$ 0	\$ 3,525	\$ 0	\$ 0	\$ 0	\$ 3,205
		3,205	3,205	0	0	3,525	0	0	0	3,205

Nature of the Service Charge	Objects of the Charge	Reasons for the Charge	Area/Properties Charge Imposed
TV & Satellite Transmission Levy	To provide equipment to a qualify retransmission	To fund additional channels and upgrades to retransmission.	Koorda Townsite

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2019 Actual \$	Budget \$	2018 Actual \$	Circumstances in which Discount is Granted
General Rates	10.00%	\$ 0	\$ 83,608	\$ 85,500	\$ 84,974	Current rates and any arrears to be paid in full by the due date on the rate notice. Full payments must be received at the Shire office prior to the cut off date.
			83,608	85,500	84,974	

Waivers or Concessions

Rate or Fee and Charge to which the Waiver or Concession is Granted	Type	Discount %	Discount \$	2019 Actual \$	2019 Budget \$	2018 Actual \$
Refuse Charge	Concession	0.00%	105	2,835	2,625	2,750
Recycling Charge	Concession	0.00%	75	2,025	1,875	2,000
				4,860	4,500	4,750

Rate or Fee and Charge to which the Waiver or Concession is Granted	Circumstances in which the Waiver or Concession is Granted and to whom it was available	Objects of the Waiver or Concession	Reasons for the Waiver or Concession
Refuse Charge	Eligible aged pensioners	Encourage elderly residents to remain in their own home.	To give recognition for service to the community.
Recycling Charge	Eligible aged pensioners	Encourage elderly residents to remain in their own home.	To give recognition for service to the community.

19. RATING INFORMATION (Continued)

(d) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Discount	24 Aug 2018	0.00	0.00%	11.00%
Option Two				
Pay on time	07 Sep 2018	0.00	0.00%	11.00%
Option Three				
Instalment One	07 Sep 2018	0.00	0.00%	11.00%
Instalment Two	16 Nov 2018	0.00	0.00%	11.00%
Instalment Three	17 Jan 2019	0.00	0.00%	11.00%
Instalment Four	21 Mar 2019	0.00	0.00%	11.00%

	2019 Actual \$	2019 Budget \$	2018 Actual \$
Interest on unpaid rates	10,242	7,500	8,151
	10,242	7,500	8,151

20. RATE SETTING STATEMENT INFORMATION

	2018/19 (30 June 2019 Carried Forward)	2018/19 Budget (30 June 2019 Carried Forward)	2018/19 (1 July 2018 Brought Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	10(a) (39,868)	(11,548)	(3,327)
Less: Movement in loans receivable (non-current)	(5,000)	0	(10,000)
Less: Financial assets at fair value through profit and loss	7 (52,551)	0	0
Movement in pensioner deferred rates (non-current)	(3,925)	0	(3,386)
Movement in employee benefit provisions	20,619	0	68,661
Add: Loss on disposal of assets	10(a) 133,131	49,226	15,746
Add: Depreciation on assets	10(b) 1,943,077	2,283,279	2,278,710
Non cash amounts excluded from operating activities	1,995,483	2,320,957	2,346,404
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - restricted cash	3 (5,623,122)	(5,005,492)	(5,582,936)
Add: Change in accounting policy	23(c) 1,196	0	0
Less: Movement on deferred rates	0	3,388	0
Add: Provision for annual leave	119,823	131,419	141,602
Add: Provision for long service leave	100,295	58,077	72,375
Total adjustments to net current assets	(5,401,808)	(4,812,608)	(5,368,959)
Net current assets used in the Rate Setting Statement			
Total current assets	7,217,984	5,053,122	7,007,863
Less: Total current liabilities	(761,731)	(240,514)	(415,233)
Less: Total adjustments to net current assets	(5,401,808)	(4,812,608)	(5,368,959)
Net current assets used in the Rate Setting Statement	1,054,445	0	1,223,671

21. 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	1.91%	7,014,993	5,623,122	1,379,881	11,990
2018					
Cash and cash equivalents	2.37%	6,849,684	5,582,936	1,252,798	13,950

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*	13,799	12,528

* Holding all other variables constant

21. 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 no adjustments have been 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%	0.00%
Gross carrying amount	70,655	21,983	10,033	19,948	122,619
Loss allowance	0	0	0	0	0
01 July 2018					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	0
Gross carrying amount	76,151	11,550	5,977	13,972	107,650
Loss allowance	0	0	0	0	0

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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	0.27%	1.48%	17.43%	18.19%	
Gross carrying amount	2,500	6,950	2,446	8,399	20,295
Loss allowance	9	134	553	1,980	2,676
01 July 2018					
Sundry Receivables					
Expected credit loss	0.24%	1.83%	18.71%	65.38%	
Gross carrying amount	2,750	3,457	2,750	9,069	18,026
Loss allowance	7	63	515	5,929	6,514

21. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables

Payables are 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.

The contractual undiscounted cash flows of the Shire's Payables 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
	\$	\$	\$	\$	\$
<u>2019</u>					
Payables	541,613	0	0	541,613	541,613
	541,613	0	0	541,613	541,613
<u>2018</u>					
Payables	201,256	0	0	201,256	201,256
	201,256	0	0	201,256	201,256

22. 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:

	1 July 2018	Amounts Received	Reclassification to cash	Amount Paid	30 June 2019
	\$	\$	\$	\$	\$
Housing Bonds	10,283	424	(10,707)	0	0
Drive In	24,153	3,642	(27,795)	0	0
Swimming Pool Committee	301	0	0	0	301
Koorda State Emergency Services	4,394	0	0	0	4,394
Regional Road Group Chairman's travel	910	0	0	0	910
Country Local Government Fund Youth development Scholarship	3,980	0	0	(3,980)	0
	44,021	4,066	(38,502)	(3,980)	5,605

23. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

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

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 principal and interest was made based on the facts and circumstances as at the initial recognition of the the assets.

23. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire 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 recognised an additional impairment on the Shire's Trade receivables of \$1,196 which resulted in a decrease in accumulated surplus/(deficit) of \$1,196 as at 1 July 2018.

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	5,318	1,196	6,514
	<u>5,318</u>	<u>1,196</u>	<u>6,514</u>

(c) Impact of changes to Retained Surplus

The impact on the Shire of the changes as at 1 July 2018 is as follows:

	Adjustments	2019
		\$
Retained surplus - 30 June 2018		49,372,720
Adjustment to retained surplus from adoption of AASB 9	(1,196)	<u>(1,196)</u>
Retained surplus - 1 July 2018		49,371,524

24. 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
		\$	\$	\$
Contract liabilities - current				
Unspent grants, contributions and reimbursements	18	0	111,000	111,000
Contract liabilities non-current				
Adjustment to retained surplus from adoption of AASB 15	24(d)		(111,000)	

(b) Leases

The Shire adopted AASB 16 *Leases* (issued February 2016) retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB 16 recognised on 1 July 2019. In applying the AASB 16 under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

On adoption of AASB 16, the Shire will recognise lease liabilities in relation to leases which had previously been classified as an 'operating lease' applying AASB 117. These lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on 1 July 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 July 2019 is 2.0%.

On adoption of AASB 16, the Shire will recognise a right-of-use asset in relation to a lease which had previously been classified as an 'operating lease' applying AASB 117. This right-of-use asset is to be measured as if AASB 16 had been applied since its commencement date by the carrying amount but discounted using the lessee's incremental borrowing rate as on 1 July 2019.

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

In applying AASB 16 for the first time, the Shire will use the following practical expedient permitted by the standard.

- The exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.

At the 30 June 2019 the Shire had no leases required to be recognised.

24. 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	541,613	0	541,613

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates will be recognised as a financial asset and a related amount recognised as a financial liability and no income recognised by the Shire. When the taxable event occurs, the financial liability will be extinguished and the Shire will recognise income for the prepaid rates that have not been refunded.

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

(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			49,851,175
Adjustment to retained surplus from adoption of AASB 15	24(a)	(111,000)	
Adjustment to retained surplus from adoption of AASB 1058	24(c)	0	(111,000)
Retained surplus - 01 July 2019			49,740,175

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

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

26. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE</p> <p>To provide a decision making process for the efficient allocation of scarce resources.</p>	<p>Includes the activities of members of council and the administrative support available to the council for the provision of governance of the district. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific council services.</p>
<p>GENERAL PURPOSE FUNDING</p> <p>To collect revenue to allow for the provision of services.</p>	<p>Rates, general purpose government grants and interest revenue.</p>
<p>LAW, ORDER, PUBLIC SAFETY</p> <p>To provide services to help ensure a safer and environmentally conscious community.</p>	<p>Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.</p>
<p>HEALTH</p> <p>To provide an operational framework for environmental and community health.</p>	<p>Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.</p>
<p>EDUCATION AND WELFARE</p> <p>To provide services to disadvantaged persons, the elderly, children and youth.</p>	<p>Maintenance of child minding centre, playgroup centre and aged care centre. Provision and maintenance of home and community care programs and youth services.</p>
<p>HOUSING</p> <p>To provide and maintain elderly residents housing.</p>	<p>Provision and maintenance of elderly residents' housing.</p>
<p>COMMUNITY AMENITIES</p> <p>To provide services required by the community.</p>	<p>Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.</p>
<p>RECREATION AND CULTURE</p> <p>To establish and effectively manage infrastructure and resources which help the social wellbeing of the community.</p>	<p>Maintenance of public halls, civic centres, aquatic centre, beaches, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library, museum and other cultural facilities.</p>
<p>TRANSPORT</p> <p>To provide safe, effective and efficient transport services to the community.</p>	<p>Construction and maintenance of roads, streets, footpaths, depots, cycleways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.</p>
<p>ECONOMIC SERVICES</p> <p>To help promote the shire and its economic wellbeing.</p>	<p>Tourism and area promotion including the maintenance and operation of a caravan park. Provision of rural services including weed control, vermin control and standpipes.</p>
<p>OTHER PROPERTY AND SERVICES</p> <p>To monitor and control the shire's overheads operating accounts.</p>	<p>Private works operation, plant repair and operation costs and engineering operation costs.</p>

27. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	2.45	6.20	9.21
Asset consumption ratio	0.64	0.65	0.66
Asset renewal funding ratio	N/A **	N/A **	N/A **
Asset sustainability ratio	1.36	0.69	0.31
Debt service cover ratio (*)	N/A *	N/A *	N/A *
Operating surplus ratio	(0.22)	(0.49)	0.13
Own source revenue coverage ratio	0.42	0.38	0.38

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	$\frac{\text{own source operating revenue}}{\text{operating expense}}$

* The Shire does not have any borrowings, hence it is unable to disclose a result for this ratio

** The Shire has not reported the Asset Renewal Funding Ratio for 2019,2018 and 2017 in the annuals financial report as required by section 50(1)(c) of the *Local Government (Financial Management) Regulations 1996*, as management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Koorda

Report on the Audit of the Financial Report

Opinion

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

- (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 financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) The following material 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. The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure in the long-term financial plan and asset management plan respectively.
 - b. Accounting journal entries were posted with no evidence of independent review and approval by another person. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be independently reviewed and approved, with evidence of this review being retained.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2017 in Note 27 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Koorda 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.



MARK AMBROSE
ACTING ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
30 October 2019

5 CHIEF EXECUTIVE OFFICERS REPORT

**COUNCIL DECISION
Officer Recommendation**

Moved Cr JM Stratford Seconded Cr PL McWha

That Standing Orders be suspended at 12.09pm to discuss item 5.1 2018/2019 Annual Audit Process

**PUT & CARRIED: 7/0
RESOLUTION NO: 181019**

**COUNCIL DECISION
Officer Recommendation**

Moved Cr PL McWha Seconded Cr JM Stratford

That Standing Orders be resumed at 12.35pm with attendance as per attendance register.

**PUT & CARRIED: 7/0
RESOLUTION NO: 191019**

12.35pm – Ms Leanne Oliver and Mr Vishal Desai disconnected from phone attendance

5.1 2018/2019 ANNUAL AUDIT PROCESS

Section 5.23 – Applicability

Location:

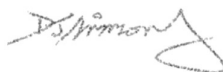
Portfolio: Governance, Administration and Finance
Cr JM Stratford

File Reference: ADM 0114

Disclosure of Interest: No interest declared by the CEO

Author: Lana Foote, Manager of Finance & Administration

Signature of CEO



Background:

The Draft Independent Auditor's Opinion on the Audit of the Financial Report for the year ending 30 June 2019 has been received. Copies of audit process documents have been provided to the Councillors under separate cover.

This meeting will act as an exit meeting as part of the new audit requirements with the Office of Auditor General. The Chief Executive Officer has endorsed the draft audited financials and the findings and returned to the Auditor General. The Auditor General will respond and issue the final report and sign off within three to five business days. We anticipate that if any documents change,

they will be referred to a future Audit Committee meeting, to consider and recommend to Council the adoption of the modified Annual Financial Statements and External Auditors Report for the year ending 30 June 2019.

Comment

Subject to the Auditor General's confirmation of the Draft Annual Financial Statements and Auditors report as presented, as part of the following item 5.2 *Annual Reporting Requirements*, Council will consider receiving and adopting the Shire of Koorda Annual Report for the year ended 2018/2019.

The audit report raised concern with a ratio and accounting journal entries. The auditor comments are clearly identified in the below section (the navy text being the findings from the audit, and the black text being the management comment). The below navy excerpts are from the Audit opinion, hence the personal comments.

In accordance with the *Local Government (Audit) Regulations 1996* the Auditor reports that;

(i) 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. The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by section 50(1)(c) of the *Local Government (Financial Management) Regulations 1996*, as management could not confirm the reliability of the available information on planned capital renewals and required capital expenditure;

The management team supports the finding and recommendation and has engaged specialist external consultants to assist staff in developing and maintaining a new combined asset management and long-term financial plan in order to provide the verifiable information and see the development of reasonable assumptions to support an accurate and robust calculation of the asset renewal funding ratio for the 2019-20 and future financial years.

- b. Accounting journal entries were posted with no evidence of independent review and approval by another person. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be independently reviewed and approved with evidence of this review being retained.

For the period under review, and whilst it is suggested that the past process would be replicated at most similar sized local governments, the finding and recommendation is acknowledged.

Effective from 1 July 2019, the Shire's management team has implemented a new procedure to its end-of-month financial processes that has the CEO undertake a review of, and signs off on, monthly general journal listings as the current accounting system, staffing structure and role responsibilities sees the Manager of Finance and Administration (who reports to the CEO) preparing and completing general journal transactions.

(ii) All required information and explanations were obtained by me.

(iii) All audit procedures were satisfactorily completed.

(iv) In my opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

The items raised in the Management Letter were rated as “significant”, meaning those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. From the comments provided, Management are aware of the issues and have taken corrective action.

Consultation:

Darren Simmons, CEO, Shire of Koorda
Vishal Desai – Senior Auditor, Byfields
Leanne Oliver – Director, Byfields
Ann Ang – Assistant Director, Office of the Auditor General for WA

Statutory Environment:

- Local Government Act 1995 Section 6.10, 7.9(1), 7.12A (2), (3) and (4)
- Local Government Financial Management Regulation 1996 Part 2
- Local Government (Audit) Regulations 1996 – Reg 10

Policy Implications:

Nil

Financial Implications:

Nil

Strategic Implications:

- C 1.1 - Enhance open and interactive communication between Council and the community (ongoing)
- C 3.2 - Enhance the capacity and effectiveness of administrative processes (short term)
- C 3.3 - Provide reporting processes in a transparent, accountable and timely manner (short term)

Voting Requirement:

Simple majority

**COUNCIL DECISION
Officer Recommendation**

Moved CR GL Boyne

Seconded CR BG Cooper

That the report of the Manager of Finance and Administration outlining the 2018/2019 annual audit process, subject to no change in the issued Draft Audit Opinion, be noted and Shire staff actions to address the significant audit findings being:

- 1. the engagement of specialist external consultants to assist staff in developing and maintaining a new combined asset management and long-term financial plan in order to provide the verifiable information and see the development of reasonable assumptions to support an accurate and robust calculation of the asset renewal funding ratio for the 2019-20 and future financial years; and**
- 2. the implementation from 1 July 2019 of a new procedure to its end-of-month financial processes that has the CEO undertake a review of, and signs off on, monthly general journal listings as the current accounting system, staffing structure and role responsibilities sees the Manager of Finance and Administration (who reports to the CEO) preparing and completing general journal transactions;

be endorsed.**

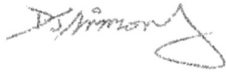
**PUT & CARRIED: 7/0
RESOLUTION NO: 201019**

The CEO presented a revised Officer Recommendation to the meeting to further clarify Council was aware of and endorsed the Shire staff action taken to address the significant audit findings in accordance with its obligations under sub-sections (3) and (4) of section 7.12A of the *Local Government Act 1995* (as amended).

5.2

ANNUAL REPORTING REQUIREMENTS

Section 5.23 – Applicability

Location:	Shire of Koorda
Portfolio:	Governance, Administration and Finance
	Cr JM Stratford
File Reference:	ADM 0320
Disclosure of Interest:	No interest declared by the CEO
Author:	Lana Foote, Manager of Finance and Administration
Signature of CEO	

Background:

Under Section 5.53 of the Local Government Act, Council is to prepare an Annual Report for each financial year and the Annual Report is to contain:-

- a) Report from President
- b) Report from Chief Executive Officer
- c) An overview of the Plan for the Future that is proposed to commence or continue next financial year
- d) Financial report for the financial year
- e) Such information as may be prescribed in relation to payments made to employees
- f) Auditors report for the financial year
- g) Report under Section 29(2) of the Disabilities Services Act 1993
- h) Register of certain complaints of minor breaches
 - i) Number of complaints recorded in register
 - ii) How recorded complaints were dealt with
 - iii) Any other details regulations may require; and
 - i) Such other information as may be prescribed

Under Section 5.54(1); the Annual Report for the financial year is to be accepted by the Local Government no later than 31 December.

Comment:

The 2018/2019 Draft Annual Report has been prepared for Council consideration.

However, it is important to note that the Auditors Report and the Annual Financial Statements are in draft format only and are subject to change/confirmation.

Consultation:

Darren Simmons, CEO, Shire of Koorda
Ann Ang – Assistant Director, Office of the Auditor General for WA

Statutory Environment:

Local Government Act 1995 – Sections 5.27, 5.29, 5.53(1)(2), 5.54(1), 5.55

Policy Implications:

A24 (preferable to hold the General Meeting of Electors October of each year)

5.27 (2): A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report from the previous financial year.
5.29 (1) (a) at least 14 days' local public notice

Financial Implications:

Nil

Strategic Implications:

Shire of Koorda Strategic Community Plan
C 3.3 - Provide reporting processes in a transparent, accountable and timely manner

Voting Requirement:

Absolute majority

COUNCIL DECISION

Officer Recommendation

Moved CR G Storer

Seconded CR LC Smith

That;

- 1. Subject to there being no change by the Auditor General, the Shire of Koorda Annual Financial Statements and Auditor's Report for the year ended 2018/2019, as presented remain as issued, be adopted.**
- 2. Resolve that the Annual Meeting of Electors' be held on Wednesday 4th December 2019 commencing at 6.30pm in the Shire of Koorda Council Chambers.**

**PUT & CARRIED BY AN ABSOLUTE MAJORITY: 7/0
RESOLUTION NO: 211019**