

Year Ended 30 June 2019

Annual Report

Shire of Cunderdin



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ACKNOWLEDGEMENT OF COUNTRY

The Shire of Cunderdin acknowledges the Ballardong people as traditional custodians of this land and their continuing connection to land and community. We pay our respect to them, to their culture and to their Elders past and present.



WHAT IS THE ANNUAL REPORT?

As required by the Local Government Act 1995 and associated regulations the Annual Report for 2018/19 provides an overview of the operations, initiated and major projects undertaken by the Shire for that period, and includes major initiatives proposed to commence or to continue in the next financial year.

The performance of the Council is assessed against the Vision, Strategic Goals, Outcomes and Strategies as set out in the Shire of Cunderdin Strategic Community Plan 2017 – 2027 and the Actions contained in the Corporate Business Plan 2018-2022. These plans provide strategic focus for elected members and the organisation and affirms our commitments to the community.

The Annual Report includes Council's Audit Report.

Our Vision

A Place for People, A Place for Community

Our Aspirations are:

- ◇ A community that cares, and a place where community matters
- ◇ A great place to live and visit because we take pride in our local area
- ◇ A vibrant and active community, inclusive and welcoming for young and old.

Council Statistics 2018/19

| | |
|-------------------------------|-------|
| Distance from Perth (km) | 158 |
| Area (sq km) | 1,872 |
| Length of Sealed Roads (km) | 376 |
| Length of Unsealed Roads (km) | 466 |
| Population | 1,390 |
| Number of Electors | 848 |



PRESIDENT'S REPORT



On behalf of Council, it gives me great pleasure to present the Shire of Cunderdin's Annual Report for 2018/2019.

As we come to the end of another busy year, I reflect on the progress and many notable achievements both as an organisation and as a community.

The year sees me entering into my second term as your Shire President. I feel proud to be part of this active and growing community, in which I'm very honoured to be able to lead an organisation of people who work hard to improve the lives of others and to serve the Cunderdin community.

Resource Sharing Agreement with Tammin

Upon mutual agreement the resource sharing agreement that included sharing the CEO and Manager of Works with the Shire of Tammin concluded on the 30 June 2019. This agreement has however resulted in a stronger bond between the two Shires and has shown that the two Shires are able to work together for the common good.

Health and Aged Care

The Primary Health Care Centre commenced operations on Wednesday the 16th January 2019 and it is a wonderful new facility that is providing the most up to date medical services to our community.

The Age Appropriate Accommodation project has been completed with a Palliative Care Unit, Respite Care Unit and 8 Independent living units being built. It was great to see tenants moving into the independent living units now known as 'Sandalwood Village' as a great conclusion to this project.



Water Catchment Dam

Stage one of the new town dam has been completed. The dam will provide water for the town oval and surrounding gardens. The Shire would like to thank the Cunderdin Agricultural College for allowing the dam to be located within one of their paddocks.

Roads

In 2018/19 the Shire spent a total of \$885,777.74 on road construction and \$1,185,040.87 on road Maintenance. Construction works included; new bitumen seal on the Carter-Doodenaning Road, reconstruction of sections of the Meckering-Goomalling Road and Johnston Street. Construction staff also widened Vanzetti Road. Gravel re-sheeting was also completed on the following roads, Bulgin Road, Wyola North Road, Reynolds Road, Mount Anne Road, Fiegert Road, Loton Road, Woonwooring Road and Southern Brooke Road.

PRESIDENT'S REPORT

Community Awards

The Cunderdin Australia Day Breakfast celebrated the work of volunteers in the Cunderdin and Meckering Community where the following awards were presented;

Active Citizenship Award –
Meckering Earthquake Anniversary Committee
(Rebekah Burges, Shari Leeson, Hayley Bowman
(not pictured), Dianne Kelly and Kayla James)

Citizen of the Year – Rebekah Burges



These well-deserved awards were presented for their contribution to the Meckering Community for organisation and a year of hard work behind the 50yrs On Meckering Earthquake anniversary.

Our Organisation

2018/19 has seen a significant number of senior staff turnover. The Deputy Chief Executive Officer Mr Paul Godfrey said farewell and Mr Stuart Hobley was appointed to the position of Manager of Corporate Services and Finance. With the conclusion of the resource sharing agreement our CEO Mr Neville Hale accepted a position as the CEO at the Shire of Tammin. I would like to personally thank Neville for his contribution to the Shire during his time with us. Mr Hobley has been appointed to the position of CEO and Mrs Hayley Byrnes has taken on the role of Manager of Corporate Services and Finance. I wish these two the best for the future. Mr Fabian Houbrechts also accepted a position with the Shire of Tammin as the Manager of Works.

I would like to sincerely thank and acknowledge the support of my fellow councillors, you have displayed the necessary judgement in the face of challenging circumstances that I believe have been of considerable benefit to the Community. Without your support much of what was achieved over the reporting period could not have been.

To all the staff led by the Chief Executive Officer, thank you for your dedication to improving our Community in cooperation with the elected members.

To all volunteers within the Community and Districts, a huge vote of confidence and appreciation for your investment of personal time in the best interests of our Community, where you have once again provided services that may not otherwise be available. Through your dedication and sacrifice you have demonstrated outstanding commitment to keeping our town infrastructure and district safe

I look forward to another challenging and successful year ahead!

Kind Regards
Cr Dennis Whisson
Shire President

CHIEF EXECUTIVE OFFICERS REPORT



It gives me great pleasure to present the Chief Executive Officer's Annual Report for the period ended the 30th June 2019 to the Residents and Ratepayers of the Shire of Cunderdin.

The 2018/19 reporting period has seen a further increase in compliance requirements and amendments to the Accounting Standards for more complex financial reporting.

During the year the Shire said farewell to a number of senior staff including Deputy Chief Executive Officer Paul Godfrey, Manager of Works Fabian Houbrechts and Chief Executive Officer Neville Hale. I would like to thank all of the above for their contribution to the Shire and the community.

With this significant turnover comes an opportunity for change and the new senior management team of myself, Hayley Byrnes, Manager of Corporate Services and Finance and Craig Robertson, Manager of Works. I know we are all looking forward to the challenges ahead.

Resource Sharing Agreement with Tammin

The resource sharing agreement with the Shire of Tammin concluded on the 30 June 2019 and this will have a significant impact on the Shire. However this will provide opportunities for the Shire to focus on its own needs for the future.

Future Planning

In 2019/20 the Shire will continue its Community and Corporate Planning for the future, include Long Term Financial Plan and Asset Management Plan. This will involve community consultation to determine the needs and wants of our Shire

Health and Aged Care

2018/19 was a busy year for the Shire and saw the completion of the Cunderdin Primary Health Centre and the Aged Appropriate Accommodation Units. These were significant projects that the Council and the community were heavily invested in. It is a great moment to see these assets being used to their full potential and providing a benefit to the community.

Water Catchment Dam

The new town dam is nearly completed and should provide enough water to maintain the oval during the warmer summer months.



CHIEF EXECUTIVE OFFICERS REPORT

Plant Replacement

The Council recently reviewed the plant replacement program and this resulted in a new grader being purchased in 2018/19. Over the next few years the Shire will need to invest in its plant to replace a number of aging machines.

Conclusion

Council continues to promote itself and try to ensure that it aligns itself with State and Federal Government Strategies and Plans to ensure it puts itself strategically in the right place to secure additional funding for projects and community functions. Council is working with its surrounding local governments to market and promote itself statewide, identifying the opportunities and attraction of living in our District. We have been working closely with our Community Resource Centre and are using platforms such as our Website, Facebook, various Tourism Publications and various Media Releases on Community Events with our Regional ABC Radio and RadioWest Networks.

I wish to thank all Councillors for their support not only in myself but our organisation as a whole. I would like to acknowledge the significant time and effort Councillors contribute individually and as a team for the betterment and progress of our community.

I would like to sincerely thank the Shire President, Cr Dennis Whisson and Deputy Shire President, Cr Alison Harris for their Leadership of Council during this period.

I look forward to the next 12 months, which will see the Shire consolidate on the progress it has recently made and looks to develop any opportunities that come our way.

Stuart Hobley
Chief Executive Officer



OVERVIEW OF OUR COMMUNITY



The Shire of Cunderdin is located 158 kilometres east of Perth, and approximately 52 kilometres east of the regional centre of Northam. The Shire covers an area of 1,872 square kilometres and consists of two localities being Cunderdin and Meckering.

Cunderdin townsite contains the majority of the population with 800 residents and Meckering townsite 100. The total population of the Shire is approximately 1,300, which is estimated to remain fairly constant over the next ten years.

Features of the Shire include a wide range of recreational facilities – notably the sporting complex and swimming pool. Services include the health centre and medical centre; playgroup; Cunderdin District High School (K to Year 10); Meckering Primary School; Cunderdin WA College of Agriculture; the Cunderdin Airfield; the Community Resource Centre and the Cunderdin Day Care Centre. Within the Shire there are a number of parks and reserves, including O'Connor Park, Cunderdin Hill, Meckering Rose Garden and Youndegin - Woodthorpe.

The Shire of Cunderdin adjoins the local governments of Goomalling, Dowerin and Wyalkatchem to the north, Tammin to the east, Northam to the west and York and Quairading to the south.

The local economy is reliant on agriculture, with wheat, canola and lupins being the main crops, and sheep production being prominent. Although the local industries and services are based around the agricultural sector, Cunderdin is also home to institutional furniture manufacturing, farm machinery and equipment manufacturing, rural merchandise suppliers, fabrication industries and machinery dealerships. Cunderdin also has one of only six campuses of the Western Australian College of Agriculture in the State.

MEMBERS OF COUNCIL

The Council of the Shire of Cunderdin consists of eight Elected Members. Council Ordinary Elections are held in October every second year, and Councillors are appointed for a four-year term.

The next Local Government Ordinary elections will be held on Saturday 19th October 2019.

The role of a Councillor is to represent the community, provide leadership and guidance, facilitate communications between community and Council, make decisions on matters before Council, determine Council policy, govern finances and provide forward planning and evaluation of process.



Back Row: Cr J (Jayson) Goldson, Cr TE (Todd) Harris, Cr NW (Norm) Jenzen, Cr B (Bernie) Daly
Front Row: Cr A (Alison) Harris, Cr DA (Dennis) Whisson, Cr D (Doug) Kelly, Cr GD (Dianne) Kelly

The last Ordinary Council Election was held on Saturday 21st October 2017

| Current Councillors | Term Expires |
|--|--------------|
| Cr DA (Dennis) Whisson, Shire President | October 2021 |
| Cr A (Alison) Harris, Deputy Shire President | October 2021 |
| Cr J (Jayson) Goldson | October 2021 |
| Cr NW (Norm) Jenzen | October 2021 |
| Cr B (Bernie) Daly | October 2019 |
| Cr D (Doug) Kelly | October 2019 |
| Cr TW (Todd) Harris | October 2019 |
| Cr DG (Dianne) Kelly | October 2019 |

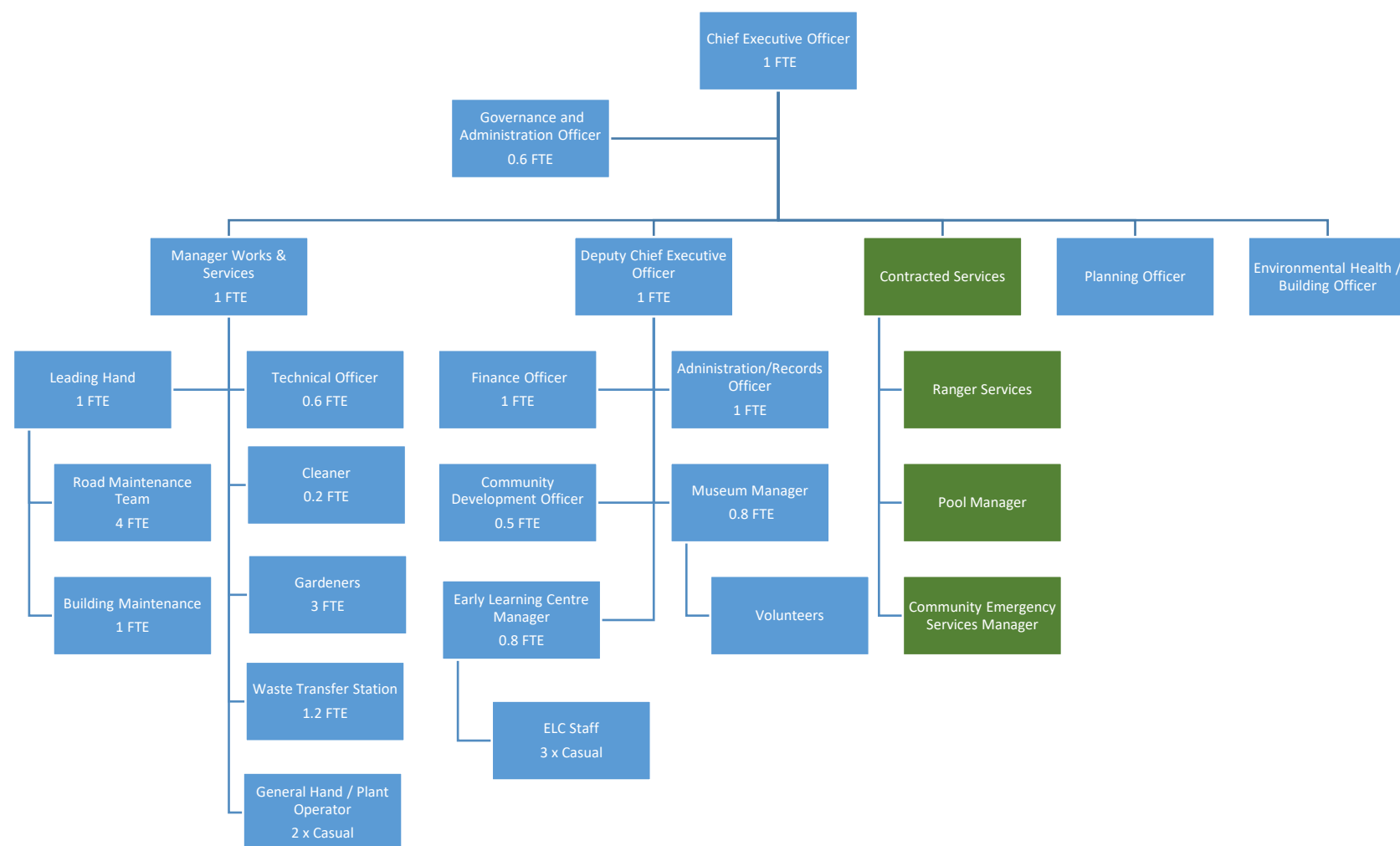
Council and Committee Meetings;

With the exception of January, Ordinary Meetings of Council are generally held on the third Thursday of the month commencing at 5pm.

All Council (unless decided otherwise by Council) are open to the public. Special Meetings of Council are held as required.

Council has two Standing Committees, being the Strategic Planning Committee and the Audit and Risk Committee. Both Committees comprise of all Elected Members

STAFF



GOVERNANCE AND LEADERSHIP

STATUTORY REQUIREMENTS

National Competition Policy

The introduction of the National Competition Policy requires all local governments to include in the Annual Report, Statements relating to the following:-

Competitive Neutrality

Competitive neutrality addresses potential advantages or disadvantages that the public enterprises may have compared with business operating in the private sector.

Pursuant to the Clause 7 Statement, the Shire operates the Cunderdin Early Learning Centre on Lundy Avenue, Cunderdin. The Centre is operated on a “full cost recovery” basis and the Shire undertakes this service as a “Community Service Obligation”.

Council has not received any allegations of non-compliance with Competitive Neutrality Principles from the private sector.

Public Interest Disclosure

The Public Interest Disclosure Act 2003 facilitates the disclosure of public interest information, and provides protection for those making such disclosure and those who are the subject of the disclosures. The Act provides a system for the matters disclosed to be investigated and for appropriate action to be taken.

The Chief Executive Officer reports that no Complaints have been received during the year under review and declares that all obligations under the Public Interest Act and the Local Government act Section 5.121 have been complied with.

Freedom of Information (FOI)

In accordance with Section 96 and 97 of the Freedom of Information Act 1992, the Shire is required to publish an annual Information Statement which details the process for applying for information under the Act, as well as information that the Shire provides outside the Act.

The Shire of Cunderdin provided information to people requesting it from Council in accordance with relevant State legislation. Should a request not be met satisfactorily then a Freedom of Information Application can be lodged with Shire.

During 2018-19 the Shire received nil formal Request for Information under the Freedom of Information Act which was accepted and dealt with.

State Records Act 2000

The state records act 2000 is an Act to provide for the keeping of State records and for related purposes. Section 19 of the Act requires that every government organisation must have a record keeping plan (RKP) that has been approved by the State Records Commission. A government organisation's including local government, records keeping plan sets out the matters about which records are to be created by the organisation and how it is to keep its records.

The records keeping plan comprises of a range of documents which, when assessed as a whole, provides an accurate reflection of the record keeping program within the organisation. More specifically, documentation regarding the organisation's record keeping system/s, disposal arrangements, policies, practices and processes will be essential components of the record keeping plan held but a local government. The inclusion of such documentation will constitute evidence of compliance.

The Shire of Cunderdin is currently reviewing the record keeping plan to ensure that it remains current and complies with State Records act 2000.



Employee Remuneration Disclosure

In accordance with Section 19B of the Local Government (Administration) Regulations 1996 requires the Shire to include the following information in its Annual Report:-

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

| Salary Range | No. of employees |
|------------------------|------------------|
| \$110,000 to \$119,999 | 1 |
| \$140,000 to \$149,999 | 1 |

Register of Complaints

In accordance with Section 5.121 of the Local Government Act 1995 (as amended) and Section 5.53 (2), the Annual Report is required to disclose the number of complaints received each year.

No. Complaints 2018-19

Nil

Action taken during 2018-19

Nil



DISABILITY ACCESS AND INCLUSION PLAN

The Disability Service Act 1993 requires State Government authorities and local government to develop and implement a Disability Access and Inclusion Plan (DAIP)

The Shire's DAIP underwent a review in 2017-18, to assess the Shire's progress in actioning the plan and determine priorities for the future.

Council adopted its Revised Disability Plan on the 20th June 2018 for the period of 2016-2021.

A DAIP progress report is completed annually and forwarded to the Disability Service Commissions.

The 2018/19 progress report was completed and submitted in July 2019.

Outcome 1 Access to Services

People with disability have the same opportunities as other people to access the services of, and any events organised by, the Shire of Cunderdin.

| Strategy |
|--|
| ◇ Ensure that people with disability are consulted on their need for services and the accessibility of current services. |
| ◇ Ensure all contractors or agents planning or delivery services or works on behalf of the Shire are aware of their obligations under the <i>Disability Services Act 1993 (WA)</i> |
| ◇ Develop links between the DAIP and other Shire plans and strategies. |
| ◇ Ensure that events, whether organised or funded, are accessible to people with disability. |

Outcome 2 Access to Buildings and Activities

People with disability have the same opportunities as other people to access the building and facilities in the Shire of Cunderdin.

| Strategy |
|--|
| ◇ Ensure that all buildings and facilities meet the standards for access and any demonstrated additional need. |
| ◇ Ensure that all new or redevelopment works provide access to people with disability, where practicable. |
| ◇ Ensure that ACROD parking meets the needs of people with disability in terms of quantity and location. |
| ◇ Advocate to local businesses and tourist venues the requirements for, and benefits flowing from, the provision of accessible venues. |
| ◇ Where reasonable and practicable the Shire will endeavour to ensure that all recreational areas are accessible. |

Outcome 2 Access to Buildings and Activities

People with disability have the same opportunities as other people to access the building and facilities in the Shire of Cunderdin.

Strategy

- ◇ Address specific building and facility issues raised during public consultation process.
- ◇ Conduct an audit of all front-line services to assess the mechanisms and resources currently in place to adapt to the needs of people with disability.

Outcome 3 Access to Information

People with disability receive information from the Shire of Cunderdin in a format that will enable them to access the information as readily as other people are able to access.

Strategy

- ◇ Ensure that the community is aware the Shire information is available in alternative formats upon request.
- ◇ Improve staff awareness of accessible information needs and how to provide information in other formats.
- ◇ Ensure that the Shire's website meets contemporary good practice.
- ◇ Marketing is consistent to the accessibility standards for information.

Outcome 4 Equality in Staff Services

People with disability receive the same level of service from the staff of the Shire of Cunderdin as other people receive from the staff of the Shire of Cunderdin.

Strategy

- ◇ Ensure that all employees, existing and new and Elected Members are aware of disability and success issues and have the skills to provide appropriate services.
- ◇ Ensure that information and resources are readily available to staff and volunteers on Access and Inclusion.

Outcome 5 Access to Complaint Mechanisms

People with disability have the same opportunities as other people to make complaints with the Shire of Cunderdin.

Strategy

- ◇ Ensure that grievance mechanisms are accessible for people with disability.

Outcome 6 Participation in Consultation

People with disability have the same opportunities as other people to participate in any public consultation with the Shire of Cunderdin.

Strategy

- ◇ Ensure that people with disability are actively consulted about the DAIP and any other significant planning processes.
- ◇ Ensure that people with disability are aware of and can access other established consultative processes.

Outcome 7 Accessing Employment Opportunities

People with disability have the same opportunities as other people to obtain and maintain employment with the Shire of Cunderdin.

Strategy

- ◇ Recruitment practices ensure equal opportunity of employment. The Shire promotes itself as an equal opportunity employer. (Incorporate into the Workforce Plan)
- ◇ Staff induction to include Access and Inclusion.
- ◇ Form a Disability Access and Inclusion Committee.
- ◇ Individualised Return to Work Programs.
- ◇ Encourage all staff to improve positive mental health and wellbeing.

Outcome 8 Monitoring and Review

New outcome resulting from the Plan Review.

Strategy

- ◇ Review the DAIP annually.
- ◇ Regularly report progress on the implementation of the Plan.
- ◇ Review the Shire's Access and Inclusion Policy every five years.

STRATEGIC REPORTING



Strategic Community Plan

The Strategic Community Plan maps out the Council's intentions for the next ten years but it is important to note that circumstances can change over the period. Events beyond the Shire's control, such as major storms, or changes to State or Federal government policies may require the Council to rethink the timing of projects, or to reallocate funding to address new issues. The formal corporate planning processes (see below) allows for regular review and Council has the capacity to review annual budgets. To the best of its ability however, this Strategic Community Plan and the accompanying Corporate Business Plan sets the direction for the Shire's future and the Council projects and programs.

The draft plan was adopted for community consultation in May 2017, with final adoption on the 15th June 2017. It was reviewed on 15th November 2018 and every 2 years thereafter, the two-yearly cycles will alternate between a minor Strategic Review and a Major Strategic Review.

Our Vision

A Place for People, A Place for Community

Our Aspirations are:

- ◆ A community that cares, and a place where community matters
- ◆ A great place to live and visit because we take pride in our local area
- ◆ A vibrant and active community, inclusive and welcoming for young and old.

Progress Report on Strategic Community Plan

Key Result Area 1 Social/Community

We are a connected, friendly, industrious and diverse community that fosters inclusion, resilience and self-sufficiency, where people feel safe, capable and supported in their endeavours.

| Reference | Strategies | Status |
|---------------|--|---|
| S1.1.1 | Build community capacity by developing and hosting events and community-based activities. | <ul style="list-style-type: none"> ◇ Carols in the Park – 2nd December 2018 ◇ Australia Day Breakfast – 26th January 2018 ◇ Meckering Men's Shed Bowel Cancer Morning Tea – 8th May 2019 ◇ Box Rally – 8th May 2019 ◇ Cunderdin K9's in the Park – 5th April 2019 ◇ Purple Bench Project – 21st May 2019 ◇ Ninja Warrior Course – 31st May 2019 |
| S1.1.2 | Assist community group implement promotional strategies and grant application for events and community activities. | <ul style="list-style-type: none"> ◇ Kept in contact with community groups and the Community Development Officer has been available to assist any community groups with grant applications. |
| S1.1.3 | Upgrade facilities in line with the DAIP plan | <ul style="list-style-type: none"> ◇ Upgrades are considered each year during budget deliberations. |
| S1.1.4 | Develop and implement programs suitable for the youth and aged. | <ul style="list-style-type: none"> ◇ Worked alongside the Wheatbelt Youth Council to provide activities for the youth in the area, such as Ninja Warrior day and Purple Bench Project. ◇ Together with the Cunderdin Tammin Meckering Aged friendly Steering Committee held many senior events such as the Meckering Men's Shed Bowel Cancer Morning Tea. |
| S1.2.1 | Assist the facilitation of regional health services | <ul style="list-style-type: none"> ◇ Construction Finalised |
| S1.3.1 | Develop an age appropriate accommodation strategy | <ul style="list-style-type: none"> ◇ To be commenced in May 2020. |

Key Result Area 1 Social/Community

We are a connected, friendly, industrious and diverse community that fosters inclusion, resilience and self-sufficiency, where people feel safe, capable and supported in their endeavours.

| Reference | Strategies | Status |
|---------------|---|---|
| S1.4.4 | Facilitate volunteering within the Shire. | <ul style="list-style-type: none"> ◇ Have advertised for anyone wanting to volunteer when holding programs during the school holidays and any community events. ◇ Community Development Officer assist the CRC and any voluntary groups with any projects being run within the Shire. |
| S1.5.1 | Develop and implement and Aboriginal Engagement Strategy. | <ul style="list-style-type: none"> ◇ Constantly looking into funding opportunities. |



Key Result Area 2 Environment

We value, and work to nurture and enhance our natural environment and prioritise the protection of our natural resources in all endeavours, managing resources consumption and reducing waste, preserving and protecting buildings and places of heritage and indigenous significance.

| Reference | Strategies | Status |
|---------------|--|--|
| S2.1.1 | Implementation of the Water Efficiency Management Plan (WEMP) | ◇ Commencement with the construction of the Town Dam in May 2019. Other water efficiency to be consider in Budget deliberations. |
| S2.2.1 | Promote Sustainability initiatives within the Shire. | ◇ The Shire fund remanent vegetation fencing and tree planting projects throughout the shire. |
| S2.3.1 | Preserve and protect buildings in line with the Municipal Heritage Inventory. | ◇ The Shire fund the preservation of the museum building and has reviewed grant funding to repair items identified to be fixed. |
| S2.3.2 | Liaise with the stakeholders of Cunderdin Hill and Bulgin Rock with regard to the preservation & promotion of these sites. | ◇ The Shire maintains and promotes both sites. |



Key Result Area 3 Economic Development

Our local economy will continue to thrive and prosper as we support and foster industry, initiative and innovation in seeking new opportunities to enhance our Shire's economic health.

| Reference | Strategies | Status |
|----------------|--|--|
| HF3.1.1 | Encourage new businesses through information incentives and land use provision. | ◇ The Shire is in the motion of updating the Town Planning Scheme to allow more business to operate. |
| HF3.1.2 | Provide land use for commercial and industrial growth, light commercial and the airfield. | ◇ Through the proposed new Town Planning Scheme the Shire has identified and allowed for more industrial land. The Shire continues to assist with the development of the airfield. |
| HF3.1.3 | Review land use strategy to provide for diverse housing needs, considering affordability, lifestyle and Independent Living Units (ILU'S) for the aged. | ◇ The Shire has constructed age appropriate accommodation and through change to the Town Planning Scheme will allow for greater diversity in housing density. |
| HF3.2.1 | Explore diverse income streams, including grants. | ◇ The Shire constantly applies for grants in a number of areas, in order to run programs and complete projects. |
| HF3.3.1 | Facilitate the development of the airport and surrounds. | ◇ The Shire continues to negotiate with the entrepreneurs over the development of the airfield. |
| HF3.4.1 | Develop Visitors Centre / Café. | ◇ The Shire has established a tourism committee that will investigate these issues. |
| HF3.4.2 | Rebranding of the Shire. | ◇ It was consider for the 2019/20 Budget, but was not funded |

Key Result Area 4 Infrastructure and Transport

We work together for the provision of essential services and assets to support our growing community.

| Reference | Strategies | Status |
|-----------|--|--|
| ED4.1.1 | Develop a Regional Economic Plan. | ◇ This has not been completed. |
| ED4.1.2 | Lobby and advocate for improved services. | ◇ The Shire continues to lobby to increase services including, health, roads, doctors and recreation facility. |
| ED4.2.1 | Infrastructure Asset Management and Renewal | ◇ The Shire is developing an asset management plan and a long term financial plan. |
| ED4.2.2 | Maintain and enhance the local environment, improve major distributor roads. | ◇ The Shire continues to improve its road network and is developing a five year road program. |
| ED4.2.3 | Develop Asset Management Plans for community facilities and assets. | ◇ This will be completed in June 2020. |
| ED4.3.1 | Review roads infrastructure for safety breaches. | ◇ This occurs on a regular basis and improvements are made as required. |
| ED4.4.1 | Maintain the Town Halls frontages. | ◇ The Town halls are maintained as a part of the Budget program. |



Key Result Area 5 Civic Leadership

Out Councillors and community leaders have vision, are accessible, act with transparency and integrity, and act in good faith in behalf of their constituents. .

| Reference | Strategies | Status |
|----------------|---|--|
| IT5.1.1 | Governance Framework – Provide a fully integrated robust governance framework with annual reviews of the Shire’s governance framework, policies, management practices, delegations, risk management framework and periodic reviews of the Code of Conduct and Local Laws. | <ul style="list-style-type: none"> ◇ The Shire will complete its Governance Manual in October 2019. ◇ The Policies, Delegation, risk management framework and Code of Conduct are reviewed as required by legislation and all amendments are put to council. |
| IT5.1.2 | Develop and Implement Service Plans and IT Plans. | ◇ To be Completed by June 2020 |
| IT5.2.1 | Elected Member Leadership. | ◇ Training and Leadership courses are offered to Councillors on a ongoing basis. |
| IT5.2.2 | Financial Sustainability and capacity. | ◇ The Shire operates within its adopted Annual Budget. Budget reviews are undertaken to ensure that the Shire is not operating its outside its financial capacity. |
| IT5.3.1 | Lobby and advocate for improved services, infrastructure and transport. | ◇ Council continues to lobby the state and federal government for improved services. The Shire will receive additional funding in 2020/2021 to complete necessary road works. |
| IT5.4.1 | Ensure sound long term financial management and deliver value for money. | ◇ Long Term Financial plan to be completed by June 2020. |

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

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COMMUNITY VISION

A place for people, a place for community.

Principal place of business:
37 Lundy Avenue
Cunderdin WA 6407

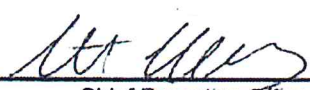
SHIRE OF CUNDERDIN
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2019

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Cunderdin 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 Cunderdin 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 *Ninth* day of *December* 2019



Chief Executive Officer

Stuart Hobley



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

| | NOTE | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|---|-------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Rates | 22(a) | 2,071,725 | 2,072,795 | 1,998,635 |
| Operating grants, subsidies and contributions | 2(a) | 2,029,503 | 1,122,984 | 1,865,293 |
| Fees and charges | 2(a) | 615,927 | 490,184 | 304,519 |
| Interest earnings | 2(a) | 76,767 | 55,000 | 61,925 |
| Other revenue | 2(a) | 49,206 | 5,500 | 24,991 |
| | | 4,843,128 | 3,746,463 | 4,255,363 |
| Expenses | | | | |
| Employee costs | | (1,608,864) | (1,682,764) | (1,745,081) |
| Materials and contracts | | (1,660,705) | (1,363,757) | (1,385,225) |
| Utility charges | | (267,490) | (229,400) | (254,429) |
| Depreciation on non-current assets | 10(b) | (5,564,749) | (4,005,100) | (5,256,520) |
| Interest expenses | 2(b) | (67,980) | (74,295) | (76,810) |
| Insurance expenses | | (152,543) | (161,868) | (114,186) |
| Other expenditure | | (62,514) | (82,450) | (64,534) |
| | | (9,384,844) | (7,599,634) | (8,896,785) |
| | | (4,541,716) | (3,853,171) | (4,641,422) |
| Non-operating grants, subsidies and contributions | 2(a) | 679,254 | 505,906 | 1,421,798 |
| Profit on asset disposals | 10(a) | 41,143 | 109,400 | 4,500 |
| (Loss) on asset disposals | 10(a) | (45,522) | (7,629) | - |
| Fair value adjustments to financial assets at fair value through profit or loss | 7 | 8,164 | - | - |
| | | 683,039 | 607,677 | 1,426,298 |
| Net result for the period | | (3,858,678) | (3,245,494) | (3,215,124) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes in asset revaluation surplus | 11 | 3,669,195 | - | 2,399,000 |
| Total other comprehensive income for the period | | 3,669,195 | - | 2,399,000 |
| Total comprehensive income for the period | | (189,483) | (3,245,494) | (816,124) |

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



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

| | NOTE | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|---|-------|----------------------|----------------------|----------------------|
| Revenue | | | | |
| Governance | | 640 | - | - |
| General purpose funding | | 3,621,414 | 2,870,393 | 3,448,384 |
| Law, order, public safety | | 54,804 | 36,000 | 50,299 |
| Health | | 50 | - | 164 |
| Education and welfare | | 127,226 | 132,440 | 134,536 |
| Housing | | 35,700 | 15,700 | 16,340 |
| Community amenities | | 185,981 | 139,438 | 172,724 |
| Recreation and culture | | 60,133 | 78,313 | 62,629 |
| Transport | | 126,975 | 108,000 | 109,954 |
| Economic services | | 63,077 | 8,000 | 34,090 |
| Other property and services | | 567,126 | 358,179 | 226,243 |
| | | 4,843,127 | 3,746,463 | 4,255,363 |
| Expenses | | | | |
| Governance | | (146,161) | (169,831) | (119,716) |
| General purpose funding | | (106,919) | (99,100) | (38,234) |
| Law, order, public safety | | (98,707) | (117,681) | (83,269) |
| Health | | (60,366) | (93,358) | (48,996) |
| Education and welfare | | (386,199) | (241,377) | (143,305) |
| Housing | | (129,797) | (138,623) | (106,265) |
| Community amenities | | (622,959) | (597,127) | (525,085) |
| Recreation and culture | | (1,613,248) | (1,597,555) | (1,565,035) |
| Transport | | (5,638,544) | (3,901,064) | (5,059,725) |
| Economic services | | (77,817) | (84,666) | (78,737) |
| Other property and services | | (436,147) | (484,957) | (1,051,608) |
| | | (9,316,865) | (7,525,339) | (8,819,975) |
| Finance Costs | | | | |
| | 2(b) | | | |
| Recreation and culture | | (58,410) | (58,927) | (64,941) |
| Other property and services | | (9,569) | (15,368) | (11,869) |
| | | (67,980) | (74,295) | (76,810) |
| | | (4,541,717) | (3,853,171) | (4,641,422) |
| Non-operating grants, subsidies and contributions | 2(a) | 679,254 | 505,906 | 1,421,798 |
| Profit on disposal of assets | 10(a) | 41,143 | 109,400 | 4,500 |
| (Loss) on disposal of assets | 10(a) | (45,522) | (7,629) | - |
| Fair value adjustments to financial assets at fair value through profit or loss | 7 | 8,164 | - | - |
| | | 683,039 | 607,677 | 1,426,298 |
| Net result for the period | | (3,858,678) | (3,245,494) | (3,215,124) |
| Other comprehensive income | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | | |
| Changes in asset revaluation surplus | 11 | 3,669,195 | - | 2,399,000 |
| Total other comprehensive income for the period | | 3,669,195 | - | 2,399,000 |
| Total comprehensive income for the period | | (189,483) | (3,245,494) | (816,124) |

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



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

| | NOTE | 2019 \$ | 2018 |
|--|------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 1,263,690 | 1,600,108 |
| Trade receivables | 5 | 311,809 | 521,958 |
| Other financial assets at amortised cost | 7 | 981,500 | 993,725 |
| Inventories | 6 | 130 | 12,371 |
| TOTAL CURRENT ASSETS | | 2,557,129 | 3,128,162 |
| NON-CURRENT ASSETS | | | |
| Trade receivables | 5 | 21,731 | 19,447 |
| Financial assets at fair value through profit and loss | 7(b) | 72,244 | - |
| Available for sale financial assets | 7(b) | - | 64,080 |
| Property, plant and equipment | 8 | 16,776,223 | 16,959,737 |
| Infrastructure | 9 | 106,607,020 | 106,542,190 |
| TOTAL NON-CURRENT ASSETS | | 123,477,218 | 123,585,454 |
| TOTAL ASSETS | | 126,034,347 | 126,713,616 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 152,402 | 560,858 |
| Borrowings | 13 | 78,345 | 74,131 |
| Employee related provisions | 14 | 205,385 | 180,194 |
| TOTAL CURRENT LIABILITIES | | 436,132 | 815,183 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 13 | 1,158,259 | 1,236,603 |
| Employee related provisions | 14 | 18,601 | 50,994 |
| TOTAL NON-CURRENT LIABILITIES | | 1,176,860 | 1,287,597 |
| TOTAL LIABILITIES | | 1,612,992 | 2,102,780 |
| NET ASSETS | | 124,421,354 | 124,610,837 |
| EQUITY | | | |
| Retained surplus | | 6,434,253 | 10,280,707 |
| Reserves - cash backed | 4 | 981,500 | 993,724 |
| Revaluation surplus | 11 | 117,005,601 | 113,336,406 |
| TOTAL EQUITY | | 124,421,354 | 124,610,837 |

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



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

| | | RETAINED | RESERVES CASH | REVALUATION | TOTAL |
|-----------------------------------|------|-------------|------------------|-------------|-------------|
| | NOTE | SURPLUS | BACKED | SURPLUS | EQUITY |
| | | \$ | \$ | \$ | \$ |
| Balance as at 1 July 2017 | | 13,402,104 | 1,087,451 | 110,937,406 | 125,426,961 |
| Comprehensive income | | | | | |
| Net result for the period | | (3,215,124) | - | - | (3,215,124) |
| Other comprehensive income | 11 | - | - | 2,399,000 | 2,399,000 |
| Total comprehensive income | | (3,215,124) | - | 2,399,000 | (816,124) |
| Transfers from/(to) reserves | 4 | 93,727 | (93,727) | - | - |
| Balance as at 30 June 2018 | | 10,280,707 | 993,724 | 113,336,406 | 124,610,837 |
| Comprehensive income | | | | | |
| Net result for the period | | (3,858,678) | - | - | (3,858,678) |
| Other comprehensive income | 11 | - | - | 3,669,195 | 3,669,195 |
| Total comprehensive income | | (3,858,678) | - | 3,669,195 | (189,483) |
| Transfers from/(to) reserves | 4 | 12,224 | (12,224) | - | - |
| Balance as at 30 June 2019 | | 6,434,253 | 981,500 | 117,005,601 | 124,421,354 |

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

SHIRE OF CUNDERDIN
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 | | 2,015,162 | 2,122,795 | 1,980,933 |
| Operating grants, subsidies and contributions | | 2,246,198 | 1,222,984 | 1,865,291 |
| Fees and charges | | 615,927 | 490,184 | 161,068 |
| Interest received | | 76,767 | 55,000 | 61,925 |
| Goods and services tax received | | 409,412 | - | 335,728 |
| Other revenue | | 68,686 | 5,500 | 47,965 |
| | | 5,432,151 | 3,896,463 | 4,452,910 |
| Payments | | | | |
| Employee costs | | (1,647,558) | (1,682,764) | (1,771,696) |
| Materials and contracts | | (2,043,757) | (1,518,757) | (1,374,398) |
| Utility charges | | (267,490) | (229,400) | (254,429) |
| Interest expenses | | (69,130) | (74,295) | (77,896) |
| Insurance paid | | (152,543) | (161,868) | (114,186) |
| Goods and services tax paid | | (361,678) | - | (308,754) |
| Other expenditure | | (62,514) | (82,450) | (64,534) |
| | | (4,604,670) | (3,749,534) | (3,965,893) |
| Net cash provided by / (used in) operating activities | 15 | 827,481 | 146,929 | 487,017 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for purchase of property, plant & equipment | | (769,421) | (911,394) | (2,106,597) |
| Payments for construction of infrastructure | | (1,052,971) | (1,435,744) | (974,376) |
| Non-operating grants, subsidies and contributions | | - | - | - |
| Proceeds from sale of property, plant & equipment | | 41,143 | 130,000 | 50,500 |
| Prior year adjustment | | - | - | 5,414 |
| Net cash provided by / (used in) investment activities | | (1,101,997) | (1,711,232) | (1,603,261) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of borrowings | | (74,130) | (74,131) | (70,144) |
| Net cash provided by / (used in) financing activities | | (74,130) | (74,131) | (70,144) |
| Net increase / (decrease) in cash held | | (348,643) | (1,638,434) | (1,186,388) |
| Cash at beginning of year | | 2,593,833 | 2,497,039 | 3,780,221 |
| Cash and cash equivalents and term deposits at the end of the year | 15 | 2,245,190 | 858,605 | 2,593,833 |

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

SHIRE OF CUNDERDIN
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) | 23 (b) | 1,573,579 | 1,630,962 | 2,574,983 |
| | | 1,573,579 | 1,630,962 | 2,574,983 |
| Revenue from operating activities (excluding rates) | | | | |
| Governance | | 640 | - | - |
| General purpose funding | | 1,578,048 | 797,598 | 1,464,767 |
| Law, order, public safety | | 54,804 | 36,000 | 50,299 |
| Health | | 50 | 5,400 | 164 |
| Education and welfare | | 127,226 | 132,440 | 134,536 |
| Housing | | 35,700 | 15,700 | 16,340 |
| Community amenities | | 185,980 | 139,438 | 172,724 |
| Recreation and culture | | 60,133 | 78,313 | 62,629 |
| Transport | | 126,975 | 212,000 | 109,954 |
| Economic services | | 63,077 | 8,000 | 34,090 |
| Other property and services | | 603,694 | 358,179 | 230,743 |
| | | 2,836,328 | 1,783,068 | 2,276,246 |
| Expenditure from operating activities | | | | |
| Governance | | (146,161) | (169,831) | (119,716) |
| General purpose funding | | (106,919) | (99,100) | (38,234) |
| Law, order, public safety | | (98,707) | (117,681) | (83,269) |
| Health | | (60,366) | (93,358) | (48,996) |
| Education and welfare | | (386,199) | (241,377) | (143,305) |
| Housing | | (129,797) | (138,623) | (106,265) |
| Community amenities | | (622,959) | (597,127) | (525,085) |
| Recreation and culture | | (1,671,657) | (1,656,482) | (1,629,976) |
| Transport | | (5,638,544) | (3,908,693) | (5,059,725) |
| Economic services | | (77,817) | (84,666) | (78,737) |
| Other property and services | | (491,238) | (500,325) | (1,063,477) |
| | | (9,430,365) | (7,607,263) | (8,896,785) |
| Non-cash amounts excluded from operating activities | 23(a) | 5,521,533 | 3,903,329 | 5,220,610 |
| Amount attributable to operating activities | | 501,075 | (289,904) | 1,175,054 |
| INVESTING ACTIVITIES | | | | |
| Non-operating grants, subsidies and contributions | | 679,254 | 505,906 | 1,421,798 |
| Proceeds from disposal of assets | 10(a) | 41,143 | 130,000 | 50,500 |
| Purchase of property, plant and equipment | 8(b) | (769,421) | (911,394) | (2,106,597) |
| Purchase and construction of infrastructure | 9(b) | (1,052,971) | (1,435,744) | (974,376) |
| Amount attributable to investing activities | | (1,101,995) | (1,711,232) | (1,608,675) |
| FINANCING ACTIVITIES | | | | |
| Repayment of borrowings | 13(b) | (74,130) | (74,131) | (70,144) |
| Transfers to reserves (restricted assets) | 4 | (47,775) | (30,000) | (55,219) |
| Transfers from reserves (restricted assets) | 4 | 60,000 | - | 148,946 |
| Amount attributable to financing activities | | (61,905) | (104,131) | 23,583 |
| Surplus/(deficit) before imposition of general rates | | (662,825) | (2,105,267) | (410,038) |
| Total amount raised from general rates | 22 | 2,056,106 | 2,072,795 | 1,983,617 |
| Surplus/(deficit) after imposition of general rates | 23(b) | 1,393,282 | (32,472) | 1,573,579 |

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 25 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 | 1,462,308 | 732,598 | 1,376,967 |
| Law, order, public safety | 43,712 | 33,500 | 45,835 |
| Education and welfare | 63,128 | 55,000 | 114,954 |
| Housing | 2,580 | - | - |
| Community amenities | 21,511 | - | 20,000 |
| Recreation and culture | 19,280 | 44,813 | 26,823 |
| Transport | 115,515 | 68,000 | 67,771 |
| Economic services | 3,331 | 3,000 | 19,989 |
| Other property and services | 298,139 | 186,073 | 192,954 |
| | 2,029,503 | 1,122,984 | 1,865,293 |
| Non-operating grants, subsidies and contributions | | | |
| Law, order, public safety | - | - | 3,878 |
| Education and welfare | - | - | 578,545 |
| Community amenities | 75,000 | 5,000 | 60,000 |
| Recreation and culture | 34,813 | - | 44,813 |
| Transport | 569,441 | 500,906 | 734,562 |
| | 679,254 | 505,906 | 1,421,798 |
| Total grants, subsidies and contributions | 2,708,757 | 1,628,890 | 3,287,091 |

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 21. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

| | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|-----------------------------|----------------------|----------------------|----------------------|
| Other revenue | | | |
| Governance | - | 5,500 | 5,528 |
| General purpose funding | 6,435 | - | - |
| Other Property and Services | 42,770 | - | 19,463 |
| | 49,206 | 5,500 | 24,991 |
| Fees and Charges | | | |
| Governance | 640 | - | - |
| General purpose funding | 4,180 | 4,500 | 5,330 |
| Law, order, public safety | 11,092 | 2,500 | 4,465 |
| Health | 50 | - | 164 |
| Education and welfare | 64,099 | 77,440 | 19,581 |
| Housing | 33,120 | 15,700 | 16,340 |
| Community amenities | 164,470 | 139,438 | 152,724 |
| Recreation and culture | 40,853 | 33,500 | 35,805 |
| Transport | 42,648 | 40,000 | 42,183 |
| Economic services | 59,746 | 5,000 | 14,100 |
| Other property and services | 195,028 | 172,106 | 13,827 |
| | 615,927 | 490,184 | 304,519 |

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 | 27,775 | 22,000 | 24,614 |
| Rates instalment and penalty interest (refer Note 22(b)) | 36,199 | 28,000 | 31,023 |
| Other interest earnings | 12,793 | 5,000 | 6,288 |
| | 76,767 | 55,000 | 61,925 |

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

2. REVENUE AND EXPENSES (Continued)

(b) Expenses

Auditors remuneration

- Audit of the Annual Financial Report
- Other services

Interest expenses (finance costs)

Borrowings (refer Note 13(b))

| | 2019 Actual \$ | 2019 Budget \$ | 2018 Actual \$ |
|--|----------------------|----------------------|----------------------|
| | | | |
| | 28,600 | 45,000 | 27,300 |
| | 1,700 | - | 3,300 |
| | 30,300 | 45,000 | 30,600 |
| | | | |
| | 67,980 | 74,295 | 76,810 |
| | 67,980 | 74,295 | 76,810 |

3. CASH AND CASH EQUIVALENTS

| | NOTE | 2019 \$ | 2018 \$ |
|---|------|------------|------------|
| Cash in hand | | 600 | 500 |
| Cash at bank | | 1,263,090 | 1,599,608 |
| Cash and Cash equivalents | | 1,263,690 | 1,600,108 |
| Term deposits classified as financial assets at amortised cost | 7(a) | 981,500 | 993,725 |
| | | 2,245,190 | 2,593,833 |
| Comprises: | | | |
| - Unrestricted cash and cash equivalents | | 1,000,477 | 1,290,076 |
| - Restricted cash and cash equivalents | | 1,244,713 | 1,303,757 |
| | | 2,245,190 | 2,593,833 |
| The following restrictions have been imposed by regulations or other externally imposed requirements: | | | |
| Reserve accounts | | | |
| Leave Reserve | 4 | 175,439 | 170,669 |
| Reserves cash backed - Plant Reserve | 4 | 221,297 | 215,279 |
| Reserves cash backed - Building Reserve | 4 | 75,784 | 132,092 |
| Reserves cash backed - Airfield Reserve | 4 | 113,549 | 110,462 |
| Reserves cash backed - Community Bus Reserve | 4 | 20,047 | 19,502 |
| Reserves cash backed - Asset Replacement Reserve | 4 | 247,664 | 240,930 |
| Reserves cash backed - Cunderdin Museum Reserve | 4 | 41,556 | 20,970 |
| Reserves cash backed - Surfaces Replacement Reserve | 4 | 86,163 | 83,820 |
| | | 981,500 | 993,724 |
| Other restricted cash and cash equivalents | | | |
| Unspent grants/contributions | 21 | 261,528 | 310,033 |
| Bonds and Deposits held | 25 | 1,685 | - |
| Total restricted cash and cash equivalents | | 1,244,713 | 1,303,757 |

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Cash and cash equivalents (Continued)

Term deposits with original maturity of over 3 months have been reclassified as financial assets in order to comply with AASB 9 Financial Instruments and AASB 10 Statement of Cash flows. Prior year figures have been reclassified for comparison purposes.

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

SHIRE OF CUNDERDIN
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 | \$ 170,669 | \$ 4,770 | \$ - | \$ 175,439 | \$ 170,669 | \$ 3,435 | \$ - | \$ 174,104 | \$ 166,892 | \$ 3,776 | \$ - | \$ 170,669 |
| (b) Plant Reserve | 215,279 | 6,017 | - | 221,296 | 215,280 | 4,333 | - | 219,613 | 213,835 | 4,976 | (9,531) | 215,279 |
| (c) Building Reserve | 132,092 | 3,692 | (60,000) | 75,784 | 132,092 | 2,659 | - | 134,751 | 172,876 | 19,216 | (60,000) | 132,092 |
| (d) Airfield Reserve | 110,462 | 3,087 | - | 113,549 | 110,462 | 2,223 | - | 112,685 | 108,017 | 2,445 | - | 110,462 |
| (e) Community Bus Reserve | 19,502 | 545 | - | 20,047 | 19,502 | 392 | - | 19,894 | 19,070 | 432 | - | 19,502 |
| (f) Asset Replacement Reserve | 240,930 | 6,734 | - | 247,664 | 240,930 | 4,849 | - | 245,779 | 313,255 | 7,090 | (79,415) | 240,930 |
| (g) Cunderdin Museum Reserve | 20,970 | 20,586 | - | 41,556 | 20,970 | 10,422 | - | 31,392 | 20,506 | 464 | - | 20,970 |
| (h) Surfaces Replacement Reserve | 83,820 | 2,343 | - | 86,163 | 83,820 | 1,887 | - | 85,507 | 67,000 | 16,820 | - | 83,820 |
| | 993,724 | 47,775 | (60,000) | 981,500 | 993,725 | 30,000 | - | 1,023,725 | 1,087,451 | 55,219 | (148,946) | 993,724 |

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

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

| Name of Reserve | Anticipated date of use | Purpose of the reserve |
|----------------------------------|-------------------------|--|
| (a) Leave Reserve | Ongoing | To be used to fund annual and long service leave requirements. |
| (b) Plant Reserve | Ongoing | To be used to fund acquisition, disposal and maintenance of plant and equipment. |
| (c) Building Reserve | Ongoing | To be used to fund acquisition, disposal and maintenance of land and buildings. |
| (d) Airfield Reserve | Ongoing | To be used to fund acquisition, maintenance and funding of property, buildings, plant and equipment associated with the Cunderdin airfield. |
| (e) Community Bus Reserve | Ongoing | To be used to fund acquisition, disposal and maintenance of community bus. |
| (f) Asset Replacement Reserve | Ongoing | To provide for the replacement of necessary equipment, furniture and infrastructure comprising of road, drains, footpaths and recreational reserves. |
| (g) Cunderdin Museum Reserve | Ongoing | To be used to fund exhibitions and upgrades to the Cunderdin Museum |
| (h) Surfaces Replacement Reserve | Ongoing | To be used to fund the replacement of the tennis and bowling surfaces in Cunderdin and Meckering |

5. TRADE RECEIVABLES

Current

| |
|-----------------------|
| Rates receivable |
| Sundry receivables |
| GST receivable |
| Accrued Income Rebate |

Non-current

| |
|---|
| Rates Outstanding - Pensioners deferred |
|---|

| 2019 | 2018 |
|---------|---------|
| \$ | \$ |
| 264,610 | 210,331 |
| 43,762 | 245,730 |
| 3,437 | 51,171 |
| - | 14,726 |
| 311,809 | 521,958 |
| 21,731 | 19,447 |
| 21,731 | 19,447 |

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 24.

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

Current

Fuel, Oil & Materials

| 2019 | 2018 |
|------|--------|
| \$ | \$ |
| 130 | 12,371 |
| 130 | 12,371 |

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

7. OTHER FINANCIAL ASSETS

(a) Current assets

Other financial assets at amortised cost

| 2019 | 2018 |
|---------|---------|
| \$ | \$ |
| 981,500 | 993,725 |
| 981,500 | 993,725 |

Other financial assets at amortised cost

- Financial assets at amortised cost - term deposits

| | |
|---------|---------|
| 981,500 | 993,725 |
| 981,500 | 993,725 |

(b) Non-current assets

Financial assets at fair value through profit and loss

Available for sale financial assets

| | |
|--------|--------|
| 72,244 | - |
| | 64,080 |
| 72,244 | 64,080 |

Financial assets at fair value through profit and loss

Units in Local Government House Trust

Cooperative shares

| | |
|--------|---|
| 70,068 | - |
| 2,176 | - |
| 72,244 | - |

Financial assets previously classified as available for sale financial assets

Units in Local Government House Trust

Cooperative shares

| | |
|---|--------|
| - | 61,904 |
| - | 2,176 |
| - | 64,080 |

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

Fair value gain on Units in Local Government House Trust

| | |
|-------|---|
| 8,164 | - |
| 8,164 | - |

* This note discloses the equity the Shire has in the Local Government House trust as a consequence of a contribution towards the cost of purchasing Local Government House. There are 620 units in Local Government House Trust of which 4 are owned by the Shire. The value of the investment is based on the Trust's audited financial report as at the 30 June 2018.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Financial assets at fair value through profit and loss

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

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

Impairment and risk

Information regarding impairment and exposure to risk can be found at Note 24.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previous accounting policy: available for sale financial assets

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

Previous accounting policy: Loans and receivables

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

Refer to Note 27 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) Property, Plant and Equipment

| | 2019 | 2018 |
|---|--------------------------|--------------------------|
| | \$ | \$ |
| Land and buildings | | |
| Land - freehold land at: | | |
| - Independent valuation 2017 | 2,381,000 | 2,381,000 |
| - Management valuation 2017 | 127,000 | 127,000 |
| - Disposals after valuations | (46,000) | (46,000) |
| | <u>2,462,000</u> | <u>2,462,000</u> |
| Land - vested in and under the control of Council at: | | |
| - Independent valuation | 14,000 | 14,000 |
| | <u>14,000</u> | <u>14,000</u> |
| Total Land | 2,476,000 | 2,476,000 |
| Buildings - non-specialised at: | | |
| - Independent valuation 2017 | 27,288,200 | 27,288,200 |
| - Additions after valuation - cost | 2,778,212 | 2,447,006 |
| - Disposals after valuations | (18,300) | - |
| - Transfer of assets | (59,500) | - |
| - Accumulated depreciation | (17,355,864) | (16,717,021) |
| | <u>12,632,748</u> | <u>13,018,185</u> |
| Furniture and equipment at: | | |
| - Independent valuation 2015 | 345,170 | 345,170 |
| - Additions after valuation - cost | 7,588 | 7,588 |
| - Disposals after valuations | (181,961) | - |
| - Accumulated depreciation | (152,852) | (315,794) |
| | <u>17,945</u> | <u>36,964</u> |
| Plant and equipment at: | | |
| - Independent valuation 2015 | 1,940,419 | 1,940,419 |
| - Additions after valuation - cost | 1,106,848 | 668,633 |
| - Disposals after valuations | (58,433) | - |
| - Accumulated depreciation | (1,339,304) | (1,180,464) |
| | <u>1,649,530</u> | <u>1,428,588</u> |
| Total Property, Plant and Equipment | <u><u>16,776,223</u></u> | <u><u>16,959,737</u></u> |

8. PROPERTY, PLANT AND EQUIPMENT

(b) 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 | Land - vested in and under the control of Council | Total land | Buildings - non- specialised | Total buildings | Total land and buildings | Furniture and equipment | Plant and equipment | Work in Progress - Buildings | Total property, plant and equipment |
|---|----------------------------|---|------------|---------------------------------|--------------------|--------------------------------|----------------------------|------------------------|------------------------------------|--|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 | 2,508,000 | 14,000 | 2,522,000 | 11,322,116 | 11,322,116 | 13,844,116 | 42,654 | 1,745,208 | 305,941 | 15,937,919 |
| Additions | - | - | - | 2,408,170 | 2,408,170 | 2,408,170 | 4,368 | - | (305,941) | 2,106,597 |
| (Disposals) | (46,000) | - | (46,000) | - | - | (46,000) | - | - | - | (46,000) |
| Depreciation (expense) | - | - | - | (712,101) | (712,101) | (712,101) | (10,058) | (316,620) | - | (1,038,779) |
| Carrying amount at 30 June 2018 | 2,462,000 | 14,000 | 2,476,000 | 13,018,185 | 13,018,185 | 15,494,185 | 36,964 | 1,428,588 | - | 16,959,737 |
| Additions | - | - | - | 331,206 | 331,206 | 331,206 | - | 438,215 | - | 769,421 |
| (Disposals) | - | - | - | (234) | (234) | (234) | (14,075) | (8,495) | - | (22,804) |
| Revaluation increments / (decrements) transferred to revaluation surplus | - | - | - | - | - | - | - | - | - | - |
| Depreciation (expense) | - | - | - | (695,500) | (695,500) | (695,500) | (4,944) | (208,778) | - | (909,222) |
| Transfers | - | - | - | (20,909) | (20,909) | (20,909) | - | - | - | (20,909) |
| Carrying amount at 30 June 2019 | 2,462,000 | 14,000 | 2,476,000 | 12,632,747 | 12,632,747 | 15,108,747 | 17,945 | 1,649,530 | - | 16,776,223 |

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Last Valuation | Inputs Used |
|---|----------------------|--|-----------------------|----------------|--|
| Land and buildings | | | | | |
| Land - freehold land | 2 | Market Approach | Independent Valuation | 2017 | Price per Square Metre |
| Land - vested in and under the control of Council | 2 | Market Approach | Independent Valuation | 2017 | Price per Square Metre |
| Buildings - non-specialised | 3 | Cost approach using depreciated replacement cost | Independent Valuation | 2017 | Estimates of residual value, useful life, pattern of consumption and asset condition and relationship to the assessed level of remaining service potential of the depreciable amount |
| Furniture and equipment | 2 | Market Approach | Independent Valuation | 2015 | Make, Size, year of manufacture and condition |
| Plant and equipment | 2 | Market Approach | Independent Valuation | 2015 | Make, Size, year of manufacture and condition |

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) Infrastructure | 2019 \$ | 2018 \$ |
|------------------------------------|--------------------|--------------------|
| Infrastructure - Roads | | |
| - Independent valuation 2015 | 140,332,088 | 140,332,088 |
| - Additions after valuation - cost | 3,454,846 | 2,569,069 |
| Less: accumulated depreciation | (51,003,353) | (47,263,152) |
| | 92,783,581 | 95,638,005 |
| Footpaths | | |
| - Independent valuation 2015 | 644,675 | 644,675 |
| Less: accumulated depreciation | (332,263) | (306,586) |
| | 312,412 | 338,089 |
| Airfield | | |
| - Independent valuation 2015 | - | 16,896,000 |
| - Independent valuation 2019 | 18,876,000 | - |
| - Disposals after valuations | (4,000) | - |
| Less: accumulated depreciation | (12,686,665) | (12,275,867) |
| | 6,185,335 | 4,620,133 |
| Other Infrastructure | | |
| - Independent valuation 2015 | - | 6,075,000 |
| - Independent valuation 2019 | 8,590,100 | - |
| - Additions after valuation - cost | 167,194 | 258,384 |
| - Disposals after valuations | (103,563) | - |
| - Transfers | 59,500 | - |
| Less: accumulated depreciation | (3,662,139) | (2,786,421) |
| | 5,051,092 | 3,546,963 |
| Infrastructure - Bridges | | |
| - Independent valuation 2018 | 5,575,500 | 5,575,500 |
| Less: accumulated depreciation | (3,300,900) | (3,176,500) |
| | 2,274,600 | 2,399,000 |
| Total infrastructure | 106,607,020 | 106,542,190 |

9. INFRASTRUCTURE

(b) Movements in Carrying Amounts

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

| | Infrastructure - Roads | Infrastructure- Footpaths | Infrastructure- Airfield | Other Infrastructure- Other Infrastructure | Other Infrastructure- Bridges | Total Infrastructure |
|--|---------------------------|------------------------------|-----------------------------|---|----------------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2017 | 98,527,786 | 346,595 | 4,822,533 | 3,689,641 | - | 107,386,555 |
| Additions | 805,236 | - | - | 169,140 | - | 974,376 |
| Revaluation increments / (decrements) transferred to revaluation surplus | - | - | - | - | 2,399,000 | 2,399,000 |
| Depreciation (expense) | (3,695,017) | (8,506) | (202,400) | (311,818) | - | (4,217,741) |
| Carrying amount at 30 June 2018 | 95,638,005 | 338,089 | 4,620,133 | 3,546,963 | 2,399,000 | 106,542,190 |
| Additions | 885,778 | - | - | 167,194 | - | 1,052,971 |
| (Disposals) | - | - | (1,200) | (21,518) | - | (22,718) |
| Revaluation increments / (decrements) transferred to revaluation surplus | - | - | 1,982,467 | 1,686,728 | - | 3,669,195 |
| Depreciation (expense) | (3,740,201) | (25,677) | (416,065) | (349,184) | (124,400) | (4,655,528) |
| Transfers | - | - | - | 20,909 | - | 20,909 |
| Carrying amount at 30 June 2019 | 92,783,581 | 312,412 | 6,185,335 | 5,051,092 | 2,274,600 | 106,607,020 |

9. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

| Asset Class | Fair Value Hierarchy | Valuation Technique | Basis of Valuation | Date of Last Valuation | Inputs Used |
|--|----------------------|--|-----------------------|------------------------|--|
| Infrastructure - Roads | 3 | Cost Approach using depreciated replacement cost | Independent Valuation | 2015 | Cost of components used to create the assets and condition based on estimates. |
| Infrastructure- Footpaths | 3 | Cost Approach using depreciated replacement cost | Independent Valuation | 2015 | Cost of components used to create the assets and condition based on estimates. |
| Infrastructure- Airfield | 3 | Cost Approach using depreciated replacement cost | Independent Valuation | 2019 | Cost of components used to create the assets and condition based on estimates. |
| Other Infrastructure- Other Infrastructure | 3 | Cost Approach using depreciated replacement cost | Independent Valuation | 2019 | Cost of components used to create the assets and condition based on estimates. |
| Other Infrastructure - Bridges | 3 | Cost Approach using depreciated replacement cost | Independent Valuation | 2018 | Cost of components used to create the assets and condition based on estimates. |

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 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.

Change in accounting policy - asset capitalisation threshold in accordance with the amendment to the *Local Government (Financial Management) Regulation 1996*, the Shire is required to capitalise assets in excess of \$5,000 only. The Shire made a retrospective assessment in respect of previously capitalised assets costing less than \$5,000 at the date of acquisition. Based on the assessment performed, the Shire recognised a loss on disposal of assets with a total written down value of \$307,260. This was reflected in the Statement of Comprehensive Income for the year given that the amount was considered immaterial to restate the retained surplus as at the 1 July 2018.

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.

Revaluation (continued)

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)*, 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.

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

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

(a) Disposals of Assets

| | 2019 | | | 2019 | | | 2019 | | | 2018 | | |
|----------------------|----------------|----------|--------|----------|----------------|----------|---------|--------|----------------|----------|--------|--------|
| | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual |
| | Net Book Value | Proceeds | Profit | Loss | Net Book Value | Proceeds | Profit | Loss | Net Book Value | Proceeds | Profit | Loss |
| Land - freehold land | - | 30,870 | 30,870 | - | - | - | - | - | - | 50,500 | 4,500 | - |
| Plant and equipment | - | 10,273 | 10,273 | - | - | - | - | - | - | - | - | - |
| Assets under \$5,000 | 45,522 | 0 | 0 | (45,522) | 28,229 | 130,000 | 101,771 | - | 46,000 | - | - | - |
| | 45,522 | 41,143 | 41,143 | (45,522) | 28,229 | 130,000 | 101,771 | - | 46,000 | 50,500 | 4,500 | - |

The following assets were disposed of during the year.

| | 2019 | | | 2019 | | |
|----------------------------------|----------------|----------|--------|----------|----------------|----------|
| | Actual | Actual | Actual | Actual | Actual | Actual |
| | Net Book Value | Proceeds | Profit | Loss | Net Book Value | Proceeds |
| Plant and Equipment | | | | | | |
| Transport | | | | | | |
| Ford Courier space cab | - | 2,000 | 2,000 | - | - | - |
| Single Cab Courier Ute | - | 1,500 | 1,500 | - | - | - |
| Ford Falcon G6 | - | 3,182 | 3,182 | - | - | - |
| Toyota Truck SJA Dyna | - | 3,591 | 3,591 | - | - | - |
| Assets under \$5,000 | 8,495 | - | - | (8,495) | - | - |
| | 8,495 | 10,273 | 10,273 | (8,495) | - | - |
| Land | | | | | | |
| Other Property and Services | | | | | | |
| Lot 7 Main Street, Cunderdin | - | 29,570 | 29,570 | - | - | - |
| Lot 800 Lundy Avenue, Cunderdin | - | 1,300 | 1,300 | - | - | - |
| | - | 30,870 | 30,870 | - | - | - |
| Buildings | | | | | | |
| Other Property and Services | | | | | | |
| Assets under \$5,000 | 234 | - | - | (234) | - | - |
| | 234 | - | - | (234) | - | - |
| Furniture & Equipment | | | | | | |
| Other Property and Services | | | | | | |
| Assets under \$5,000 | 14,075 | - | - | (14,075) | - | - |
| | 14,075 | - | - | (14,075) | - | - |
| Airfield | | | | | | |
| Transport | | | | | | |
| Assets under \$5,000 | 1,200 | - | - | (1,200) | - | - |
| | 1,200 | - | - | (1,200) | - | - |
| Other Infrastructure | | | | | | |
| Transport | | | | | | |
| Assets under \$5,000 | 21,518 | - | - | (21,518) | - | - |
| | 21,518 | - | - | (21,518) | - | - |
| | 45,522 | 41,143 | 41,143 | (45,522) | - | - |

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

(b) Depreciation

| | 2019 Actual | 2019 Budget | 2018 Actual |
|---|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Buildings - non-specialised | 695,500 | 512,000 | 712,101 |
| Furniture and equipment | 4,944 | 10,000 | 10,058 |
| Plant and equipment | 208,778 | 216,600 | 316,620 |
| Infrastructure - Roads | 3,740,201 | 2,845,000 | 3,695,017 |
| Infrastructure- Footpaths | 25,677 | 8,500 | 8,506 |
| Infrastructure- Airfield | 416,065 | 202,000 | 202,400 |
| Other infrastructure- Other Infrastruct | 349,184 | 211,000 | 311,818 |
| Other infrastructure - Bridges | 124,400 | - | - |
| | 5,564,749 | 4,005,100 | 5,256,520 |

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 |
|-----------------------------|-----------------|
| Airfield | 15-75 years |
| Buildings | 5 to 56 years |
| Furniture and equipment | 5 to 20 years |
| Plant and equipment | 4 to 15 years |
| Roads and streets formation | not depreciated |
| pavement | 19 years |
| seal | |
| - bituminous seals | 18 years |
| - asphalt surfaces | 18 years |
| Gravel roads formation | not depreciated |
| pavement | 19 years |
| Bridges | 60 years |
| Footpaths | 16 - 50 years |
| Drainage systems | 18 years |
| Other infrastructure | 15-75 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:

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

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

11 REVALUATION SURPLUS

| | 2019 | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 | 2018 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Opening | Revaluation | Total | 2019 | Opening | Revaluation | Total | 2018 |
| | Balance | Increment | Movement on | Closing | Balance | Increment | Movement on | Closing |
| | \$ | \$ | Revaluation | Balance | \$ | \$ | Revaluation | Balance |
| Revaluation surplus - Land - freehold land | 2,277,891 | - | - | 2,277,891 | 2,277,891 | - | - | 2,277,891 |
| Revaluation surplus - Land - vested in and under the control of Council | 11,000 | - | - | 11,000 | 11,000 | - | - | 11,000 |
| Revaluation surplus - Buildings - non-specialised | 4,650,061 | - | - | 4,650,061 | 4,650,061 | - | - | 4,650,061 |
| Revaluation surplus - Plant and equipment | 773,264 | - | - | 773,264 | 773,264 | - | - | 773,264 |
| Revaluation surplus - Infrastructure - Roads | 95,187,091 | - | - | 95,187,091 | 95,187,091 | - | - | 95,187,091 |
| Revaluation surplus - Infrastructure - Footpaths | 26,804 | - | - | 26,804 | 26,804 | - | - | 26,804 |
| Revaluation surplus - Infrastructure - Airfield | 4,700,692 | 1,982,467 | 1,982,467 | 6,683,159 | 4,700,692 | - | - | 4,700,692 |
| Revaluation surplus - Infrastructure - Other | 3,310,603 | 1,686,728 | 1,686,728 | 4,997,331 | 3,310,603 | - | - | 3,310,603 |
| Revaluation surplus - Infrastructure - Bridges | 2,399,000 | - | - | 2,399,000 | 2,399,000 | 2,399,000 | 2,399,000 | 2,399,000 |
| | 113,336,406 | 3,669,195 | 3,669,195 | 117,005,601 | 110,937,406 | 2,399,000 | 2,399,000 | 113,336,406 |

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 interest on long term borrowings | |
| Accrued salaries and wages | |
| ATO liabilities | |
| Other Liabilities | |
| Income received in advance | |
| Payroll Creditors | |
| Bonds and Deposits Held | |

| 2019 | 2018 |
|---------|---------|
| \$ | \$ |
| 76,913 | 453,830 |
| 15,392 | 16,541 |
| 19,762 | 11,731 |
| - | 34,080 |
| - | 36,426 |
| 27,731 | 8,250 |
| 10,919 | - |
| 1,685 | - |
| 152,402 | 560,858 |

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.

SHIRE OF CUNDERDIN

13. INFORMATION ON BORROWINGS

| | 2019 | 2018 |
|----------------|-----------|-----------|
| | \$ | \$ |
| (a) Borrowings | | |
| Current | 78,345 | 74,131 |
| Non-current | 1,158,259 | 1,236,603 |
| | 1,236,604 | 1,310,734 |

(b) Repayments - Borrowings

| Loan Number | Institution | Interest Rate | 30 June 2018 | | 30 June 2019 | | 30 June 2019 | | 30 June 2019 | | 30 June 2019 | | 30 June 2019 | | 30 June 2018 | | 30 June 2018 | |
|-------------|-------------|---------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|--------------|-------------|--------------|------------------|-----------------|------------|--------------|--------|--------------|--------|
| | | | Actual Principal | Actual Interest | Actual Principal | Actual Interest | Budget Principal | Budget Interest | repayments | outstanding | 1 July 2018 | Budget Principal | Budget Interest | repayments | Principal | Actual | Principal | Actual |
| 76 | WATC* | 5.23% | 1,138,304 | | 46,962 | 58,410 | 1,091,342 | 1,138,304 | 46,962 | 58,927 | 1,091,342 | 1,182,903 | 44,599 | 64,941 | 1,138,304 | | | |
| 73 | WATC* | 6.18% | 101,560 | | 15,993 | 5,659 | 85,567 | 101,560 | 15,993 | 6,737 | 85,567 | 116,594 | 15,034 | 7,017 | 101,560 | | | |
| 74 | WATC* | 6.12% | 70,870 | | 11,175 | 3,910 | 59,685 | 70,870 | 11,175 | 8,631 | 59,685 | 81,381 | 10,511 | 4,852 | 70,870 | | | |
| | | | 1,310,734 | | 74,130 | 67,980 | 1,236,604 | 1,310,734 | 74,131 | 74,295 | 1,236,604 | 1,380,878 | 70,144 | 76,810 | 1,310,734 | | | |

• **WA Treasury Corporation**

All other loan repayments were financed by general purpose revenue.

13. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2018/19

The Shire of Cunderdin had no new borrowings as at the 30 June 2019.

(d) Unspent Borrowings

The Shire of Cunderdin had no unspent borrowings as at the 30 June 2019.

(e) Undrawn Borrowing Facilities

Credit Standby Arrangements

| | 2019 \$ | 2018 \$ |
|--------------------------------------|--------------|--------------|
| Credit card limit | 10,000 | 8,000 |
| Credit card balance at balance date | (1,087) | (1,083) |
| Total amount of credit unused | 8,913 | 6,917 |

Loan facilities

| | | |
|--|------------------|------------------|
| Loan facilities - current | 78,345 | 74,131 |
| Loan facilities - non-current | 1,158,259 | 1,236,603 |
| Total facilities in use at balance date | 1,236,604 | 1,310,734 |

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

Information regarding exposure to risk can be found at Note 24.

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

| | Provision for Annual Leave | Provision for Long Service Leave | Provision for Employment On Cost | Total |
|---------------------------------------|----------------------------------|--|--|-----------|
| | \$ | \$ | | \$ |
| Opening balance at 1 July 2018 | | | | |
| Current provisions | 75,066 | 78,677 | 26,451 | 180,194 |
| Non-current provisions | - | 35,864 | 15,129 | 50,993 |
| | 75,066 | 114,541 | 41,580 | 231,187 |
| Additional provision | 91,988 | 123,087 | 11,240 | 226,315 |
| Amounts used | (89,933) | (123,694) | (19,889) | (233,516) |
| Balance at 30 June 2019 | 77,121 | 113,934 | 32,931 | 223,986 |
| Comprises | | | | |
| Current | 77,121 | 98,030 | 30,234 | 205,385 |
| Non-current | - | 15,904 | 2,697 | 18,601 |
| | 77,121 | 113,934 | 32,931 | 223,986 |

| | Actual 2018/19 | Actual 2017/18 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Current Employees Benefits Related to Provisions | | |
| Annual Leave | 77,121 | 75,066 |
| Long Service Leave | 98,030 | 78,677 |
| Employee On Costs | 30,234 | 26,451 |
| | 205,385 | 180,194 |
| Non Current Employees Benefit Related to Provisions | | |
| Long Service Leave | 15,904 | 35,864 |
| Employee On Costs | 2,697 | 15,129 |
| | 18,601 | 50,993 |
| Total Provisions | 223,985 | 231,187 |

Annual Leave Liabilities:

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

| | 2019 | 2018 |
|--|--------|--------|
| | \$ | \$ |
| Within 12 months of the end of the reporting period | 62,724 | 61,238 |
| More than 12 months after the end of the reporting period. | 14,397 | 13,828 |
| | 77,121 | 75,066 |

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

14. EMPLOYEE RELATED PROVISIONS (Continued)

Long Service Leave Liabilities:

Unconditional long service leave provisions are classified as current liabilities as the agency does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Preconditional and conditional long service leave provisions are classified as non-current liabilities because the agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

| | 2019 | 2018 |
|--|---------|---------|
| | \$ | \$ |
| Within 12 months of the end of the reporting period | 98,030 | 78,677 |
| More than 12 months after the end of the reporting period. | 15,904 | 35,864 |
| | 113,934 | 114,541 |

The provision for long service leave are calculated at present value as the agency does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

| | 2019 Actual | 2019 Budget | 2018 Actual |
|---------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Cash and cash equivalents | 2,245,190 | 858,605 | 2,593,833 |

Reconciliation of Net Cash Provided By Operating Activities to Net Result

| | | | |
|---|-------------|-------------|-------------|
| Net result | (3,858,678) | (3,245,494) | (3,215,124) |
| Non-cash flows in Net result: | | | |
| Adjustments to fair value of financial assets | (8,164) | - | - |
| Depreciation | 5,564,749 | 4,005,100 | 5,256,520 |
| (Profit)/loss on sale of asset | 4,376 | (101,771) | (4,500) |
| Changes in assets and liabilities: | | | |
| (Increase)/decrease in receivables | 207,865 | 150,000 | (134,140) |
| (Increase)/decrease in inventories | 12,241 | (5,000) | (5,571) |
| Increase/(decrease) in payables | (408,456) | (150,000) | 39,046 |
| Increase/(decrease) in provisions | (7,201) | - | (27,416) |
| Grants contributions for the development of assets | (679,253) | (505,906) | (1,421,798) |
| Net cash from operating activities | 827,481 | 146,929 | 487,017 |

16. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

| | 2019 | 2018 |
|-----------------------------|--------------------|--------------------|
| | \$ | \$ |
| Governance | 205,498 | 2,042,304 |
| General purpose funding | 333,540 | - |
| Law, order, public safety | 100,680 | 124,840 |
| Health | 547,283 | 583,683 |
| Education and welfare | 2,792,821 | 2,546,124 |
| Housing | 1,162,764 | 1,258,582 |
| Community amenities | 307,090 | 324,711 |
| Recreation and culture | 10,814,775 | 10,099,389 |
| Transport | 98,677,277 | 102,991,774 |
| Other property and services | 1,456,993 | 1,602,317 |
| Unallocated | 9,635,625 | 5,139,892 |
| | <u>126,034,347</u> | <u>126,713,616</u> |

17. CONTINGENT LIABILITIES

The Shire did not have any contingent liabilities to disclose as at 30 June 2019.

18. CAPITAL COMMITMENTS

| | 2019 | 2018 |
|-------------------------------------|---------|------|
| | \$ | \$ |
| (a) Capital Expenditure Commitments | | |
| Contracted for: | | |
| - capital expenditure projects | 370,000 | - |
| | 370,000 | - |
| Payable: | | |
| - not later than one year | 370,000 | - |

19. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

| | 2019 Actual | 2019 Budget | 2018 Actual |
|------------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| Meeting Fees | 29,695 | 25,000 | 27,086 |
| President's allowance | - | 1,500 | - |
| Deputy President's allowance | - | 750 | - |
| Travelling expenses | - | 200 | - |
| Conference expenses | 13,340 | - | - |
| | 43,035 | 27,450 | 27,086 |

Key Management Personnel (KMP) Compensation Disclosure

The total of remuneration of KMP of the Shire during the year is as follows:

| | 2019 Actual | 2018 Actual |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 388,318 | 323,014 |
| Post-employment benefits | 33,466 | 43,529 |
| Other long-term benefits | 53,579 | 45,178 |
| | 475,363 | 411,721 |

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

Other long-term benefits

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

19. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

| | 2019 Actual | 2018 Actual |
|--|----------------|----------------|
| | \$ | \$ |
| The following transactions occurred with related parties: | | |
| Purchase of goods and services from entity jointly controlled by KMP | 41,664 | - |

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. 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.

iii. Entities controlled or jointly controlled by KMP or their close family members.

20. JOINT ARRANGEMENTS

The Shire of Cunderdin together with the Cunderdin-Meckering Cottage Homes Inc. and Homeswest has a joint operation arrangement for the provision of an Aged Persons Home located at Lot 391 Kennedy St, Cunderdin. The Shire has a 5.6% equitable interest in the joint operation.

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.

21. CONDITIONS OVER GRANTS/CONTRIBUTIONS

| Grant/Contribution | Opening Balance ⁽¹⁾ 1/07/17 | Received ⁽²⁾ 2017/18 | Expended ⁽³⁾ 2017/18 | Closing Balance ⁽¹⁾ 30/06/18 | Received ⁽²⁾ 2018/19 | Expended ⁽³⁾ 2018/19 | Closing Balance 30/06/19 |
|--|--|------------------------------------|------------------------------------|---|------------------------------------|------------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Law, order, public safety | | | | | | | |
| DFES - BFB Grant | 7,125 | 8,250 | (7,125) | 8,250 | 34,650 | (18,370) | 24,530 |
| CBH Grassroots Infrastructure grant | - | - | - | - | 9,062 | - | 9,062 |
| Education and welfare | | | | | | | |
| Aged Appropriate Accommodation Project | 1,708,919 | 545,455 | (2,079,892) | 174,482 | - | (113,661) | 60,821 |
| Community amenities | | | | | | | |
| Community Water Grant Income | - | - | - | - | 75,000 | (67,602) | 7,398 |
| Protection of Environment - Connecting Corridors | - | - | - | - | 20,000 | (7,028) | 12,972 |
| Transport | | | | | | | |
| Roads to Recovery | - | 469,167 | (341,866) | 127,301 | 179,468 | (160,025) | 146,744 |
| Regional Road Group | - | - | - | - | 235,397 | (235,397) | - |
| WANDRRA | - | - | - | - | 154,576 | (154,576) | - |
| Total | 1,716,044 | 1,022,872 | (2,428,883) | 310,033 | 708,153 | (756,658) | 261,528 |

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.

22. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

| Instalment Options | Date Due | Instalment Plan Admin Charge | Instalment Plan Interest Rate | Unpaid Rates Interest Rate |
|---------------------|-------------|------------------------------|-------------------------------|----------------------------|
| | | \$ | % | % |
| Option One | | | | |
| Single full payment | 06 Sep 2018 | 0.00 | 0.00% | 11.00% |
| Option Two | | | | |
| First Instalment | 06 Sep 2018 | 22.50 | 5.00% | 11.00% |
| Second Instalment | 07 Nov 2018 | 22.50 | 5.00% | 11.00% |
| Third Instalment | 08 Jan 2019 | 22.50 | 5.00% | 11.00% |
| Fourth Instalment | 11 Mar 2019 | 22.50 | 5.00% | 11.00% |

| | 2019 Actual | 2019 Budget | 2018 Actual |
|-----------------------------|-------------|-------------|-------------|
| | \$ | \$ | \$ |
| Interest on unpaid rates | 27,065 | 20,000 | 22,495 |
| Interest on instalment plan | 9,134 | 8,000 | 8,528 |
| Charges on instalment plan | 6,434 | 5,500 | 5,528 |
| | 42,633 | 33,500 | 36,551 |

23. 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 *Financial Management Regulation 32*.

Adjustments to operating activities

| | | | | |
|--|-------|------------------|------------------|------------------|
| Less: Profit on asset disposals | 10(a) | (41,143) | (109,400) | (4,500) |
| Movement in pensioner deferred rates (non-current) | | (2,284) | - | - |
| Movement in employee benefit provisions (non-current) | | (37,147) | - | (31,410) |
| Movement in Local Government House Trust | | (8,164) | - | - |
| Add: Loss on disposal of assets | 10(a) | 45,522 | 7,629 | - |
| Add: Depreciation on assets | 10(b) | 5,564,749 | 4,005,100 | 5,256,520 |
| Non cash amounts excluded from operating activities | | 5,521,533 | 3,903,329 | 5,220,610 |

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

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

Adjustments to net current assets

| | | | | |
|--|-------|------------------|------------------|------------------|
| Less: Reserves - restricted cash | 3 | (981,500) | (1,023,725) | (993,724) |
| Add: Borrowings | 13(a) | 78,345 | 78,345 | 74,131 |
| Add: Employee Provisions Cash Backed | | 175,439 | - | 115,215 |
| Total adjustments to net current assets | | (727,715) | (945,380) | (804,378) |

Net current assets used in the Rate Setting Statement

| | | | | |
|--|--|------------------|-----------------|------------------|
| Total current assets | | 2,557,129 | 1,233,743 | 3,128,162 |
| Less: Total current liabilities | | (436,132) | (320,835) | (750,204) |
| Less: Total adjustments to net current assets | | (727,715) | (945,380) | (804,378) |
| Net current assets used in the Rate Setting Statement | | 1,393,282 | (32,472) | 1,573,579 |

24. 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 | 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 | - | 1,263,690 | - | - | 1,263,690 |
| Financial assets at amortised cost - term deposits | 1.90% | 981,500 | 981,500 | - | - |
| 2018 | | | | | |
| Cash and cash equivalents | - | 1,600,108 | - | - | 1,600,108 |
| Financial assets at amortised cost | 2.45% | 993,725 | 993,725 | - | - |

Cash on cash equivalents are not exposed to variable interest rate.

24 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 is separated from other trade receivables due to the difference in payment terms and security for rates receivable.

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

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

| | Current | More than 1 year past due | More than 2 years past due | More than 3 years past due | Total |
|----------------------|---------|------------------------------|-------------------------------|-------------------------------|-------|
| 30 June 2019 | | | | | |
| Expected credit loss | 0.00% | 0.00% | 0.00% | 0.00% | |
| Loss allowance | - | - | - | - | - |
| 01 July 2018 | | | | | |
| Expected credit loss | - | 0.00% | 0.00% | 0.00% | |
| Loss allowance | - | - | - | - | - |

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

| | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | Total |
|-----------------------|---------|-------------------------------|-------------------------------|-------------------------------|---------|
| 30 June 2019 | | | | | |
| Sundry Receivables | | | | | |
| Expected credit loss | 0.00% | 13.23% | 0.00% | 7.24% | - |
| Gross carrying amount | 35,585 | 606 | - | 7,571 | 43,762 |
| Loss allowance | - | 80 | - | 548 | 628 |
| 01 July 2018 | | | | | |
| Sundry Receivables | | | | | |
| Expected credit loss | 0.00% | 13.23% | 0.00% | 7.24% | - |
| Gross carrying amount | 185,599 | 22,700 | 20 | 37,411 | 245,730 |
| Loss allowance | - | 3,004 | - | 2,708 | 5,713 |

Due to immateriality the loss allowance has not been recognised in the financial report.

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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

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

| | Due within 1 year | Due between 1 & 5 years | Due after 5 years | Total contractual cash flows | Carrying values |
|-------------|-------------------------|-------------------------------|-------------------------|------------------------------------|--------------------|
| <u>2019</u> | \$ | \$ | \$ | \$ | \$ |
| Payables | 152,402 | - | - | 152,402 | 152,402 |
| Borrowings | 144,552 | 703,223 | 1,063,526 | 1,911,301 | 1,236,604 |
| | 296,954 | 703,223 | 1,063,526 | 2,063,703 | 1,389,006 |
| <u>2018</u> | | | | | |
| Payables | 560,858 | - | - | 560,858 | 560,858 |
| Borrowings | 143,525 | 680,088 | 1,059,891 | 1,883,504 | 1,310,734 |
| | 704,383 | 680,088 | 1,059,891 | 2,444,362 | 1,871,592 |

25. TRUST FUNDS

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

In previous years, bonds and deposits were held as trust monies. These amounts have been transferred from Trust to Restricted cash. Refer to Note 3.

| | 1 July 2018 | Amounts Received | Amounts Paid | Reclassification to Restricted Cash | Trust Balance |
|-------------------------------|-------------|------------------|--------------|-------------------------------------|---------------|
| | \$ | \$ | \$ | 30 June 2019 | 30 June 2019 |
| Working Trust | 22,816 | 158,732 | (49,705) | (1,685) | 130,158 |
| Community Centre Trust | 83,218 | - | (21,832) | - | 61,386 |
| Community Centre Term Deposit | 432,705 | 11,244 | - | - | 443,949 |
| | 538,739 | 169,976 | (71,537) | (1,685) | 635,492 |

26. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

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

27. 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). The effect of adopting AASB 9 was assessed as not material and therefore, no adjustment was required to be made.

(a) Classification and measurement

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

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

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

- Trade receivables 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.

(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. The effect of adopting AASB 9 was assessed as not material, and therefore no adjustment was required to be made.

28 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. The Standards and Interpretations that were issued but not yet effective for the year ended 30th June 2019 are listed below. At the date of authorisation of the financial statements, the Shire has not yet fully assessed the impact of these new or amended standards and interpretations, to the extent relevant.

| Title | Issued / Compiled | Applicable | |
|--|-------------------|----------------|--|
| (i) AASB 15 Revenue from Contracts with Customers | December 2014 | 1 January 2019 | This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount timing and uncertainty of revenue and cash flows arising from a contract with a customer. |
| (ii) AASB 16 Leases | February 2016 | 1 January 2019 | Under AASB 16 there is no longer a distinction between finance and operating leases. Lessees will now bring to account a right-to-use asset and lease liability into the statement of financial position for all leases. Effectively this means the vast majority of operating leases as defined by the current AASB 117 Leases which currently do not impact the statement of financial position will be required to be capitalised on the statement of financial position when AASB 16 is adopted. |
| (iii) AASB 1058 Income for Not-for-Profit Entities (incorporating AASB 2016-7 and AASB 2016-8) | December 2016 | 1 January 2019 | These standards are likely to have a significant impact on the income recognition for NFP's. Key areas for consideration are: <ul style="list-style-type: none"> - Assets received below fair value; - Transfers received to acquire or construct non-financial assets; - Grants received; - Prepaid rates; - Leases entered into at below market rates. |

29. 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 rates in the Shire, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

30. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

GOVERNANCE

To provide a decision making process for the efficient allocation of resources

ACTIVITIES

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

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

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

HEALTH

To provide an operational framework for environmental and community health.

Inspection of food outlets and their control, noise control and waste disposal compliance.

EDUCATION AND WELFARE

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

Maintenance of daycare centre, aged housing and provision of aged and youth services.

HOUSING

To provide and maintain housing.

Provision of staff housing and other housing to the community.

COMMUNITY AMENITIES

To provide services required by the community.

Rubbish collection services, operation of rubbish disposal sites, litter control, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

RECREATION AND CULTURE

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

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

TRANSPORT

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

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

ECONOMIC SERVICES

To promote the Shire and its economic wellbeing.

Tourism and area promotion including coordination of events. Provision of rural services including weed control, vermin control and standpipes. Building control.

OTHER PROPERTY AND SERVICES

To monitor and control the Shires overhead and operating accounts.

Private works operation, plant repair and operation costs and engineering operation costs.

31. FINANCIAL RATIOS

| | 2019 Actual | 2018 Actual | 2017 Actual |
|-----------------------------------|----------------|----------------|----------------|
| Current ratio | 5.03 | 2.87 | 2.36 |
| Asset consumption ratio | 0.60 | 0.60 | 0.62 |
| Asset renewal funding ratio | n/a | n/a | n/a |
| Asset sustainability ratio | 0.24 | 0.12 | 0.26 |
| Debt service cover ratio | 9.31 | 4.74 | 5.55 |
| Operating surplus ratio | (1.51) | (1.94) | (1.70) |
| Own source revenue coverage ratio | 0.30 | 0.27 | 0.26 |

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

32 MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during 2018/19.

33 TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during 2018/19.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Cunderdin

Report on the Audit of the Financial Report

Opinion

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

- (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) In my opinion, the following material matter indicates significant adverse trend in the financial position of the Shire:
 - a. The Asset Sustainability, Operating Surplus, and Own Source Revenue Coverage Ratios as reported in Note 31 of the annual financial report are below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:

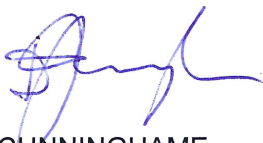
- a. A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was not completed by the CEO at least once every three financial years, as required by section 5(2)(c) of the Local Government (Financial Management) Regulations 1996.
 - b. The supply of goods and services of approximately \$173,000 for a 12-month period by one supplier was not procured through a tender process, and there was also no written contract in place. In addition, for approximately 33% of purchase transactions we sampled below the tender threshold, there was no evidence that a sufficient number of quotations was obtained, to test the market, and no documentation to explain why other quotes were not sought. This increases the likelihood of not receiving value for money in procurement. In addition, section 11(1) of the Local Government (Functions and General) Regulations 1996 requires public tenders to be invited for services that are above \$150,000.
 - c. 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 in the long-term financial plan and asset management plan respectively.
- (iii) All required information and explanations were obtained by me.
 - (iv) All audit procedures were satisfactorily completed.
 - (v) In my opinion, the asset consumption ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial ratios for 2017 in Note 31 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 Cunderdin for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



DON CUNNINGHAME
 ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
 Delegate of the Auditor General for Western Australia
 Perth, Western Australia
 10 December 2019