



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

Annual Financial Report 2019/2020

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 CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

		RESERVES CASH/FINANCIAL			
	NOTE	RETAINED SURPLUS	ASSET BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2018		38,214,104	3,802,029	19,900,448	61,916,581
Comprehensive income					
Net result for the period		1,052,969	0	0	1,052,969
Other comprehensive income	12	0	0	98,008,160	98,008,160
Total comprehensive income		1,052,969	0	98,008,160	99,061,129
Transfers from reserves	4	4,931,276	(4,931,276)	0	0
Transfers to reserves	4	(4,543,019)	4,543,019	0	0
Balance as at 30 June 2019		39,655,331	3,413,771	117,908,608	160,977,710
Change in accounting policy	31(b)	(105,936)	0	0	(105,936)
Restated total equity at 1 July 2019		39,549,395	3,413,771	117,908,608	160,871,774
Comprehensive income					
Net result for the period		(2,033,070)	0	0	(2,033,070)
Total comprehensive income		(2,033,070)	0	0	(2,033,070)
Transfers from reserves	4	1,964,669	(1,964,669)	0	0
Transfers to reserves	4	(1,998,806)	1,998,806	0	0
Balance as at 30 June 2020		37,482,189	3,447,907	117,908,608	158,838,704

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	1,700,757
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a)	(1,023,484)	(1,965,062)
Payments for construction of infrastructure	9(a)	(1,828,354)	(3,153,184)
Non-operating grants, subsidies and contributions	2(a)	884,406	2,295,500
Proceeds from financial assets at amortised cost - term deposits		(1,000,000)	0
Proceeds from disposal of right of use assets		0	(9,595)
Proceeds from sale of property, plant & equipment	10(a)	279,800	239,000
Net cash provided by (used in) investment activities		(2,687,633)	(1,993,501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	16(b)	(209,799)	(201,680)
Payments for principal portion of lease liabilities	15(b)	(117,700)	0
Net cash provided by (used in) financing activities		(327,499)	(211,432)
Net increase (decrease) in cash held		430,497	(504,176)
Cash at beginning of year		3,026,048	2,902,608
Cash and cash equivalents at the end of the year	19	3,456,545	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.

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

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
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9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	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 48**

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.

SHIRE OF RAVENSTHORPE
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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
	\$	\$
Contract liabilities from contracts with customers	345,384	0
	<u>345,384</u>	<u>0</u>

Current

Contract liabilities from contracts with customers

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	Actual	30 June 2020	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
				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	30 June 2020 Budget New Leases	30 June 2020 Budget Lease Principal Repayments	30 June 2020 Budget Lease Principal Outstanding	30 June 2020 Budget Lease Interest Repayments	Actual Lease Principal 1 July 2018
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
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
Komatsu Wheel Loader	915953	SG Fleet	10	326,657	0	32,455	294,202	9,325	0	0	0	0	0	358,158
				1,015,247	48,946	117,700	946,493	29,427	688,590	0	0	688,590	0	1,113,864

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

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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	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual
Differential general rate / general rate	Properties	Rateable	Rate	Rate	Interim	Back	Total	Rate	Interim	Back	Total	Total
		Value	Revenue	Revenue	Rates	Rates	Revenue	Revenue	Rate	Rate	Revenue	Revenue
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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.

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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

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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

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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.

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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>	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>GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.</p>	Rates, general purpose government grants and interest revenue.
<p>LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer community</p>	Supervision of various local laws relating to fire prevention, emergency services and animal control.
<p>HEALTH To provide an operational framework for environmental and community health.</p>	Food quality and pest control, maintenance and contributions to health services and facilities.
<p>EDUCATION AND WELFARE To meet the needs of the community in these areas.</p>	Operation and provision of retirement units and Aged Care services. Operation of the Cub House Long Day Care facility in Ravensthorpe.
<p>HOUSING Help ensure adequate housing for Council staff.</p>	Maintenance of staff and rental housing.
<p>COMMUNITY AMENITIES Provide services required by the community.</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>RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social and well being of the community.</p>	Maintenance of halls, sporting complexes, resource centres, parks and gardens and TV/Radio rebroadcast.
<p>TRANSPORT To provide effective and efficient transport services to the community.</p>	Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets, parking facilities, traffic signs, depot maintenance and airstrip maintenance.
<p>ECONOMIC SERVICES To help promote the Shire and its economic wellbeing.</p>	The regulation and provision of tourism, area promotion, building control, noxious weeds, vermin control and water supply including stand pipes.
<p>OTHER PROPERTY AND SERVICES To monitor and control Shire's overhead operating accounts.</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.

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