

Notice of Meeting



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Dear Elected Member

Audit Committee Meeting for the Shire of Ravensthorpe will be held on 16 March 2021 at the Munglinup Community Centre, commencing at 5.00pm.

Schedule

5.00pm Audit Committee Meeting

Gavin Pollock
Chief Executive Officer

12 March 2021

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Ravensthorpe for any act, omission or statement or intimation occurring during Council or Committee meetings or during formal/informal conversations with staff. The Shire of Ravensthorpe disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings or discussions. Any person or legal entity that act or fails to act in reliance upon any statement does so at the person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of Ravensthorpe during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Ravensthorpe. The Shire of Ravensthorpe warns that anyone who has an application lodged with the Shire of Ravensthorpe must obtain and only should rely on WRITTEN CONFIRMATION of the outcome of the application, and any conditions attaching to the decision made by the Shire of Ravensthorpe in respect of the application.

AGENDA

**Shire of Ravensthorpe
Audit Committee Meeting
16 March 2021**

MISSION STATEMENT

To Grow Our Community through the provision of leadership, services and infrastructure.

DISCLAIMER

INFORMATION FOR THE PUBLIC ATTENDING COUNCIL MEETINGS

Please Note:

The recommendations contained in this agenda are officers' recommendations only and should not be acted upon until Council has resolved to adopt those recommendations.

The resolutions of Council should be confirmed by perusing the minutes of the Council meeting at which these recommendations were considered.

Members of the public should also note that they act at their own risk if they enact any resolution prior to receiving official written notification of Councils decision.

Meeting Procedures:

1. All Council meetings are open to the public, except for matter raised by Council under "confidential items".
2. Members of the public may ask a question at an ordinary Council Meeting under "public question time".
3. Members of the public who are unfamiliar with meeting procedures are invited to seek advice at the meeting. If unsure about proceeding, just raise your hand when the presiding member announces public question time.
4. All other arrangements are in accordance with the Council's standing orders, policies and decision of the Shire of Ravensthorpe.

Council Meeting Information:

Your Council generally handles all business at Ordinary or Special Council Meetings.

From time to time Council may form a Committee to examine subjects and then report back to Council.

Generally all meetings are open to the public; however, from time to time Council will be required to deal with personal, legal and other sensitive matters under "confidential items". On those occasions Council will generally close that part of the meeting to the public. Every endeavour will be made to do this as the last item of business of the meeting.

Public Question Time. It is a requirement of the *Local Government Act 1995* to allow at least fifteen (15) minutes for public question time following the opening and announcements at the beginning of the meeting. Should there be a series of questions the period can be extended at the discretion of the presiding member.

Written notice of each question should be given to the Chief Executive Officer fifteen (15) minutes prior to the commencement of the meeting. A summary of each question and the response is included in the meeting minutes.

When a question is not able to be answered at the Council Meeting a written answer will be provided after the necessary research has been carried out. Council staff will endeavour to provide the answers prior to the next ordinary meeting of Council.

Councillors may from time to time have a financial interest in a matter before Council. Councillors must declare an interest and the extent of the interest in the matter on the Agenda. However, the Councillor can request the meeting to declare the matter trivial, insignificant or in common with a significant number of electors or ratepayers. The Councillor must leave the meeting whilst the matter is discussed and cannot vote unless those present agree as above.

Members of staff, who have delegated authority from Council to act on certain matters, may from time to time have a financial interest in a matter on the Agenda. The member of staff must declare that interest and generally the presiding member of the meeting will advise the Officer if he/she is to leave the meeting.

Agendas, including an Information Bulletin, are delivered to Councillors within the requirements of the *Local Government Act 1995*, i.e. seventy-two (72) hours prior to the advertised commencement of the meeting. Whilst late items are generally not considered there is provision on the Agenda for items of an urgent nature to be considered.

Should an elector wish to have a matter placed on the Agenda the relevant information should be forwarded to the Chief Executive Officer in time to allow the matter to be fully researched by a Shire Officer. An Agenda item, including a recommendation, will then be submitted to Council for consideration. The Agenda closes the Friday week prior to the Council Meeting (i.e. ten (10) days prior to the meeting).

The Information Bulletin produced as part of the Agenda includes items of interest and information, which does not require a decision of Council.

Agendas for Ordinary Meetings are available at the Shire of Ravensthorpe Office and on the Shire website seventy-two (72) hours prior to the meeting and the public are invited to view a copy at the Shire Office.

Agenda items submitted to Council will include a recommendation for Council consideration. Electors should not interpret and/or act on the recommendations until after they have been considered by Council. Please note the Disclaimer in the Agenda (page 2).

Public Inspection of Unconfirmed Minutes (Regulation 13).

A copy of the unconfirmed Minutes of Ordinary and Special Meetings will be available for public inspection from the Shire of Ravensthorpe Office and the Shire of Ravensthorpe website within ten (10) working days after the Meeting.

A handwritten signature in black ink, appearing to read 'Gavin Pollock', written in a cursive style.

Gavin Pollock
Chief Executive Officer



WRITTEN DECLARATION OF INTEREST IN MATTER BEFORE COUNCIL

NOTE: USE ONE FORM PER DECLARATION

(1) I, _____
wish to declare an interest in the following item to be considered by council at its meeting
to be held on (2) _____

Agenda item (3) _____

The type of interest I wish to declare is;

- Financial pursuant to Sections 5.60A of the *Local Government Act 1995*.
- Proximity pursuant to Section 5.60B of the *Local Government Act 1995*.
- Indirect Financial pursuant to Section 5.61 of the *Local Government Act 1995*.
- Impartiality pursuant to Regulation 11 of the Local Government (Rules of Conduct) Regulation 2007.

(2) The nature of my interest is

(3) The extent of my interest is

I understand that the above information will be recorded in the Minutes of the meeting and recorded by the Chief Executive Officer in an appropriate Register.

DECLARATION BY:

Signature

Date

RECEIVED BY:

Chief Executive Officer

Date

- (1) Insert your name.
- (2) Insert the date of the Council Meeting at which the item it to be considered.
- (3) Insert the Agenda Item Number and Title.
- (4) Tick the box to indicate the type of interest.
- (5) Describe the nature of your interest.
- (6) Describe the extent of your interest (if seeking to participate in the matter under the s.5.68 of the Act).

DISCLOSURE OF FINANCIAL INTEREST, PROXIMITY INTEREST AND/OR INTEREST AFFECTING IMPARTIALITY

Financial pursuant to Sections 5.60A of the Local Government Act 1995

5.60A – Financial Interest

For the purpose of this Subdivision, a person has a financial interest in a matter if it is reasonable to expect that the matter will if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.

[Section 5.60A inserted by No. 64 of 1998 s. 30; amended by No. 49 of 2004 s. 50.]

Proximity pursuant to Section 5.60B of the Local government Act 1995

5.60B – Proximity Interest

- (1). For the purposes of this Subdivision, a person has a proximity interest in a matter if the matter concerns –
 - (a). a proposed change to a planning scheme affecting land that adjoins the person's land;
 - (b). a proposed change to zoning or use of land that adjoins that person's land; or
 - (c). a proposed development (as defined in section 5.63 (5)) of land that adjoins the person's land.
- (2). In this section, land (“**the proposal land**”) adjoins a person's land if –
 - (a). the proposal land, not being a thoroughfare, has a common boundary with the person's land;
 - (b). the proposal land, or any part of it, is directly across a thoroughfare from, the person's land; or
 - (c). the proposal land is that part of a thoroughfare that has a common boundary with the person's land.
- (3). In this section a reference to a person's land is a reference to any land owned by the person or in which the person has any estate or interest.

[Section 5.60B inserted by No 64 of 1998 s. 30.]

Indirect Financial pursuant to Section 5.61 of the Local Government Act 1995

5.61 – Indirect financial interest

A reference in this Subdivision to an indirect financial interest of a person in a matter includes a reference to a financial relationship between that person and another person who requires a local government decision in relation to the matter.

Impartiality pursuant to Regulation 11 of the Local Government (Rules of Conduct) Regulation 2007

11 – Disclosure of interest

- (1). In this regulation –
Interest means an interest that could, or could reasonably be perceived to; adversely affect the impartiality of the person having the interest arising from kinship friendship or membership of an association.
- (2). A person who is a council member and who has an interest in any matter to be discussed at a council or committee meeting attended by the member must disclose nature of the interest –
 - (a). in a written notice given to the CEO before the meeting;or

- (b). at the meeting immediately before the matter is discussed.
- (3). Sub-regulation (2) does not apply to an interest referred to in section 5.60 of the Act.
- (4). Sub-regulation (2) does not apply if –
 - (a). A person who is a council member fails to disclose an interest because the person did not know he or she has an interest in the matter; or
 - (b). A person who is a council member fails to disclose an interest because the person did not know the matter in which he or she had an interest would be discussed at the meeting and the person disclosed the interest as soon as possible after the discussion began.
- (5). If, under sub-regulation (2)(a), a person who is a council member discloses an interest in a written notice given to the CEO before a meeting then –
 - (a). Before the meeting the CEO is to cause the notice to be given to the person who is to preside at the meeting; and
 - (b). At the meeting the person presiding is to bring the notice and its contents to the attention of the persons present immediately before a matter to which the disclosure related is discussed.
- (6). If –
 - (a). Under sub-regulation (2)(b) or (4)(b) a person's interest in a matter is disclosed at a meeting; or
 - (b). Under sub-regulation (5) (b) notice of a person's interest in a matter is brought to the attention of the persons present at a meeting.

The nature of the interest is to be recorded in the minutes of the meeting.

Describe the extent of your interest (If seeking to participate in the matter under the s.5.68 of the act)

5.68 – Councils and committees may allow members disclosing interests to participate etc. in meetings

- (1). If a member has disclosed, under section 5.65, an interest in a matter, the members present at the meeting who are entitled to vote on the matter
 - (a). may allow the disclosing member to be present during any discussion or decision making procedure relating to the matter; and
 - (b). may allow , to the extent decided by those members, the disclosing member to preside at the meeting (if otherwise qualified to preside) or to participate in discussions and the decision making procedures relating to the matter if –
 - (i) the disclosing member also discloses the extent of the interest; and
 - (ii) those members decide that the interest –
 - (I) is so trivial or insignificant as to be unlikely to influence the disclosing member's conduct in relation to the matter; or
 - (II) is common to a significant number of electors or ratepayers.
- (2). A decision under this section is to be recorded in the minutes of the meeting relating to the matter together with the extent of any participation allowed by the council or committee.
- (3). This sections does not prevent the disclosing member from discussing, or participating in the decision making process on, the question on whether an application should be made to the Minister under section 5.69.

SHIRE OF RAVENSTHORPE

Agenda for the Audit Committee to be held at the Munglinup Community Centre, on Tuesday, 16 March 2021 – commencing at 5.00pm.

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1. Declaration of Opening / Announcements of Visitors

The Presiding Member to declare the meeting open.

2. Attendance / Apologies / Approved Leave of Absence

COUNCILLOR'S: Cr Keith Dunlop (Shire President)
 Cr Julianne Belli (Deputy Shire President)
 Cr Ian Goldfinch
 Cr Sue Leighton
 Cr Mark Mudie
 Cr Thomas Major
 Cr Graham Richardson

STAFF: Gavin Pollock (Chief Executive Officer)
 Les Mainwaring (Director Corporate and Community Services)
 Graham Steel (Director Technical Services)
 Mark Ridgwell (Manager Governance and Compliance)
 Kim Bransby (Executive Assistant)

APOLOGIES: Nil.

ON LEAVE OF ABSENCE: Nil.

ABSENT:

3. Confirmation of Minutes of Previous Meeting

3.1 Audit Committee Meeting 17 March 2020 (Attachment Grey)

Statutory Environment:

Section 5.22 of the *Local Government Act* provides that minutes of all meeting to be kept and submitted to the next ordinary meeting of the council or the committee, as the case requires, for confirmation.

Voting Requirements:

Simple Majority.

Recommendation:

That the Minutes of the Audit Committee Meeting of the Shire of Ravensthorpe held at the Munglinup Community Centre on 17 March 2020 be confirmed.

Moved: _____

Seconded: _____

4. 2019 – 2020 Annual Financial Statements and 30 June 2020 Audit Report

File Reference:	FM.AU.1
Location:	Nil
Applicant:	Shire of Ravensthorpe
Author:	Director Corporate and Community Services
Authorising Officer	Chief Financial Officer
Date:	10 March 2020
Disclosure of Interest:	Nil
Attachments:	Attachment A – Annual Financial Statements 30 June 2020 Attachment B – OAG Audit Opinion 30 June 2020 Attachment C – Final Management Letter 30 June 2020 (Attachment Yellow)
Previous Reference:	Nil

Summary:

In accordance with section 7.12A(3) of the *Local Government Act 1995*, Council is required to examine the Auditors report for the year ending 30 June 2020 and is to determine if any matters raised by the Auditors require action to be taken.

A copy of the Auditors Report and the Annual Financial Report for the year ending 30 June 2020 is presented for adoption.

Council is required to set a date for the Annual General Meeting of Electors within 56 days of adopting the annual financial statements.

Background:

This is the third year where the audit process has involved the Office of the Auditor General (OAG), in conjunction with Lincolns, and given that the previous audit sign off was 11 December 2019, we were looking forward to another December sign off to allow the timely arrangement of the annual electors meeting.

State Legislation passed in November 2020 had a retrospective effect on financial statement results for June 2020, therefore audit finalisations were held up causing a back log for the OAG. Unfortunately Ravensthorpe was in a group of Councils that had to wait for sign off in the following year, hence March 2021.

Comment:

The OAG, in conjunction with contracted auditors, Lincolns, have completed the annual audit for the year ending 30 June 2020.

They refer to the audit plan where they identified areas for potential for increased audit risk and their planned responses in the audit.

The following presents their audit findings in these areas of risk and the audit outcomes.

Grant Funding and Other Revenue

- Significant grant revenue was agreed to third party documentation.
- Audit included additional analysis of new revenue allocation following implementation of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not For Profit Entities. This also impacted on the recognition and disclosure of Contracts with Customers liabilities on first time recognition.
- Risk of fraud in the revenue cycle was also considered including testing of key controls and analytical review Audit procedures undertaken rebutted the risk of fraud to an acceptable level.
- We also reviewed related party transactions. The financial statements adequately disclose related party transactions for Councillors and Key Management Personnel.

Rates

Audit work included the following:

- Rateable values agreed to the Valuer General rates.
- We checked control procedures for the transfer of rates from Valuer General to Internal Software system.
- Testing of rates notices was undertaken both on a sample basis and analytically.
- Results supported the rate revenue and financial statement disclosures.

Expenses

Our audit of expenses included testing of key financial controls over the recognition of expenses, vouching significant expenses and analytical reviews.

Expenditure as disclosed in the financial statements is materially correct.

Payroll/Provisions

Audit sampling tested pay-run to the following:

- Employee awards
- Employee contracts
- Check calculation of superannuation and tax
- Check authority to deduct salary sacrifice
- Check the control procedures in payroll department in line with internal policies
- Our audit of provisions included reviewing the reasonableness of assumptions used to calculate annual leave and long service leave
- Analytical review

Results of audit procedures indicate employee costs are materially correct and disclosed correctly in the financial statements.

Management's monitoring of the control environment

We reviewed council minutes for the following:

- Process for reviewing internal control procedures including evidence of periodic review of policy manual.
- Management's implementation and monitoring of new control procedures.
- Management's implementation and monitoring for amending current control procedures.

We are satisfied that management is applying effective controls and that Council are aware of the control environment.

Management Override of Controls

Audit processes were undertaken to:

- Sample test and judgementally review general journals
- Understand and test the adequacy and effectiveness of division of duties
- Controls testing
- Substantive procedures

Sufficient audit evidence was obtained to support the view that controls are operating effectively.

Fixed Assets

- Council did not undertake any revaluation process in the 2020 financial year
- Financial statements and disclosures were amended in accordance with revised financial Management Regulation 17A and AASB 16 Leases. This primarily involved;
- the reversal of any previously vested land against Asset Revaluation Reserve
- amending Property Plant and Equipment carrying value to a cost basis
- adding disclosure notes regarding right of Use assets

COVID 19 Impact

We have reviewed Councils assessment of the possible financial impact of Covid. The overall impact was assessed as not having a material effect on the financial statements.

Specifically we considered;

- Revenue and expenditure impact
- Asset carrying values
- Receivables

Significant Adverse Trends

Following Office of the Auditor General guidelines, the following significant adverse trends occurred and will be reported within the audit report;

- The Operating Surplus Ratio has been below the DLGSCI standard for the past 3 years.

In accordance with the Local government Act 1995, the general meeting of electors is to be held on a day no later than 56 days after Council has adopted the Annual Financial Report, therefore Council is required to hold the annual meeting of electors no later than Tuesday 11 May 2021.

The Audit Committee, which comprises all of Council, is to meet with the auditor during each financial year with such meetings able to be held via teleconference. The Chief Executive Officer arranged an audit exit interview for the audit committee with OAG and Lincolns on the 9 March 2021 via teleconference to discuss the 2019/20 audit findings.

Consultation:

All Councillors and Executive Staff.

Statutory Environment:

Local Government Act 1995 – Part 6 Financial Management; and Local Government (Financial Management) Regulations 1996

- Defines the processes and procedures that apply to the recording and reporting of financial matters.

Local Government Act 1995 – Part 7 Audit; and Local Government (Audit) Regulations 1996

- Defines the audit of the financial accounts of local governments, including the conduct of audits.

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —
 - (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.

Policy Implications:

Nil.

Financial Implications:

Nil.

Strategic Implications:

Nil.

Sustainability Implications:

Environmental

- There are no known significant environmental considerations.

Economic

- There are no known significant environmental considerations.

Social

- There are no known significant environmental considerations.

Risk Implications:

Risk	Low (2)
Risk Likelihood (based on history and with existing controls)	Low (2)
Risk Impact / Consequence	Low (2)
Risk Rating (Prior to Treatment or Control)	Low (2)
Principal Risk Theme	Low (2)
Risk Action Plan (Controls or Treatment Proposed)	Low (2)

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 2 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements:

Simple Majority.

Recommendation:

That Council;

1. **Accept the 2019/2020 Annual Financial Statements and auditors report for the year ended 30 June 2020; and**
2. **Set the 2019/2020 Annual General Meeting of Electors within 56 days of the acceptance of the 2019/20 annual financial statements.**

Moved: _____

Seconded: _____

5. 2020 Compliance Audit Return

File Reference:	GR AU.1
Location:	Not Applicable
Applicant:	Shire of Ravensthorpe
Author:	Manager Governance and Compliance
Authorising Officer	Chief Executive Officer
Date:	11 March 2021
Disclosure of Interest:	Nil
Attachments:	To be Tabled at the Audit Committee Meeting
Previous Reference:	N/A

Summary:

This report seeks Audit Committee endorsement that recommends the adoption of the Local Government Compliance Audit Return for the period 1 January 2020 to 31 December 2020.

Background:

Section 7.13(i) of the *Local Government Act 1995* requires that each local government completes a Compliance Audit Return for each calendar year for the period 1 January to 31 December.

The document is provided by the Department of Local Government, Sport and Cultural Industries (DLGSCI) in a prescribed manner and is designed to be a tool of self-assessment by local governments allowing identification of areas where compliance has been met or is not applicable for that particular year. It also provides guidance for improvement in instances of non-compliance.

The Compliance Audit Return for 2019 includes 104 compliance questions (95 last year), which requires Yes or No answers, however where an item has not occurred during the calendar year a response of not applicable (N/A) is provided. The areas of compliance this year have focused on commercial enterprises by local governments, delegation of powers, disclosures of interest, disposal of property, elections, finance, integrated planning and reporting, employees, official conduct optional questions and tenders for providing goods and services.

The 2020 return has been completed in good faith to the best of available records and the knowledge of senior officers.

After the Compliance Audit return has been presented to Council, a certified copy of the return, signed by President and Chief Executive Officer, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGSCI by 31 March of each year.

Consultation:

Executive Management Team.

Statutory Environment:

Section 7.13 *Local Government Act 1995*

Regulations 14 & 15 *Local Government (Audit) Regulations 1996*.

Policy Implications:

Nil.

Financial Implications:

Nil.

Strategic Implications:

Nil.

Sustainability Implications:

- **Environmental:** There are no known environmental considerations.
- **Economic:** There are no known economic considerations.
- **Social:** There are no known social considerations.

Risk Implications:

Risk	Low (3)
Risk Likelihood (based on history and with existing controls)	Low (3)
Risk Impact / Consequence	Low (3)
Risk Rating (Prior to Treatment or Control)	Low (3)
Principal Risk Theme	Low (3)
Risk Action Plan (Controls or Treatment Proposed)	Low (3)

Risk Matrix:

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 3 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements:

Absolute Majority.

Recommendation:

That Council;

1. **Adopt the Compliance Audit Return 2020 for the period 1 January 2020 to 31 December 2020.**
2. **Request the Chief Executive Officer to forward the Compliance Audit Return 2020 to the Department of Local Government, Sport and Cultural Industries once certified by the Shire President and Chief Executive Officer.**

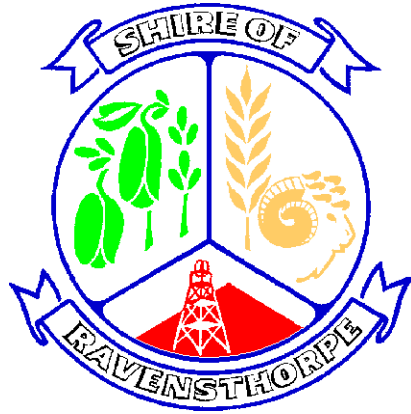
Moved: _____

Seconded: _____

6. Closure of Meeting

The Presiding Member to declare the meeting closed.

ATTACHMENT



MINUTES

Audit Committee Meeting

Tuesday, 17 March 2020

Commencing at 5.00pm

**Munglinup Community Centre,
Munglinup**

SHIRE OF RAVENSTHORPE

Minutes for the Audit Committee Meeting to be held in the Munglinup Community Centre, Ravensthorpe on Tuesday 17 March 2020 – commencing at 5.00pm.

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1. Declaration of Opening / Announcements of Visitors

The Presiding Member to declare the meeting open at 5.00pm.

2. Attendance / Apologies

COUNCILLOR'S: Cr Keith Dunlop (Shire President)
Cr Ian Goldfinch
Cr Thomas Major
Cr Mark Mudie
Cr Ken Norman

STAFF: Gavin Pollock (Chief Executive Officer)
Les Mainwaring (Director Corporate and Community Services)
Graham Steel (Director Technical Services)
Kim Bransby (Acting Executive Assistant)

APOLOGIES: Cr Julianne Belli (Deputy Shire President)
Cr Graham Richardson

ON LEAVE OF ABSENCE: Nil.

ABSENT:

MEMBER OF THE PUBLIC:

Gavin Gibson

3. Confirmation of Meeting Previous Minutes

3.1 Audit Committee Minutes – 10 December 2020

Statutory Environment:

Section 5.22 of the *Local Government Act* provides that minutes of all meeting to be kept and submitted to the next ordinary meeting of the council or the committee, as the case requires, for confirmation.

Moved: Cr Goldfinch

Seconded: Cr Major

Res: 1/20

Decision:

That the Minutes of the Audit Committee Meeting held in the Council Chambers, Ravensthorpe on 10 December 2019 be confirmed true and correct.

Voting Requirements: Simple Majority

Carried: 5/0

4. Compliance Audit Return – 2019

File Reference:	GR AU1
Location:	Not Applicable
Applicant:	Not Applicable
Author:	Director Corporate and Community Services
Authorising Officer:	Chief Executive Officer
Date:	10 March 2020
Disclosure of Interest:	Nil
Attachments:	Ravensthorpe Compliance Audit Return 2019 (Attachment Grey)
Previous Reference:	Nil

Summary:

This report seeks Audit Committee endorsement that recommends the adoption of the Local Government Compliance Audit Return for the period 1 January 2019 to 31 December 2019.

Background:

Section 7.13(i) of the *Local Government Act 1995* requires that each local government completes a Compliance Audit Return for each calendar year for the period 1 January to 31 December.

The document is provided by the Department of Local Government, Sport and Cultural Industries (DLGSCI) in a prescribed manner and is designed to be a tool of self-assessment by local governments allowing identification of areas where compliance has been met or is not applicable for that particular year. It also provides guidance for improvement in instances of non-compliance.

Comment:

The Compliance Audit Return for 2019 includes 104 compliance questions (95 last year), which requires Yes or No answers, however where an item has not occurred during the calendar year a response of not applicable (N/A) is provided. The areas of compliance this year have focused on commercial enterprises by local governments, delegation of powers, disclosures of interest, disposal of property, elections, finance, integrated planning and reporting, employees, official conduct optional questions and tenders for providing goods and services.

The 2019 return has been completed in good faith to the best of available records and the knowledge of senior officers.

Instances of non-compliance have been detailed below with comments;

1. Has the local government adopted a Corporate Business Plan (In progress 2020).
2. Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year (In progress 2020).
3. Has the local government adopted a Strategic Community Plan (In progress 2020).
4. Has the local government reviewed the current Strategic Community Plan (In progress 2020).
5. Has the local government developed an Assets Management Plan that covers all asset classes (In progress 2020).
6. Has the local government developed a Long Term Financial Plan (In progress 2020).
7. Has the local government developed a Workforce Plan (In progress 2020).
8. Did the CEO review the appropriateness and effectiveness of the local governments financial management systems and procedures in accordance with *Local Government (Financial Management) Regulation 5 (2) (c)* within 3 years prior to 31 December 2019 (Planned for 2020 given the disruption of 2019).

9. Did the CEO review the appropriateness and effectiveness of the local government’s systems and procedures in relation to risk management, internal control and legislative compliance in accordance with local government (Audit) Regulation 17 within three years prior to 31 December 2019 (Planned for 2020 given disruption of 2019).
10. Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019 (Approved extension to 25 October 2019).

After the Compliance Audit return has been presented to Council, a certified copy of the return, signed by President and Chief Executive Officer, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGSCI by 31 March of each year.

Consultation:

Chief Executive Officer.

Statutory Environment:

Section 7.13 *Local Government Act 1995*

Regulations 14 & 15 *Local Government (Audit) Regulations 1996*.

Policy Implications:

Nil.

Financial Implications:

Nil.

Strategic Implications:

Nil.

Sustainability Implications:

Environmental:

There are no significant Environmental items for consideration.

Economic:

There are no significant Economic items for consideration.

Social:

There are no significant Social items for consideration.

Risk Implications:

Risk	Low (2)
Risk Likelihood (based on history and with existing controls)	Low (2)
Risk Impact / Consequence	Low (2)
Risk Rating (Prior to Treatment or Control)	Low (2)
Principal Risk Theme	Low (2)
Risk Action Plan (Controls or Treatment Proposed)	Low (2)

Risk Matrix:

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 2 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Moved: Cr Goldfinch

Seconded: Cr Mundie

Res: 2/20

Decision:

The Audit Committee recommend that Council:

Adopt the Compliance Audit Return 2019 for the period 1 January 2019 to 31 December 2019 and it be forwarded to the Department of Local Government, Sport and Cultural Industries after being certified by the Shire President and Chief Executive Officer.

Voting Requirements: Simple Majority

Carried: 5/0

5. Closure of Meeting

The Presiding Member to declare the meeting closed at 5.05pm.

These minutes were confirmed at the meeting of the

Signed: _____
(Presiding Person at the meeting of which the minutes were confirmed.)

Date:

ATTACHMENT

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

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COMMUNITY VISION

'Growing Our Community'

Principal place of business:
65 Morgans Street
RAVENSTHORPE WA 6346

**SHIRE OF RAVENSTHORPE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Ravensthorpe for the financial year ended 30 June 2020 is based on proper accounts and records to present fairly the financial position of the Shire of Ravensthorpe at 30 June 2020 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the 11th day of March 2021



Chief Executive Officer

Gavin Pollock

Name of Chief Executive Officer



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	27(a)	4,554,260	4,574,855	4,403,563
Operating grants, subsidies and contributions	2(a)	4,154,628	1,718,517	15,473,437
Fees and charges	2(a)	1,078,853	1,459,943	977,098
Interest earnings	2(a)	103,066	97,000	90,037
Other revenue	2(a)	414,507	802,300	663,179
		10,305,313	8,652,615	21,607,314
Expenses				
Employee costs		(4,119,179)	(4,502,324)	(3,592,557)
Materials and contracts		(3,265,524)	(3,316,347)	(15,200,829)
Utility charges		(236,160)	(220,270)	(209,986)
Depreciation on non-current assets	10(b)	(4,588,500)	(1,978,847)	(1,970,793)
Interest expenses	2(b)	(91,063)	(75,860)	(119,399)
Insurance expenses		(223,390)	(217,762)	(300,119)
Other expenditure		(626,961)	(224,800)	(353,226)
		(13,150,778)	(10,536,210)	(21,746,909)
		(2,845,465)	(1,883,595)	(139,595)
Non-operating grants, subsidies and contributions	2(a)	884,406	2,295,500	1,293,001
Profit on asset disposals	10(a)	23,036	66,500	0
(Loss) on asset disposals	10(a)	(95,046)	(97,195)	(100,437)
		812,395	2,264,805	1,192,564
Net result for the period		(2,033,070)	381,210	1,052,969
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	98,008,160
Total other comprehensive income for the period		0	0	98,008,160
Total comprehensive income for the period		(2,033,070)	381,210	99,061,129

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



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
	2(a)			
Governance		26,350	4,500	348
General purpose funding		6,580,571	5,566,306	6,349,045
Law, order, public safety		481,996	411,700	390,797
Health		16,559	14,000	4,483
Education and welfare		442,532	533,050	150,921
Housing		5,400	5,200	19,560
Community amenities		674,353	864,800	580,990
Recreation and culture		129,075	98,300	378,466
Transport		1,622,552	526,259	13,092,084
Economic services		192,208	196,500	141,697
Other property and services		133,717	432,000	498,923
		10,305,313	8,652,615	21,607,314
Expenses				
	2(b)			
Governance		(776,593)	(256,753)	(646,140)
General purpose funding		(258,953)	(795,891)	(264,282)
Law, order, public safety		(1,049,077)	(899,949)	(868,992)
Health		(307,973)	(366,844)	(294,154)
Education and welfare		(818,705)	(1,013,701)	(383,344)
Housing		(233,575)	(266,289)	(207,880)
Community amenities		(1,300,561)	(1,654,272)	(1,248,990)
Recreation and culture		(1,607,071)	(1,747,367)	(1,525,015)
Transport		(5,098,604)	(2,310,001)	(14,855,915)
Economic services		(704,755)	(493,502)	(297,426)
Other property and services		(903,848)	(655,781)	(1,035,372)
		(13,059,715)	(10,460,350)	(21,627,510)
Finance Costs				
	2(b)			
General purpose funding		0	0	(9,113)
Law, order, public safety		(456)	0	(7,042)
Housing		(13,536)	(17,104)	(15,065)
Community amenities		(28,971)	0	(33,426)
Recreation and culture		(10,893)	(13,208)	(11,369)
Transport		(37,207)	(45,548)	(43,384)
		(91,063)	(75,860)	(119,399)
		(2,845,465)	(1,883,595)	(139,595)
Non-operating grants, subsidies and contributions	2(a)	884,406	2,295,500	1,293,001
Profit on disposal of assets	10(a)	23,036	66,500	0
(Loss) on disposal of assets	10(a)	(95,046)	(97,195)	(100,437)
		812,395	2,264,805	1,192,564
Net result for the period		(2,033,070)	381,210	1,052,969
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	0	0	98,008,160
Total other comprehensive income for the period		0	0	98,008,160
Total comprehensive income for the period		(2,033,070)	381,210	99,061,129

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

SHIRE OF RAVENSTHORPE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	NOTE	2020	2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	3,456,545	3,026,048
Trade and other receivables	6	2,128,749	4,348,725
Other financial assets	5(a)	1,000,000	0
Inventories	7	2,358	2,704
TOTAL CURRENT ASSETS		6,587,652	7,377,477
NON-CURRENT ASSETS			
Trade and other receivables	6	11,931	26,395
Property, plant and equipment	8	32,355,830	33,024,128
Infrastructure	9	123,297,752	124,591,608
Right of use assets	11(a)	921,543	998,912
TOTAL NON-CURRENT ASSETS		156,587,056	158,641,043
TOTAL ASSETS		163,174,708	166,018,520
CURRENT LIABILITIES			
Trade and other payables	13	1,040,738	1,891,846
Contract liabilities	14	345,384	0
Lease liabilities	15(a)	121,001	101,606
Borrowings	16(a)	218,282	209,799
Employee related provisions	17	437,159	396,543
TOTAL CURRENT LIABILITIES		2,162,564	2,599,794
NON-CURRENT LIABILITIES			
Lease liabilities	15(a)	825,493	913,641
Borrowings	16(a)	1,266,287	1,484,569
Employee related provisions	17	81,660	42,806
TOTAL NON-CURRENT LIABILITIES		2,173,440	2,441,016
TOTAL LIABILITIES		4,336,004	5,040,810
NET ASSETS		158,838,704	160,977,710
EQUITY			
Retained surplus		37,482,189	39,655,331
Reserves - cash/financial asset backed	4	3,447,907	3,413,771
Revaluation surplus	12	117,908,608	117,908,608
TOTAL EQUITY		158,838,704	160,977,710

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



SHIRE OF RAVENSTHORPE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		4,471,424	4,549,855	4,379,260
Operating grants, subsidies and contributions		6,776,792	5,233,517	15,956,200
Fees and charges		1,078,853	1,459,943	977,098
Interest received		103,066	97,000	90,037
Goods and services tax received		811,492	1,970,082	0
Other revenue		414,507	802,300	663,179
		13,656,133	14,112,697	22,065,774
Payments				
Employee costs		(4,095,702)	(4,502,324)	(3,785,307)
Materials and contracts		(4,166,230)	(3,393,447)	(15,743,466)
Utility charges		(236,160)	(220,270)	(209,986)
Interest expenses		(91,063)	(75,860)	(119,399)
Insurance paid		(223,390)	(217,762)	(300,119)
Goods and services tax paid		(770,998)	(1,970,082)	146,486
Other expenditure		(626,961)	(224,800)	(353,226)
		(10,210,505)	(10,604,545)	(20,365,017)
Net cash provided by (used in) operating activities	19	3,445,629	3,508,152	1,700,757
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(1,023,484)	(1,965,062)	(1,520,492)
Payments for construction of infrastructure	9(a)	(1,828,354)	(3,153,184)	(1,970,283)
Non-operating grants, subsidies and contributions	2(a)	884,406	2,295,500	1,293,001
Proceeds from financial assets at amortised cost - term deposits		(1,000,000)	0	0
Proceeds from disposal of right of use assets		0	0	(9,595)
Proceeds from sale of property, plant & equipment	10(a)	279,800	239,000	213,868
Net cash provided by (used in) investment activities		(2,687,633)	(2,583,746)	(1,993,501)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	16(b)	(209,799)	(209,795)	(201,680)
Payments for principal portion of lease liabilities	15(b)	(117,700)	0	(9,752)
Net cash provided by (used in) financing activities		(327,499)	(209,795)	(211,432)
Net increase (decrease) in cash held		430,497	714,611	(504,176)
Cash at beginning of year		3,026,048	2,902,608	3,530,224
Cash and cash equivalents at the end of the year	19	3,456,545	3,617,219	3,026,048

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

SHIRE OF RAVENSTHORPE
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$	
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	28 (b)	2,112,293	1,997,444	2,303,102
		2,112,293	1,997,444	2,303,102
Revenue from operating activities (excluding rates)				
Governance		26,350	4,500	348
General purpose funding		2,099,069	1,113,442	2,064,702
Law, order, public safety		498,501	411,700	390,797
Health		16,559	14,000	4,483
Education and welfare		442,532	533,050	150,921
Housing		5,400	5,200	19,560
Community amenities		674,353	864,800	580,990
Recreation and culture		129,075	98,300	378,466
Transport		1,622,552	571,259	13,092,084
Economic services		192,208	196,500	141,697
Other property and services		140,248	453,500	498,923
		5,846,846	4,266,251	17,322,971
Expenditure from operating activities				
Governance		(776,593)	(256,753)	(646,140)
General purpose funding		(258,953)	(795,891)	(273,395)
Law, order, public safety		(1,060,659)	(915,429)	(876,034)
Health		(307,973)	(366,844)	(294,154)
Education and welfare		(818,705)	(1,013,701)	(383,344)
Housing		(247,111)	(283,393)	(222,945)
Community amenities		(1,329,532)	(1,654,272)	(1,282,416)
Recreation and culture		(1,617,964)	(1,760,575)	(1,536,384)
Transport		(5,214,045)	(2,412,274)	(14,947,449)
Economic services		(710,441)	(501,327)	(297,426)
Other property and services		(903,848)	(672,946)	(1,087,659)
		(13,245,823)	(10,633,405)	(21,847,346)
Non-cash amounts excluded from operating activities	28(a)	4,559,130	2,009,542	1,954,921
Amount attributable to operating activities		(727,555)	(2,360,168)	(266,352)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	884,406	2,295,500	1,293,001
Proceeds from disposal of assets	10(a)	279,800	239,000	213,868
Purchase of property, plant and equipment	8(a)	(1,023,488)	(1,965,062)	(1,530,244)
Purchase and construction of infrastructure	9(a)	(1,828,354)	(3,153,184)	(1,970,283)
Amount attributable to investing activities		(1,687,637)	(2,583,746)	(1,993,658)
FINANCING ACTIVITIES				
Repayment of borrowings	16(b)	(209,799)	(209,795)	(201,680)
New lease arrangements		48,946	0	9,752
Payments for principal portion of lease liabilities	15(b)	(117,700)	0	(108,369)
Transfers to reserves (restricted assets)	4	(1,998,806)	(2,110,000)	(4,543,019)
Transfers from reserves (restricted assets)	4	1,964,669	2,811,431	4,931,276
Amount attributable to financing activities		(312,690)	491,636	87,960
Surplus/(deficit) before imposition of general rates		(2,727,881)	(4,452,278)	(2,172,050)
Total amount raised from general rates	27(a)	4,481,503	4,452,864	4,284,343
Surplus/(deficit) after imposition of general rates	28(b)	1,753,622	586	2,112,293

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

SHIRE OF RAVENSTHORPE
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FOR THE YEAR ENDED 30 JUNE 2020

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1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Prior to 1 July 2019, *Financial Management Regulation 16* arbitrarily prohibited a local government from recognising as assets Crown land that is a public thoroughfare, i.e. land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets pertaining to vested land, including land under roads acquired on or after 1 July 2008, were not recognised in previous financial reports of the Shire. This was not in accordance with the requirements of AASB 1051 *Land Under Roads* paragraph 15 and AASB 116 *Property, Plant and Equipment* paragraph 7.

From 1 July 2019, the Shire has applied AASB 16 *Leases* which requires leases to be included by lessees in the statement of financial position. Also, the *Local Government (Financial Management) Regulations 1996* have been amended to specify that vested land is a right of use asset to be measured at cost. All right of use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position) rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

These Financial Management Regulation amendments had an immaterial impact on the Shire, as the Shire does not have a golf course, showground, racecourse, or recreational facility of state or regional significance.

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that 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.

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Rates	General Rates	Over time	Payment dates adopted by Council during the year	None	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Specified area rates	Rates charge for specific defined purpose	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Service charges	Charge for specific service	Over time	Payment dates adopted by Council during the year	Refund in event monies are unspent	Adopted by council annually	When taxable event occurs	Not applicable	When rates notice is issued
Grant contracts with customers	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with the customer	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms breached	Output method based on project milestones and/or completion date matched to performance obligations as inputs are shared
Grants with no contract commitments	General appropriations and contributions with no reciprocal commitment	No obligations	Not applicable	Not applicable	Cash received	On receipt of funds	Not applicable	When assets are controlled
Licences/ Registrations/ Approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost of provision	Based on timing of issue of the associated rights	No refunds	On payment and issue of the licence, registration or approval
Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annually fee	None	Set by State legislation	Apportioned equally across the inspection cycle	No refunds	After inspection complete based on a 4 year cycle
Other inspections	Regulatory Food, Health and Safety	Single point in time	Full payment prior to inspection	None	Set by State legislation or limited by legislation to the cost of provision	Applied fully on timing of inspection	Not applicable	Revenue recognised after inspection event occurs
Waste management collections	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by council annually	Apportioned equally across the collection period	Not applicable	Output method based on regular weekly and fortnightly period as proportionate to collection service
Waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	Adopted by council annually	Applied fully on timing of landing/take-off	Not applicable	On landing/departure event
Property hire and entry	Use of halls and facilities	Single point in time	In full in advance	Refund if event cancelled within 7 days	Adopted by council annually	Based on timing of entry to facility	Returns limited to repayment of transaction price	On entry or at conclusion of hire
Memberships	Gym and pool membership	Over time	Payment in full in advance	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price	Output method Over 12 months matched to access right
Fees and charges for other goods and services	Cemetery services, library fees, reinstatements and private works	Single point in time	Payment in full in advance	None	Adopted by council annually	Applied fully based on timing of provision	Not applicable	Output method based on provision of service or completion of works
Sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	Adopted by council annually, set by mutual agreement	Applied fully based on timing of provision	Returns limited to repayment of transaction price	Output method based on goods
Commissions	Commissions on licencing and ticket sales	Over time	Payment in full on sale	None	Set by mutual agreement with the customer	On receipt of funds	Not applicable	When assets are controlled
Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with the customer	When claim is agreed	Not applicable	When claim is agreed

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Operating grants, subsidies and contributions			
Governance	25,000	500	0
General purpose funding	1,971,981	930,708	1,890,351
Law, order, public safety	446,516	364,000	343,584
Health	10,000	0	0
Education and welfare	94,050	124,050	70,108
Housing	0	0	1,115
Recreation and culture	51,517	38,000	224,090
Transport	1,491,740	181,259	12,920,647
Economic services	55,000	80,000	20,000
Other property and services	8,824	0	3,542
	4,154,628	1,718,517	15,473,437
Non-operating grants, subsidies and contributions			
Law, order, public safety	(20,340)	0	41,321
Education and welfare	28,811	36,100	0
Recreation and culture	0	67,000	24,802
Transport	820,935	2,132,400	1,226,879
Economic services	55,000	60,000	0
	884,406	2,295,500	1,293,001
	5,039,033	4,014,017	16,766,438
Fees and charges			
General purpose funding	21,892	21,500	20,452
Law, order, public safety	31,889	32,700	30,127
Health	6,559	14,000	4,483
Education and welfare	123,021	401,000	45,007
Housing	5,400	5,200	17,480
Community amenities	520,287	442,243	434,209
Recreation and culture	77,558	59,800	109,803
Transport	130,767	345,000	170,701
Economic services	137,208	116,500	121,697
Other property and services	24,272	22,000	23,139
	1,078,853	1,459,943	977,096

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)	2020 Actual \$	2020 Budget \$	2019 Actual \$
Contracts with customers and transfers for recognisable non-financial assets			
Other revenue from contracts with customers and revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:			
Operating grants, subsidies and contributions	1,907,161	472,550	13,408,990
Fees and charges	1,069,263	1,450,943	1,040,290
Other revenue	164,225	739,300	564,170
Non-operating grants, subsidies and contributions	884,406	2,295,500	1,293,001
	4,025,055	4,958,293	16,306,451
Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:			
Contracts with customers included as a contract liability at the start of the period	105,936	0	0
Other revenue from contracts with customers recognised during the year	3,140,650	2,662,793	0
Transfers intended for acquiring or constructing recognisable non financial assets included as a contract liability at the start of the period	0	0	0
Other revenue from performance obligations satisfied during the year	778,470	2,295,500	0
	4,025,055	4,958,293	0
Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:			
Trade and other receivables from contracts with customers	1,432,345		
Contract liabilities from contracts with customers	(345,384)		

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

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

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

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	4,481,503	4,498,098	4,333,375
Specified area rates	72,757	72,757	70,188
Statutory permits and licences	6,394	6,000	6,353
Fines	9,589	9,000	6,996
	4,570,243	4,585,855	4,416,912

Other revenue

Reimbursements and recoveries	122,216	727,480	530,926
Other	292,291	74,820	132,253
	414,507	802,300	663,179

Interest earnings

Interest on reserve funds	28,806	40,000	34,046
Rates instalment and penalty interest (refer Note 27(e))	67,124	47,000	47,608
Other interest earnings	7,136	10,000	8,383
	103,066	97,000	90,037

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.

(b) Expenses

Auditors remuneration

	Actual \$	Budget \$	Actual \$
- Audit of the Annual Financial Report	62,000	39,000	30,000
- Other services	900	0	1,060
	62,900	39,000	31,060

Interest expenses (finance costs)

Borrowings	16(b) 61,636	75,860	69,819
Interest expense [Other]	0	0	9,112
Lease liabilities	15(b) 29,427	0	39,003
	91,063	75,860	117,934

Other expenditure

Sundry expenses	626,961	224,800	353,226
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SHIRE OF RAVENSTHORPE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

3. CASH AND CASH EQUIVALENTS

	NOTE	2020 \$	2019 \$
Cash at bank and on hand		3,456,545	3,026,048
Total cash and cash equivalents		3,456,545	3,026,048
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		2,919,634	3,695,162
- Financial assets at amortised cost	5	1,000,000	0
		3,919,634	3,695,162

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

Reserves - cash/financial asset backed	4	3,447,907	3,413,771
Contract liabilities from contracts with customers	14	345,384	0
Unspent grants, subsidies and contributions		0	157,100
Bonds & deposits held		126,343	124,291
Total restricted assets		3,919,634	3,695,162

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

Restricted assets

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

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

4. RESERVES - CASH/FINANCIAL ASSET	2020	2020	2020	2020	2020	2020	2020	2020	2019	2019	2019	2019
	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Transfer (from)	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Transfer (from)	Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
(a) Leave Reserve	42,329	357	0	42,686	42,329	496	0	42,825	94,483	846	(53,000)	42,329
(b) Plant And Vehicle Reserve	434,818	903,669	(438,000)	900,487	434,818	1,005,095	(873,000)	566,913	430,959	3,859	0	434,818
(c) Emergency Farm Water Reserve	26,973	228	(15,000)	12,201	26,973	316	0	27,289	26,734	239	0	26,973
(d) Building Reserve	1,532,899	1,082,935	(1,229,325)	1,386,509	1,532,899	1,087,962	(1,589,640)	1,031,221	1,519,294	4,522,578	(4,508,973)	1,532,899
(e) Road And Footpath Reserve	426,545	3,600	(34,184)	395,961	426,545	4,998	(77,000)	354,543	422,867	3,678	0	426,545
(f) Swimming Pool Upgrade Reserve	44,533	376	0	44,909	44,534	522	0	45,056	44,030	503	0	44,533
(g) Airport Reserve	388,956	3,282	(12,244)	379,993	388,955	4,557	(12,244)	381,268	751,529	6,730	(369,303)	388,956
(h) Waste And Sewerage Reserve	300,702	2,536	(18,077)	285,162	300,701	3,523	(41,000)	263,224	298,033	2,669	0	300,702
(i) State Barrier Fence Reserve	216,016	1,823	(217,839)	0	216,016	2,531	(218,547)	0	214,099	1,917	0	216,016
	3,413,772	1,998,806	(1,964,669)	3,447,907	3,413,770	2,110,000	(2,811,431)	2,712,339	3,802,028	4,543,019	(4,931,276)	3,413,771

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserves - cash/financial assets backed.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave Reserve	Ongoing	- To be used to fund long service leave and non-current annual leave requirements.
(b) Plant And Vehicle Reserve	Ongoing	- To be used to assist in the purchasing of major plant and machinery.
(c) Emergency Farm Water Reserve	Ongoing	- To be used for the repair and/or construction of emergency farm water supplies.
(d) Building Reserve	Ongoing	- To be used for the construction, refurbishment, modification or renovation of all buildings.
(e) Road And Footpath Reserve	Ongoing	- To be used for the construction, rejuvenation, resealing or repair to the road & footpath network.
(f) Swimming Pool Upgrade Reserve	Ongoing	- To be used towards any major repairs or renovations of the Ravensthorpe Swimming Pool.
(g) Airport Reserve	Ongoing	- To be used for the construction, reconstruction, repairs or modifications of activities including: buildings, tarmac, airstrip and associated infrastructure at the Ravensthorpe Airport.
(h) Waste And Sewerage Reserve	Ongoing	- To be used for the repair and/or construction of waste and sewerage facilities.
(i) State Barrier Fence Reserve	Ongoing	- To be used for the extension of the State Barrier Fence from Ravensthorpe to Esperance.

5. OTHER FINANCIAL ASSETS

(a) Current assets

Financial assets at amortised cost

2020	2019
\$	\$
1,000,000	0
1,000,000	0

Other financial assets at amortised cost

Term deposits

1,000,000	0
1,000,000	0

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

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 29.

6. TRADE AND OTHER RECEIVABLES

Current

Rates Receivable	
GST Receivable	
Sundry Receivables	
Contract Assets	
Payments in Advance - Right of Use Assets	

Non-current

Pensioner's Rates and ESL Deferred	
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	2020	2019
	\$	\$
	307,463	210,163
	183,358	182,324
	205,584	246,079
	1,432,345	3,699,278
	0	10,881
	<u>2,128,749</u>	<u>4,348,725</u>
	11,931	26,395
	<u>11,931</u>	<u>26,395</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 29.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

7. INVENTORIES

Current

Fuel and materials

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

Carrying amount at end of period

	2020	2019
	\$	\$
	2,358	2,704
	2,358	2,704
	2,704	16,247
	(312,297)	(329,400)
	311,951	315,857
	2,358	2,704

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.

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - Freehold Land	Total land	Buildings - Non- specialised	Buildings - Specialised	Total buildings	Total land and buildings	Furniture & Equipment	Plant & Equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	1,668,500	1,668,500	2,303,675	24,081,241	26,384,916	28,053,416	263,648	4,779,943	33,097,007
Additions	439,000	439,000	0	10,557	10,557	449,557	82,677	988,258	1,520,492
(Disposals)	0	0	0	(2,667)	(2,667)	(2,667)	(4,862)	(294,394)	(301,923)
Depreciation (expense)	0	0	(33,203)	(626,171)	(659,374)	(659,374)	(34,602)	(607,067)	(1,301,043)
Transfers	0	0	0	9,595	9,595	9,595	0	0	9,595
Carrying amount at 30 June 2019	2,107,500	2,107,500	2,270,472	23,472,555	25,743,027	27,850,527	306,861	4,866,740	33,024,128
Comprises:									
Gross carrying amount at 30 June 2019	2,107,500	2,107,500	2,336,880	24,691,832	27,028,712	29,136,212	389,807	6,433,764	35,959,783
Accumulated depreciation at 30 June 2019	0	0	(66,408)	(1,219,277)	(1,285,685)	(1,285,685)	(82,946)	(1,567,024)	(2,935,655)
Carrying amount at 30 June 2019	2,107,500	2,107,500	2,270,472	23,472,555	25,743,027	27,850,527	306,861	4,866,740	33,024,128
Additions	0	0	167,819	15,191	183,010	183,010	139,930	700,548	1,023,488
(Disposals)	0	0	0	0	0	0	0	(351,810)	(351,810)
Depreciation (expense)	0	0	(33,593)	(616,232)	(649,825)	(649,825)	(51,520)	(640,055)	(1,341,399)
Transfers	0	0	0	0	0	0	1,424	0	1,424
Carrying amount at 30 June 2020	2,107,500	2,107,500	2,404,698	22,871,514	25,276,212	27,383,712	396,695	4,575,423	32,355,830
Comprises:									
Gross carrying amount at 30 June 2020	2,107,500	2,107,500	2,505,048	24,706,675	27,211,722	29,319,222	529,737	6,611,505	36,460,464
Accumulated depreciation at 30 June 2020	0	0	(100,350)	(1,835,160)	(1,935,510)	(1,935,510)	(133,042)	(2,036,082)	(4,104,634)
Carrying amount at 30 June 2020	2,107,500	2,107,500	2,404,698	22,871,514	25,276,212	27,383,712	396,695	4,575,423	32,355,830

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - Freehold Land	2	Market approach using recent or estimated observable market data for similar properties	Independent Valuation	June 2017	Price per square metre/market borrowing rate
Buildings - Non-specialised	2	Market approach using recent or estimated observable market data for similar properties	Independent Valuation	June 2017	Price per square metre/market borrowing rate
Buildings - Specialised	3	Market approach using recent or estimated observable market data for similar properties	Independent Valuation	June 2017	Construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Furniture & Equipment	3	Market approach using recent or estimated observable market data for similar properties	Independent Valuation	June 2016	Construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Plant & Equipment	3	Market approach using recent or estimated observable market data for similar properties	Independent Valuation	June 2016	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs.

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

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

The requirement to revalue plant and equipment has been removed in the Local Government (Financial Management) Amendment Regulations that were published in the Government Gazette on 6 November 2020. The Shire is required to use the cost model and there is no requirement to reverse the revaluation already undertaken by the Shire in 2019/20. In moving to the cost model, the Shire will continue to depreciate on the existing revalued amount.

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

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Footpaths	Infrastructure - Drainage	Infrastructure - Parks & Ovals	Other Infrastructure	Infrastructure - Airports	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	15,597,761	2,340,278	106,442	2,001,366	4,016,417	1,110,535	25,172,799
Additions	975,053	40,842	0	396,626	10,197	547,565	1,970,283
(Disposals)	0	0	0	(2,629)	0	0	(2,629)
Revaluation increments / (decrements) transferred to revaluation surplus	79,412,209	(1,173,707)	17,645,232	1,164,180	750,965	209,281	98,008,160
Depreciation (expense)	(164,267)	(19,432)	(2,994)	(110,149)	(200,808)	(59,356)	(557,006)
Carrying amount at 30 June 2019	95,820,756	1,187,981	17,748,680	3,449,394	4,576,771	1,808,025	124,591,607
Comprises:							
Gross carrying amount at 30 June 2019	137,177,586	2,199,939	27,998,485	3,607,171	5,071,857	1,853,565	177,908,604
Accumulated depreciation at 30 June 2019	(41,356,830)	(1,011,958)	(10,249,805)	(157,777)	(495,086)	(45,540)	(53,316,996)
Carrying amount at 30 June 2019	95,820,756	1,187,981	17,748,680	3,449,394	4,576,771	1,808,025	124,591,608
Additions	1,591,186	34,184	10,768	67,800	94,119	30,296	1,828,354
(Disposals)	0	0	0	0	0	0	0
Depreciation (expense)	(2,300,500)	(109,997)	(372,382)	(126,290)	(133,323)	(78,295)	(3,120,786)
Transfers	0	0	0	(1,424)	0	0	(1,424)
Carrying amount at 30 June 2020	95,111,443	1,112,168	17,387,066	3,389,480	4,537,567	1,760,026	123,297,752
Comprises:							
Gross carrying amount at 30 June 2020	138,768,772	2,234,123	28,009,253	3,674,971	5,165,976	1,883,862	179,736,958
Accumulated depreciation at 30 June 2020	(43,657,330)	(1,121,955)	(10,622,187)	(285,491)	(628,409)	(123,835)	(56,439,206)
Carrying amount at 30 June 2020	95,111,443	1,112,168	17,387,066	3,389,480	4,537,567	1,760,027	123,297,752

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

9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	3	Cost approach using depreciated replacement cost (Gross Revaluation method)	Independent Valuation	June 2019	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Footpaths	3	Cost approach using depreciated replacement cost (Gross Revaluation method)	Independent Valuation	June 2019	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Drainage	3	Cost approach using depreciated replacement cost (Gross Revaluation method)	Independent Valuation	June 2019	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Parks & Ovals	3	Cost approach using depreciated replacement cost (Gross Revaluation method)	Management Valuation	June 2019	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs
Other Infrastructure	3	Cost approach using depreciated replacement cost (Gross Revaluation method)	Management Valuation	June 2019	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs
Infrastructure - Airports	3	Cost approach using depreciated replacement cost (Gross Revaluation method)	Management Valuation	June 2019	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (level 3) inputs

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

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

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the 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 that are land, buildings, infrastructure and investment properties acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings, infrastructure, investment properties and vested improvements to be shown at fair value.

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

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

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

Land under roads prior to 1 July 2019

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

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

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

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

Land under roads from 1 July 2019

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

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

Vested improvements from 1 July 2019

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

Refer to Note 11 that details the significant accounting policies applying to leases (including right of use assets).

SHIRE OF RAVENSTHORPE
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10. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings - Specialised	0	0	0	0	0	0	0	0	2,667	0	0	(2,667)
Furniture & Equipment	0	0	0	0	0	0	0	0	639	0	0	(639)
Plant & Equipment	351,810	279,800	23,036	(95,046)	269,695	239,000	66,500	(97,195)	298,618	204,273	0	(94,345)
Right of Use Assets	0	0	0	0	0	0	0	0	9,752	9,595	0	(157)
Infrastructure - Parks & Ovals	0	0	0	0	0	0	0	0	2,629	0	0	(2,629)
	351,810	279,800	23,036	(95,046)	269,695	239,000	66,500	(97,195)	314,305	213,868	0	(100,437)

The following assets were disposed of during the year:

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Motor Vehicles				
Law, order, public safety				
Toyota Hilux - ARO/Ranger 2 Ute - RA222	45,113	61,618	16,505	0
Toyota Hilux Senior Ranger (RA3280)	29,308	18,182	0	(11,126)
Transport				
CAT Prime Mover	96,307	50,000	0	(46,307)
John Deere 624K Z Bar Loader	90,563	58,636	0	(31,927)
Economic services				
Holden Captive	12,504	6,818	0	(5,686)
Other property and services				
toyota Kluger GX (MCCS)	11,863	18,182	6,319	0
18/19 Toyota Landcruiser / Prado - CEO	66,151	66,364	212	0
	351,810	279,800	23,036	(95,046)
	351,810	279,800	23,036	(95,046)

10. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - Non-specialised	33,593	33,552	33,203
Buildings - Specialised	616,232	616,227	626,171
Furniture & Equipment	51,520	34,601	34,602
Plant & Equipment	640,055	643,511	607,067
Right of Use Assets	126,315	93,951	112,744
Infrastructure - Roads	2,300,500	164,267	164,267
Infrastructure - Footpaths	109,997	19,432	19,432
Infrastructure - Drainage	372,382	2,994	2,994
Infrastructure - Parks & Ovals	126,290	110,149	110,149
Other Infrastructure	133,323	200,807	200,808
Infrastructure - Airports	78,295	59,356	59,356
	4,588,500	1,978,847	1,970,793

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

Asset Class	Useful life
Buildings - All	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets formation	not depreciated
pavement	20 to 50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Infrastructure - Parks & Ovals	20 to 50 years
Infrastructure - Airports	20 to 50 years
Infrastructure - Other	20 to 50 years

Depreciation on revaluation

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

- The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated 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.

Amortisation

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note above.

11. LEASES

(a) Right of Use Assets

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

	Right of use assets - plant and equipment	Right of use assets Total
	\$	
Carrying amount at 30 June 2019	998,912	998,912
Recognised on initial application of AASB 16		0
Restated total equity at the beginning of the financial year	998,912	998,912
Additions	48,946	48,946
Depreciation (expense)	(126,315)	(126,315)
Carrying amount at 30 June 2020	921,543	921,543
(b) Cash outflow from leases		
Interest expense on lease liabilities	29,427	29,427
Lease principal expense	117,700	117,700
Total cash outflow from leases	147,127	147,127

SIGNIFICANT ACCOUNTING POLICIES

Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right of use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

Right-of-use assets - valuation

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 for details on the significant accounting policies applying to vested improvements.

Leases (continued)

Right of use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right of use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

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

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12. REVALUATION SURPLUS

	2020 Opening Balance	2020 Revaluation Increment	2020 Revaluation (Decrement)	Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - Freehold Land	14,350,694	0	0	0	14,350,694	14,350,694	0	0	0	14,350,694
Revaluation surplus - Plant & Equipment	377,471	0	0	0	377,471	377,471	0	0	0	377,471
Revaluation surplus - Infrastructure - Roads	79,779,389	0	0	0	79,779,389	367,180	79,412,209	0	79,412,209	79,779,389
Revaluation surplus - Infrastructure - Footpaths	901,302	0	0	0	901,302	2,075,009	0	(1,173,707)	(1,173,707)	901,302
Revaluation surplus - Infrastructure - Drainage	18,729,137	0	0	0	18,729,137	1,083,905	17,645,232	0	17,645,232	18,729,137
Revaluation surplus - Infrastructure - Parks & Ovals	2,470,157	0	0	0	2,470,157	1,305,977	1,164,180	0	1,164,180	2,470,157
Revaluation surplus - Other Infrastructure	1,091,177	0	0	0	1,091,177	340,212	750,965	0	750,965	1,091,177
Revaluation surplus - Infrastructure - Airports	209,281	0	0	0	209,281	0	209,281	0	209,281	209,281
	117,908,608	0	0	0	117,908,608	19,900,448	99,181,867	(1,173,707)	98,008,160	117,908,608

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

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors	
Accrued salaries and wages	
ATO Liabilities	
Accrued interest on debentures	
Payroll Creditors	
Accrued Expenditure	
Bonds & deposits held	

2020	2019
\$	\$
740,128	701,563
8,618	54,808
21,813	31,616
20,889	23,701
101,279	58,845
21,668	897,022
126,343	124,291
1,040,738	1,891,846

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 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.

Prepaid rates

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

14. CONTRACT LIABILITIES

	2020	2019
	\$	\$
Current		
Contract liabilities from contracts with customers	345,384	0
	<u>345,384</u>	<u>0</u>

Performance obligations from contracts with customers are expected to be recognised as revenue in accordance with the following time bands:

Less than 1 year

345,384
<u>345,384</u>

SIGNIFICANT ACCOUNTING POLICIES

Contract Liabilities

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

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

SHIRE OF RAVENSTHORPE
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15. LEASE LIABILITIES

(a) Lease Liabilities	2020	2019
	\$	\$
Current	121,001	101,606
Non-current	825,493	913,641
	946,494	1,015,247

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Term	30 June 2020					30 June 2019									
				Actual Lease Principal 1 July 2019	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments	Budget Lease Principal 1 July 2019	Budget New Leases	Budget Lease Principal Repayments	Budget Lease Principal Outstanding	Budget Lease Interest Repayments	Actual Lease Principal 1 July 2018	Actual New Leases	Actual Lease Principal Repayments	Actual Lease Principal Outstanding	Actual Lease Interest Repayments
Law, order, public safety				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
CESO Vehicle - Holden Colorado	939384	SG Fleet	3	0	48,946	16,094	32,852	456	0	0	0	0	0	0	9,752	0	7,042	
Community amenities																		
Bomag Compactor	908707	SG Fleet	10	688,590	0	69,151	619,439	19,646	688,590	0	0	688,590	0	755,706	0	67,116	688,590	21,681
Komatsu Wheel Loader	915953	SG Fleet	10	326,657	0	32,455	294,202	9,325	0	0	0	0	0	358,158	0	31,501	326,657	10,280
				1,015,247	48,946	117,700	946,493	29,427	688,590	0	0	688,590	0	1,113,864	9,752	108,369	1,015,247	39,003

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

SHIRE OF RAVENSTHORPE
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16. INFORMATION ON BORROWINGS

(a) Borrowings

	2020	2019
	\$	\$
Current	218,282	209,799
Non-current	1,266,287	1,484,569
	<u>1,484,569</u>	<u>1,694,368</u>

(b) Repayments - Borrowings

Particulars	Loan Number	Institution	Interest Rate	Actual	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Budget	30 June 2020	30 June 2020	30 June 2020	30 June 2020	Actual	30 June 2019	30 June 2019	30 June 2019	30 June 2019
				Principal 1 July 2019	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding	Principal 1 July 2019	Budget New Loans	Budget Principal repayments	Budget Interest repayments	Budget Principal outstanding	Principal 1 July 2018	Actual New Loans	Actual Principal repayments	Actual Interest repayments	Actual Principal outstanding
				\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Housing																		
Staff Housing	145	WATC*	2.86%	224,963	0	34,883	5,790	190,080	224,963	0	34,883	7,599	190,080	258,870	0	33,907	6,775	224,963
Other Housing (Daw Street)	147	WATC*	3.36%	238,792	0	16,458	7,747	222,334	238,792	0	16,458	9,505	222,334	254,711	0	15,919	8,290	238,792
Recreation and culture																		
Hopetoun Community	146	WATC*	3.59%	311,991	0	13,599	10,893	298,392	311,991	0	13,599	13,208	298,392	325,114	0	13,123	11,369	311,991
Transport																		
Town Street	138D	WATC*	6.57%	291,311	0	28,618	17,982	262,693	291,313	0	28,614	20,881	262,699	318,111	0	26,800	19,805	291,311
Town Street	144	WATC*	4.98%	157,962	0	50,086	6,624	107,876	157,963	0	50,086	8,310	107,877	205,644	0	47,682	9,058	157,962
Refinance	143B	WATC*	2.86%	201,467	0	31,240	5,185	170,227	201,467	0	31,240	6,805	170,227	231,832	0	30,365	6,067	201,467
Refinance	138E	WATC*	3.02%	267,882	0	34,915	7,416	232,967	267,881	0	34,915	9,552	232,966	301,766	0	33,884	8,455	267,882
				<u>1,694,368</u>	<u>0</u>	<u>209,799</u>	<u>61,636</u>	<u>1,484,569</u>	<u>1,694,370</u>	<u>0</u>	<u>209,795</u>	<u>75,860</u>	<u>1,484,575</u>	<u>1,896,048</u>	<u>0</u>	<u>201,680</u>	<u>69,819</u>	<u>1,694,368</u>
				1,694,368	0	209,799	61,636	1,484,569	1,694,370	0	209,795	75,860	1,484,575	1,896,048	0	201,680	69,819	1,694,368

* WA Treasury Corporation

SHIRE OF RAVENSTHORPE
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16. INFORMATION ON BORROWINGS (Continued)

(c) New Borrowings - 2019/20

The Shire had no new borrowings for the financial year ended 30 June 2020.

(d) Unspent Borrowings

The Shire had no unspent borrowings for the financial year ended 30 June 2020.

(e) Undrawn Borrowing Facilities

Credit Standby Arrangements

	2020	2019
	\$	\$
Bank overdraft limit	500,000	250,000
Credit card limit	26,000	22,000
Credit card balance at balance date	(5,765)	(3,728)
Total amount of credit unused	520,235	268,272

Loan facilities

Loan facilities - current	218,282	209,799
Loan facilities - non-current	1,266,287	1,484,569
Lease liabilities - current	121,001	101,606
Lease liabilities - non-current	825,493	913,641
Total facilities in use at balance date	2,431,063	2,709,615

Unused loan facilities at balance date

0 0

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 29.

17. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

Opening balance at 1 July 2019

Current provisions
 Non-current provisions

Additional provision
 Amounts used

Balance at 30 June 2020

Comprises

Current
 Non-current

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2019			
Current provisions	188,785	207,758	396,543
Non-current provisions	0	42,806	42,806
	188,785	250,564	439,349
Additional provision	261,471	33,281	294,751
Amounts used	(176,762)	(38,520)	(215,282)
Balance at 30 June 2020	273,494	245,325	518,819
Comprises			
Current	273,494	163,665	437,159
Non-current	0	81,660	81,660
	273,494	245,325	518,819

Amounts are expected to be settled on the following basis:

Less than 12 months after the reporting date
 More than 12 months from reporting date
 Expected reimbursements from other WA local governments

	2020	2019
	\$	\$
Less than 12 months after the reporting date	437,159	200,024
More than 12 months from reporting date	49,853	239,325
Expected reimbursements from other WA local governments	31,807	0
	518,819	439,349

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

Other long-term employee benefits (Continued)

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

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

Provisions

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

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

18. OTHER PROVISIONS

The Shire had no other provisions as at the financial year ended 30 June 2020.

19. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cash and cash equivalents	3,456,545	3,617,219	3,026,048
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	(2,033,070)	381,210	1,052,969
Non-cash flows in Net result:			
Depreciation on non-current assets	4,588,500	1,978,847	1,970,793
Net (Profit)/loss on sale of asset	72,010	30,695	100,437
Changes in assets and liabilities:			
(Increase)/decrease in receivables	2,234,440	3,490,000	604,946
(Increase)/decrease in inventories	346	0	13,543
Increase/(decrease) in payables	(851,110)	(154,200)	(506,356)
Increase/(decrease) in provisions	79,470	0	(242,574)
Increase/(decrease) in contract liabilities	239,448	0	0
Change in accounting policies transferred to retained surplus	0	77,100	0
Non-operating grants, subsidies and contributions	(884,406)	(2,295,500)	(1,293,001)
Net cash from operating activities	3,445,629	3,508,152	1,700,757

20. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	104,323	0
General purpose funding	319,394	0
Law, order, public safety	2,497,667	1,757,894
Health	401,105	459,949
Education and welfare	2,553,436	2,845,348
Housing	3,622,688	1,790,538
Community amenities	6,028,558	6,234,776
Recreation and culture	19,741,326	20,234,871
Transport	120,979,021	128,394,456
Economic services	1,114,587	594,403
Other property and services	4,412,808	3,686,050
Unallocated	1,399,795	20,235
	<u>163,174,708</u>	<u>166,018,520</u>

21. CONTINGENT LIABILITIES

Potential Legal Claim

The Shire has received a preliminary legal claim in relation to a former contractual Relationship that was discontinued for economic reasons. This claim may result in a possible obligation for which an estimate of the amount cannot be currently made, however the issue has been reported for insurance protection purposes.

Contaminated Sites

In compliance with the Contaminated Sites Act 2013 Section 11, the Shire has a listed site which is, or could be, a possible source of contamination. Details of that site are:

Ravensthorpe Regional Waste Facility - Moir Road, Ravensthorpe

- The Shire of Ravensthorpe together with the Shire of Jerramungup operate a regional waste management facility located on Reserve 7380, Moir Road Ravensthorpe.
- Site Operations commenced in 2017.
- Life expectancy 30 years (2047).
- Prescribed premises for Category 64 Class II putrescible landfill and Category 62 Solid waste depot.
- The Shire of Ravensthorpe is currently in negotiation with the Shire of Jerramungup regarding the percentage share of each party of the capital costs associated with the rehabilitation of the cells, the lifespan of 4 cells is expected to be 30 years. It is estimated that the total cost to rehabilitate 4 cells will be \$551,000 over this period, representing an annual estimated total cost of \$18,366. The Shire expects to complete negotiations and raise a provision for the Shire's share to cover the capital costs associated with the rehabilitation of the site for the financial year ending 30 June 2021.

22. CAPITAL AND LEASING COMMITMENTS

(a) Capital Expenditure Commitments

The Shire had no capital expenditure commitments as at the 30 June 2020.

23. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	93,770	99,500	97,500
President's allowance	12,675	13,000	13,000
Deputy President's allowance	3,169	3,250	3,250
Travelling expenses	11,729	15,000	14,712
Telecommunications allowance	7,842	8,000	7,588
	<u>129,185</u>	<u>138,750</u>	<u>136,050</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	522,924	635,778
Post-employment benefits	51,474	64,794
Other long-term benefits	37,270	(125,428)
Termination benefits	0	194,445
	<u>611,668</u>	<u>769,589</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP

23. 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.

The following transactions occurred with related parties:	2020 Actual	2019 Actual
	\$	\$
Sale of goods and services	2,497	553
Purchase of goods and services	46,959	106,011
Short term employee benefits -other related parties	144,367	31,482
Amounts payable to related parties:		
Trade and other payables	0	23,989

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

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24. INVESTMENT IN ASSOCIATE AND JOINT ARRANGEMENTS

(a) Carrying amount of investment in associate

The Shire had no investment in associate during the financial year ended 30 June 2020.

(b) Share of joint operations

(i) Regional Record Service

The Shire of Ravensthorpe together with the City of Kalgoorlie-Boulder and with the Shires of Coolgardie, Dundas, Esperance, Laverton, Leonara, Menzies, Ngaanyatjarraku and Wiluna have a joint arrangement with regard to the provision of a Regional Record service. The only asset under this joint arrangement is a building. The Shire of Ravensthorpe's one-tenth share of this asset is included in Land and Buildings as follows:

	2020	2019
	\$	\$
Non-current assets		
Land and buildings	72,500	72,500
Less: accumulated depreciation	(8,700)	(5,800)
Total assets	63,800	66,700

(ii) Ravensthorpe Regional Landfill

The Shire of Ravensthorpe together with the Shire of Jerramungup, have entered into a joint operation with regard to a regional waste management facility located on Reserve 7380, Moir Road Ravensthorpe.

The agreement between both Shire's govern the operation of the waste facility, covering operating and capital costs, responsibilities of the two Shire's, setting of fees and charges, record keeping etc. The Shire of Ravensthorpe is responsible for the day to day management of the facility. Key operating decisions in relations to the operating cost and future capital cost of the facility are to be agreed by both Shire's.

The regional waste facility commenced its operation in February 2018. Building of the facility was fully funded and is recognised in the financials of the Shire of Ravensthorpe as outlined below:

Non-current assets		
Infrastructure - Other	2,191,685	2,181,488
Add: Additions	2,700	10,197
Less: accumulated depreciation	(244,401)	(171,417)
Total assets	1,949,984	2,020,268

The apportionment of annual facility operating costs between the Shire's of Ravensthorpe and Jerramungup is determined by the percentage of total waste tonnage (measured in cubic metres) delivered to the Facility by each Shire in the preceding financial year.

The Shire of Ravensthorpe's is estimated to deliver 69.9% of the facilities total waste tonnage and the Shire of Jerramungup the remaining 30.1%. Based on these percentages, the allocation of income and contribution to operating costs by each Shire is outlined below:

Ravensthorpe		
Income	81,192	75,925
Expenditure	(172,375)	(202,296)
	(91,183)	(126,371)

Jerramungup		
Income	0	0
Expenditure	(74,227)	(87,112)
	(74,227)	(87,112)

Facility Total		
Income	81,192	75,925
Expenditure	(246,602)	(289,407)
	(165,410)	(213,482)

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.

25. MAJOR LAND TRANSACTIONS

The Shire did not participate in any major land transactions during the current financial year ended 30 June 2020.

26. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

The Shire did not participate in any trading undertakings or major trading undertakings during the current financial year ended 30 June 2020.

SHIRE OF RAVENSTHORPE
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27. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in	Number	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2019/20	2018/19
	\$	of Properties	Actual Rateable Value	Actual Rate Revenue	Actual Interim Rates	Actual Back Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Differential general rate / general rate												
Gross rental valuations												
Residential	0.117165	781	10,959,708	1,284,094	(12,899)	(555)	1,270,640	1,284,094	300	1,000	1,285,394	1,233,396
Commercial	0.131567	34	1,404,972	181,906	0	0	181,906	184,848	0	0	184,848	178,253
Industrial	0.154430	35	512,772	79,187	0	0	79,187	79,187	0	0	79,187	76,362
Transient Workforce & Short Stay Accommodation	0.314867	2	852,800	268,519	0	0	268,519	268,519	0	0	268,519	256,955
Unimproved valuations												
Mining	0.083600	62	2,381,526	199,096	0	0	199,096	199,096	3,700	0	202,796	175,136
Other	0.008567	332	232,219,025	1,989,420	0	0	1,989,420	1,989,420	(1,000)	0	1,988,420	1,931,014
Sub-Total		1,246	248,330,803	4,002,222	(12,899)	(555)	3,988,768	4,005,164	3,000	1,000	4,009,164	3,851,116
Minimum payment												
			\$									
Gross rental valuations												
Residential	870	374	1,079,818	325,380	0	0	325,380	325,380	0	0	325,380	322,150
Commercial	870	9	44,740	7,830	0	0	7,830	7,830	0	0	7,830	7,650
Industrial	870	12	45,268	10,440	0	0	10,440	10,440	0	0	10,440	10,200
Unimproved valuations												
Mining	320	55	76,564	17,600	0	0	17,600	17,600	0	0	17,600	16,200
Other	850	97	5,257,135	82,450	0	0	82,450	82,450	0	0	82,450	77,350
Sub-Total		547	6,503,525	443,700	0	0	443,700	443,700	0	0	443,700	433,550
		1,793	254,834,328	4,445,922	(12,899)	(555)	4,432,468	4,448,864	3,000	1,000	4,452,864	4,284,666
Discounts & Write-offs (Note 27(d))							(199)				(4,000)	(323)
Ex-gratia rates							49,234				49,234	49,032
Total amount raised from general rate							4,481,503				4,498,098	4,333,375
Specified Area Rate (Note 27(b))							72,757				72,757	70,188
Totals							4,554,260				4,570,855	4,403,563

SIGNIFICANT ACCOUNTING POLICIES

Rates

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

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises revenue for the prepaid rates that have not been refunded.

SHIRE OF RAVENSTHORPE
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27. RATING INFORMATION (Continued)

(b) Specified Area Rate - Effluent

The Shire did not raise specified area rates for the year ended 30 June 2020.

Specified Area Rate	Basis of Valuation	Rate in	2019/20 Rateable Value	2019/20 Rate Revenue	2019/20 Interim Rate Revenue	2019/20 Back Rate Revenue	2019/20 Total Specified Area Rate Revenue	2019/20 Budget Rate Revenue	2019/20 Budget Back Rate Revenue	2019/20 Budget Interim Rate Revenue	2019/20 Total Budget Revenue	2018/19 Total Actual Revenue
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Ravensthorpe	GRV	0.02325	2,081,144	48,391	0	0	48,391	48,391	0	0	48,391	47,905
Ravensthorpe	Minimum	200	413,665	16,000	0	0	16,000	16,000	0	0	16,000	14,060
Munglinup	GRV	0.02656	58,968	1,566	0	0	1,566	1,566	0	0	1,566	1,513
Munglinup	Minimum	200	27,872	800	0	0	800	800	0	0	800	760
Sewerage - 1st Fixture	Minimum	200	0	1,000	0	0	1,000	1,000	0	0	1,000	950
Sewerage - Additional Fixture	Minimum	125	0	5,000	0	0	5,000	5,000	0	0	5,000	5,000
			2,581,649	72,757	0	0	72,757	72,757	0	0	72,757	70,188

Specified Area Rate	Purpose of the rate	Area/properties Rate Imposed	2019/20 Actual Rate Applied	2019/20 Actual Rate Set Aside to Reserve	2019/20 Actual Reserve Applied to Costs	2019/20 Budget Rate Applied to Costs	2019/20 Budget Rate Set Aside to Reserve	2019/20 Budget Reserve Applied to Costs
			\$	\$	\$	\$	\$	\$
Effluent Rate	The effluent rate income services the maintenance and upgrade of the Ravensthorpe and Munglinup sewerage systems.	Ravensthorpe & Munglinup	0	0	0	72,757	0	0
			0	0	0	72,757	0	0

(c) Service Charges

The Shire did not raise service charges for the year ended 30 June 2020.

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

Rates Discounts

Rate or Fee Discount Granted	Discount %	Discount \$	2020 Actual \$	2020 Budget \$	2019 Actual \$	Circumstances in which Discount is Granted
Write Offs	n/a	199	199	4,000	323	The Shire allows for a number of minor write-offs throughout the year.
Total discounts/concessions (Note 27(a))			199	4,000	323	

27. RATING INFORMATION (Continued)

(e) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	7/11/2019	0.00	0.00%	11.00%
Option Two				
First instalment	7/11/2019	10.00	5.50%	11.00%
Second instalment	9/01/2020	10.00	5.50%	11.00%
Third instalment	12/03/2020	10.00	5.50%	11.00%
Fourth instalment	4/05/2020	10.00	5.00%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	51,739	32,000	34,823
Interest on instalment plan	15,385	15,000	12,785
Charges on instalment plan	11,790	12,000	10,150
	78,914	59,000	57,758

SHIRE OF RAVENSTHORPE
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28. RATE SETTING STATEMENT INFORMATION

Note	2019/20 (30 June 2020 Carried Forward) \$	2019/20 Budget (30 June 2020 Carried Forward) \$	2019/20 (1 July 2019 Brought Forward) \$	2018/19 (30 June 2019 Carried Forward) \$		
(a) Non-cash amounts excluded from operating activities						
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .						
Adjustments to operating activities						
	Less: Profit on asset disposals	10(a)	(23,036)	(66,500)	0	0
	Less: Movement in liabilities associated with restricted cash		(357)	0	0	0
	Movement in pensioner deferred rates (non-current)		14,464	0	(3,189)	(3,189)
	Movement in employee benefit provisions (non-current)		38,854	0	(11,513)	(11,513)
	Movement in Accruals Interest and wages		(48,405)	0	0	0
	Movement in other provisions (non-current)		0	0	(101,607)	(101,607)
	Movement in retained surplus		(105,936)	0	0	0
	Add: Loss on disposal of assets	10(a)	95,046	97,195	100,437	100,437
	Add: Depreciation on non-current assets	10(b)	4,588,500	1,978,847	1,970,793	1,970,793
	Non cash amounts excluded from operating activities		4,559,130	2,009,542	1,954,921	1,954,921
(b) Surplus/(deficit) after imposition of general rates						
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.						
Adjustments to net current assets						
	Less: Reserves - cash/financial asset backed	4	(3,447,908)	(2,712,339)	(3,413,771)	(3,413,771)
	Add: Current liabilities associated with restricted assets		0	0	0	0
	Add: Current liabilities not expected to be cleared at end of year					
	- Current portion of borrowings	16(a)	218,282	308,412	209,799	209,799
	- Current portion of lease liabilities		121,001	0	101,606	101,606
	- Other Provisions			0	40,433	40,433
	- Accrued wages and interest		0	0	0	0
	- Employee benefit provisions		437,159	377,707	396,543	396,543
	Less - Bonds and deposit held			0	0	0
	Total adjustments to net current assets		(2,671,466)	(2,026,220)	(2,665,390)	(2,665,390)
	Net current assets used in the Rate Setting Statement					
	Total current assets		6,587,652	4,481,030	7,377,477	7,377,477
	Less: Total current liabilities		(2,162,564)	(2,454,224)	(2,705,730)	(2,599,794)
	Less: Total adjustments to net current assets		(2,671,466)	(2,026,220)	(2,665,390)	(2,665,390)
	Net current assets used in the Rate Setting Statement		1,753,622	586	2,006,357	2,112,293
(c) Adjustments to current assets and liabilities at 1 July 2019 on application of new accounting standards						
	Total current assets at 30 June 2019					7,377,477
	Total current assets at 1 July 2019					7,377,477
	Total current liabilities at 30 June 2019					(2,599,794)
	- Contract liability	31(a)				(105,936)
	Total current liabilities at 1 July 2019					(2,705,730)

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29. FINANCIAL RISK MANAGEMENT

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

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

(a) Interest rate risk

Cash and cash equivalents

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	Bearing
	%	\$	\$	\$	
2020					
Cash and cash equivalents	0.51%	3,456,545	0	3,456,545	0
Financial assets at amortised cost - term deposits	0.95%	1,000,000	1,000,000	0	0
2019					
Cash and cash equivalents	0.74%	3,026,048	0	2,803,659	222,389
Financial assets at amortised cost	0.00%	0	0	0	0

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	34,565	30,260

* Holding all other variables constant

Borrowings

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Shire manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Shire does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found at Note 16(b).

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29. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other Receivables

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

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

The expected loss rates are based on the payment profiles of rates and fees and charges over a period of 36 months before 1 July 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2020					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	17,031	90,716	71,099	114,153	292,999
Loss allowance	0	0	0	0	0
30 June 2019					
Rates receivable					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	95,745	60,705	37,300	16,413	210,163
Loss allowance	0	0	0	0	0

The loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables.

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
30 June 2020					
Trade and other receivables					
Expected credit loss	0.03%	0.49%	0.89%	1.55%	
Gross carrying amount	1,593,940	31,948	3,840	8,200	1,637,928
Loss allowance	(537)	(158)	(34)	(127)	(856)
30 June 2019					
Trade and other receivables					
Expected credit loss	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	3,906,863	29,235	2,444	8,280	3,946,822
Loss allowance	0	0	0	0	0

29. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables and borrowings

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>2020</u>					
Payables	1,019,069	21,668	0	1,040,737	1,040,736
Borrowings	274,276	982,658	460,268	1,717,202	1,484,569
Contract liabilities	345,384	0	0	345,384	345,384
Lease liabilities	121,001	825,493	0	946,494	946,494
	<u>1,759,730</u>	<u>1,829,819</u>	<u>460,268</u>	<u>4,049,817</u>	<u>3,817,183</u>
<u>2019</u>					
Payables	1,891,846	0	0	1,891,846	1,891,846
Borrowings	274,247	1,087,319	629,883	1,991,449	1,694,368
Right of Use Assets	101,606	438,173	475,468	1,015,247	1,015,247
	<u>2,267,699</u>	<u>1,525,492</u>	<u>1,105,351</u>	<u>4,898,542</u>	<u>4,601,461</u>

The 2019 carrying value of borrowings on this note has been amended to correctly reflect the borrowings as per the Statement of Financial Position as at 30 June 2019.

30. 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.

SHIRE OF RAVENSTHORPE
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FOR THE YEAR ENDED 30 JUNE 2020

31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

(a) AASB 15: Revenue from Contracts with Customers and AASB 1058: Income for Not-for-Profit Entities

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

	Note	AASB 118 carrying amount 30 June 2019 \$	Reclassification \$	AASB 15 carrying amount 01 July 2019 \$
Contract liabilities - current				
Contract liabilities from contracts with customers	14	0	(105,936)	(105,936)
Adjustment to retained surplus from adoption of AASB 15	31(b)		(105,936)	

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

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019, no adjustments were made on initial application of this standard.

Assets that were acquired for consideration, that were significantly less than fair value principally to enable the Shire to further its objectives, may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value by applying the temporary relief under AASB 2018-8

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

31. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

		2020 \$	Adjustment due to application of AASB 15 and AASB 1058	2020 \$
	Note	As reported under AASB 15 and AASB 1058		Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	27(a)	4,554,260	0	4,554,260
Operating grants, subsidies and contributions	2(a)	4,154,628	345,384	4,500,012
Fees and charges	2(a)	1,078,853	0	1,078,853
Non-operating grants, subsidies and contributions	2(a)	884,406	0	884,406
Net result		(2,033,070)	345,384	(1,687,686)
Statement of Financial Position				
Trade and other payables	13	1,040,738	0	1,040,738
Contract liabilities	14	345,384	(345,384)	0
Net assets		158,838,704	345,384	159,184,088
Statement of Changes in Equity				
Net result		(2,033,070)	345,384	(1,687,686)
Retained surplus		37,482,189	345,384	37,827,573

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

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Shire has restated the prior year comparative in relation to right of use assets. The prior year comparative in relation to leases has not been restated as the comparative related to finance leases is consistent with AASB 16.

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

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

(b) Impact of New Accounting Standards on Retained Surplus

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

	Note	Adjustments	2019 \$
Retained surplus - 30 June 2019			39,655,331
Adjustment to retained surplus from adoption of AASB 15	31(a)	(105,936)	(105,936)
Retained surplus - 1 July 2019			39,655,331

32. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

33. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.</p>	<p>Administration and operation of facilities and services to members of Council. Other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific Council services.</p>
<p>GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.</p>	<p>Rates, general purpose government grants and interest revenue.</p>
<p>LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer community</p>	<p>Supervision of various local laws relating to fire prevention, emergency services and animal control.</p>
<p>HEALTH To provide an operational framework for environmental and community health.</p>	<p>Food quality and pest control, maintenance and contributions to health services and facilities.</p>
<p>EDUCATION AND WELFARE To meet the needs of the community in these areas.</p>	<p>Operation and provision of retirement units and Aged Care services. Operation of the Cub House Long Day Care facility in Ravensthorpe.</p>
<p>HOUSING Help ensure adequate housing for Council staff.</p>	<p>Maintenance of staff and rental housing.</p>
<p>COMMUNITY AMENITIES Provide services required by the community.</p>	<p>Rubbish collection services, operation of tips, noise control, administration of the town planning scheme, maintenance of cemeteries, control and maintenance of coastal reserves and other community/environmental services.</p>
<p>RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social and well being of the community.</p>	<p>Maintenance of halls, sporting complexes, resource centres, parks and gardens and TV/Ratio rebroadcast.</p>
<p>TRANSPORT To provide effective and efficient transport services to the community.</p>	<p>Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets, parking facilities, traffic signs, depot maintenance and airstrip maintenance.</p>
<p>ECONOMIC SERVICES To help promote the Shire and its economic wellbeing.</p>	<p>The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control and water supply including stand pipes.</p>
<p>OTHER PROPERTY AND SERVICES To monitor and control Shire's overhead operating accounts.</p>	<p>Private works operations, plant repairs and operations costs. Also provide for Department of Transport licensing and services to the Future Fund. Costs associated with operation of the Bankwest ATM.</p>

34. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	1.62	1.51	1.41
Asset consumption ratio	0.63	0.74	0.89
Asset renewal funding ratio	0.83	0.69	0.56
Asset sustainability ratio	0.49	1.33	0.57
Debt service cover ratio	6.49	6.82	6.80
Operating surplus ratio	(0.50)	(0.04)	(0.19)
Own source revenue coverage ratio	0.44	0.27	0.24

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Ravensthorpe

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

I draw attention to Notes 1 and 10 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

Report on Other Legal and Regulatory Requirements

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

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sports and Cultural Industries (DLGSCI) standard for the past three years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

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



KELLIE TONICH
SENIOR DIRECTOR FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
11 March 2022



Our Ref: 7956

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mr Gavin Pollock
Chief Executive Officer
Shire of Ravensthorpe
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Dear Mr Pollock

AUDIT OF SHIRE OF RAVENSTHORPE'S 2019-20 ANNUAL FINANCIAL REPORT COMPLETED

The Office has completed the audit of the annual financial report for your Shire. In accordance with section 7.12AD (2) of the *Local Government Act 1995*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the President and the Minister for Local Government, as required by the Act. You are required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Matters of adverse trends in the financial position are reported on page 2 of the auditor's report.

Management Control Issues

While the result of the audit was generally satisfactory, I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of the Shire and the Minister for Local Government and may not be suitable for other purposes.

I would like to take this opportunity to thank you, the management and the staff of the Shire for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7714 if you would like to discuss these matters further.

Yours faithfully

NAYNA RANIGA
DIRECTOR
FINANCIAL AUDIT
11 March 2021

Attach

SHIRE OF RAVENSTHORPE

PERIOD OF AUDIT: 1 JULY 2019 – 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Bonds and Deposits Held		✓	
2. Municipal Bank Reconciling Items			✓
3. Asset Management and Long-Term Financial Management Plan		✓	

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF RAVENSTHORPE

PERIOD OF AUDIT: 1 JULY 2019 – 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Bonds and Deposits Held

Finding

Audit testing determined the following accounts had numerous minor outstanding entries dated back to 2012. Given the historical nature of these entries it is difficult to determine whether these entries were in fact liabilities of the Shire. Outstanding entries relate to the following bonds and deposits held:

- Bitumen Tender Document Bond \$487
- Hopetoun Tennis Club \$9,072
- Unknown rate deposits \$2,179
- RAV Cemetery group \$76
- Rehabilitation Bond Barmingo \$6,866
- Sundry Overpayments \$5,773
- Rural Subdivision Shed Bonds \$29,407
- Subdivision Maintenance Bonds \$14,375
- Flood damage donations \$400

This issue remains outstanding from the prior year.

Rating: Moderate

Implication

There is a possibility that the liability may require refund, recognition as revenue or transfer to the Receiver of Public Monies.

Recommendation

The Shire undertake a full investigation of all outstanding entries and implement actions to resolve or correct as required.

Management Comment

In December 2019 our commitment was to investigate all bonds and deposits held to determine whether they could be refunded or remain unclaimed. Our intent was to complete this by June 2020 however we recognise that this project has been delayed during the disruption of 2020.

Responsible Person: Director Corporate and Community Services

Completion Date: 30 June 2021

SHIRE OF RAVENSTHORPE**PERIOD OF AUDIT: 1 JULY 2019 – 30 JUNE 2020****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****2. Municipal Bank Reconciling Items****Finding**

The Municipal bank reconciliations contain 7 minor items totalling \$345 that have not been cleared or otherwise resolved at the time of audit. These items date back to 2015. Consequently, the regular resolution of reconciling items through review of the bank reconciliation process could not be evidenced.

Rating: Minor**Implication**

Whilst small in value, long outstanding reconciling items that have not been adequately resolved increases the risk of errors, omissions or fraud remaining undetected. In turn, the cumulative effect could lead to misstatements in the Shire's financial statements.

Recommendation

The responsible officers should ensure that a review is undertaken, and action taken to resolve the reconciling items. Further review of monthly bank reconciliations should include processes to ensure the investigation and resolution of reconciling items on a monthly basis.

Management Comment

These items had been reviewed and investigated but not cleared as at June 2020. They have now been cleared and any new reconciling items have and will be reviewed and cleared in a timely manner.

Responsible Person: Director Corporate and Community Services

Completion Date: 31 January 2021

SHIRE OF RAVENSTHORPE

PERIOD OF AUDIT: 1 JULY 2019 – 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. Asset Management and Long-Term Financial Plan**Finding**

The current Asset Management and Long-Term Financial Plan was prepared in 2014. We note that the Shire commenced the review of these plans during the year ended 30 June 2020. The asset renewal funding ratio calculated for the year ended 30 June 2020 utilised the revised Asset Management and Long-Term Financial Plan. The Shire intends on adopting these plans during the financial year ending 30 June 2021.

Rating: Moderate**Implication**

Without the timely adoption of the Asset Management and Long-Term Financial Plan these may impact on the Shire's strategic planning process and may impact on the Shire's compliance requirements.

Recommendation

We recommend the Asset Management Plan and the Long Term Financial Plan are adopted and annually reviewed to ensure 10 year projections are available as required by the regulations, to assist with strategic planning processes and in calculating the asset renewal funding ratio.

Management Comment

The strategic planning process commenced in December 2019 and was intended to be completed by June 2020. Whilst community consultation elements were initiated in February 2020 the completion of community consultation was delayed until September 2020. The full suite of strategic planning documents will be adopted during 2020/2021.

The Asset Management Plan and the Long Term Financial Plan had been prepared, reviewed and updated prior to the completion of the asset renewal funding ratio for 2019/2020 therefore the most up-to-date asset information available was used for that purpose, as opposed to 2014 data.

Responsible Person: Director Corporate and Community Services

Completion Date: 30 June 2021