



27 APRIL 2021

**AUDIT & RISK COMMITTEE
MEETING, COUNCIL CHAMBERS
AT 9AM.**

AGENDA

CONTENTS

1. OPENING	2
2. ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE	2
2.1 Members Present.....	2
2.2 Staff In Attendance	2
2.3 Observers And Visitors	2
2.4 Apologies and Approved Leave of Absence	2
3. DECLARATIONS OF INTEREST	2
4. CONFIRMATION OF MINUTES	3
4.1 Minutes Audit and Risk Committee Meeting 9 March 2021.....	3
5. OAG EXIT MEETING AGENDA	4
6. OFFICER REPORTS	6
6.1 Draft 2019/20 Representation Letters	6
6.2 Draft 2019/20 Independent Auditor's Report.....	15
6.3 2019/20 Councillors' Declaration	18
6.4 Draft 2019/20 Annual Financial Report	20
7. NEW BUSINESS ARISING BY ORDER OF THE MEETING	22
8. CLOSURE	22

1. OPENING

The Chairperson to declare the meeting open.

2. ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE

2.1 Members Present

Cr DC White	Chairperson
Cr DW Davis	Shire President
Cr CJ Pepper	Deputy President
Cr P Gogol	
Cr CJ Lawlor	
Cr SW Martin	
Cr TF McLaughlin	
Cr TWT Seed	

2.2 Staff In Attendance

Mr SP Gollan	Chief Executive Officer
Mrs A Lewis	Executive Assistant

2.3 Observers And Visitors

Nil

2.4 Apologies and Approved Leave of Absence

Mr SK Marshall	Deputy Chief Executive Officer
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3. DECLARATIONS OF INTEREST

4. CONFIRMATION OF MINUTES

4.1 Minutes Audit and Risk Committee Meeting 9 March 2021

OFFICER'S RECOMMENDATION

That the Minutes of the Audit and Risk Committee Meeting held 9 March 2021 be confirmed.

5. OAG EXIT MEETING AGENDA



SHIRE OF BEVERLEY EXIT MEETING AGENDA

Tuesday 27 April at 9am
Shire of Beverley Offices, 136 Vincent Street, Beverley

ATTENDEES:

The Audit Committee Members:

Cr DC White	Councillor
Cr DW Davis	Councillor
Cr CJ Pepper	Councillor
Cr DL Brown	Councillor
Cr P Gogol	Councillor
Cr SW Martin	Councillor
Cr TF McLaughlin	Councillor
Cr TWT Seed	Councillor

Support Staff/Visitors:

Mr Stephen Gollan	Chief Executive Officer
Mr Simon Marshall	Deputy Chief Executive Officer

AMD Chartered Accountants:

Maria Cavallo	Director
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Office of the Auditor General (via phone conference):

Mahmoud Salahat	Director Financial Audit, Office of the Auditor General WA
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AGENDA ITEMS:

1. Audit Approach

Refer also attached Audit Planning Summary Dated March 2019, including Section 5 "Significant Risks" and Section 6 "Audit Emphasis and Significant Account Balances"

- Interim Visit / Testing Completed
- Year End Communications
- Final Visit / Testing Completed

2. Variations to Audit Plan (where applicable)

- No variations

3. Subsequent Events

- Discussion and reconfirmation regarding subsequent events.

4. Audit Issues

- Status of prior year audit issues:
Prior year management report have been implemented and resolved.
- Status of audit issues reported at 2020 interim:
No interim management letter was issued.
- Audit issues reported in the current audit:
As reported within "Findings Identified during Year End Audit" document attached.



5. Audit Report

Refer DRAFT Audit Report attached

- Opinion Qualification Matters (where applicable):
No qualifications to audit opinion.

- Report on Other Matters:
 - No other matters to report

6. Issues Relevant To Next Audit

None.

7. Close

6. OFFICER REPORTS

6.1 Draft 2019/20 Representation Letters

SUBMISSION TO: Audit & Risk Committee 27 April 2021
REPORT DATE: 22 April 2021
APPLICANT: N/A
FILE REFERENCE: ADM 0231
AUTHOR: S.P. Gollan, Chief Executive Officer
ATTACHMENTS: 2019/20 Representation Letters

SUMMARY

The Audit and Risk Committee to consider recommending to Council that the Representation Letters to the Office of Auditor General and AMD Chartered Accountants be signed by the Chief Executive Officer and Deputy Chief Executive Officer.

BACKGROUND

The final audit was conducted by AMD Chartered Accountants between 16 – 19 September 2020 and authorised by the OAG in April 2021.

COMMENT

The Representation Letters are attached.

After working through the Exit Agenda with AMD and OAG, the representation letters require signatures from the Chief Executive Officer and Deputy Chief Executive Officer.

Note there is no management letter this year as there were no findings to report.

STATUTORY ENVIRONMENT

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

POLICY IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommend to Council that the Representation Letters to the Office of Auditor General and AMD Chartered Accountants be signed by the Chief Executive Officer and Deputy Chief Executive Officer.

Attachment 6.1 – Representation Letter to AMD

SHIRE LETTERHEAD

XX March 2021

Maria Cavallo
Director
AMD Chartered Accountants
PO Box 1306
BUNBURY WA 6230

Dear Maria

REPRESENTATION LETTER

This representation letter is provided in connection with your contract engagement with the Office of the Auditor General (“OAG”) to complete the audit of the financial report of the Shire of Beverley for the year ended 30 June 2020.

We confirm that (to the best of our knowledge and belief, having made such enquires as we considered necessary for the purpose of appropriately informing ourselves):

Financial Report

- We have fulfilled our responsibilities for the preparation of the financial report in accordance with the Australian Accounting Standards and the Local Government Act 1995 (as amended); to the extent outlined within Note 1; in particular the financial report gives a true and fair view in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards.
- All events subsequent to the date of the financial report and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
- There were no uncorrected misstatements.
- The selection and application of accounting policies are appropriate.

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - Additional information that you have requested from us; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

SHIRE LETTERHEAD

- All transactions have been recorded in the accounting records and are reflected in the financial report.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal audit control; and
 - Others.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you known actual or possible litigation and claims whose effects should be considered when preparing the financial report.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- We have provided you with all requested information, explanations and assistance for the purposes of the audit.
- We have provided you with all the information required by the Local Government Act 1995 (as amended) and applicable Regulations.

Other

- We acknowledge our responsibility for the design and implementation of internal control to prevent and detect error. We have established and maintained adequate internal control to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been properly recorded in the accounting records underlying the financial report.
- We have no plans or intentions that may materially affect the carrying values, or classification, of assets and liabilities.
- We have considered the requirements of AASB 136 – "Impairment of Assets" when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.

SHIRE LETTERHEAD

- There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial report or as a basis for recording an expense.
- The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all items of property, plant and equipment that have been abandoned or are otherwise unusable.
- The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.
- There are no liabilities, both actual and contingent, that have arisen which we have not disclosed to you.
- There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than as disclosed in the financial report.
- We confirm we have made our assessments of fair value as required by Local Government (Financial Management) Regulation 1996 (as amended) 17A; and that fair values recognised as at 30 June 2020 have been determined in accordance with Australian Accounting Standards AASB13.

We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial report of the entity taken as a whole, and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

Stephen Gollan
Chief Executive Officer

Simon Marshall
Deputy Chief Executive Officer

Attachment 6.1 – Representation Letter to OAG

Our Ref:
Your Ref:

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

Dear Ms Spencer

REPRESENTATION LETTER IN RESPECT OF THE SHIRE OF BEVERLEY ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

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

1. GENERAL

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

preparation of the financial report that is free from material misstatement, whether due to fraud or error.

- (g) We have provided your auditors with
 - (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
 - (ii) Additional information that your auditors have requested for the purpose of the audit.
 - (iii) Unrestricted access to staff and councillors of the Shire from whom your auditors determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the Shire involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others.

have occurred to the knowledge of management of the Shire of Beverley.

- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire's financial report has been communicated to us by employees, former employees, analysts, regulators or others.
- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

2. FAIR VALUE MEASUREMENTS AND DISCLOSURES

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

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

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

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

3. GOING CONCERN

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

4. CONTINGENT LIABILITIES

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

5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE

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

6. FINANCIAL LIABILITY FOR CONTAMINATED SITES

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

7. RELATED ENTITIES

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

8. RELATED PARTIES

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

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

9. KEY MANAGEMENT PERSONNEL COMPENSATION

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

10. SUBSEQUENT EVENTS

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

11. INTERNAL CONTROL

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

12. INSURANCE

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

13. RISK MANAGEMENT

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

14. FINANCIAL RATIOS

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

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

15. ACCOUNTING MISSTATEMENTS

There are no uncorrected misstatements in the financial report.

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

(a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.

(b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the Shire's website is the same as the final signed versions of the audited annual financial report and the auditor's report.

- (c) We have clearly differentiated between audited and unaudited information in the construction of Shire's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

17. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT

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

Deputy Chief Executive Officer

Date

Chief Executive Officer

Date

6.2 Draft 2019/20 Independent Auditor's Report

SUBMISSION TO: Audit & Risk Committee 27 April 2021
REPORT DATE: 22 April 2021
APPLICANT: N/A
FILE REFERENCE: ADM 0047
AUTHOR: S.P. Gollan, Chief Executive Officer
ATTACHMENTS: Draft 2019/20 Audit Report

SUMMARY

The Audit and Risk Committee to consider recommending to Council that the draft 2019/20 Independent Auditor's Report from the Office of the Auditor General be received.

BACKGROUND

The audit of the 2019/20 Financial Report was conducted by AMD Chartered Accountants in September 2020.

The Independent Auditor's Report was received on 22 April 2021.

COMMENT

Please see attached draft 2019/20 Independent Auditor's Report.

STATUTORY ENVIRONMENT

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

POLICY IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommend to Council that the Independent Auditor's Report be received.

Attachment 6.2



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Beverley

Report on the Audit of the Financial Report

Opinion

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

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

- (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 11 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 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 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.

Attachment 6.3

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, there are no matters which indicate significant adverse trends in the financial position or the financial management of the Shire.
- (ii) There were no instances of non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

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 Beverley 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.

6.3 2019/20 Councillors' Declaration

SUBMISSION TO: Audit & Risk Committee 27 April 2021
REPORT DATE: 22 April 2021
APPLICANT: N/A
FILE REFERENCE: ADM 0047
AUTHOR: S.P. Gollan, Chief Executive Officer
ATTACHMENTS: 2019/20 Councillor's Declaration

SUMMARY

The Audit and Risk Committee to consider recommending to Council that the 2019/20 Councillors' Declaration be signed and received.

BACKGROUND

The Councillors' Declaration was first introduced by Council in 2012/13 to demonstrate Council's satisfaction of the appropriateness and integrity of the financial reports being presented.

COMMENT

The Councillors' Declaration is not a legislative requirement, however it gives Council a responsibility in ensuring that the contents of the annual report and annual financial report are accurate and in line with appropriate legislation and standards.

The declaration also stipulates that it is the opinion of Council that all outstanding debts will be paid when due.

STATUTORY ENVIRONMENT

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

POLICY IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee authorise the President and Deputy President to sign the 2019/20 Councillors' Declaration and include the Declaration for the 2019/20 Annual Financial Report.

Attachment 6.3

Councillors' Declaration

In accordance with a resolution of the Councillors of the Shire of Beverley, we state that:

1. In the opinion of the Councillors:
 - 1.1 the financial statements and notes of the Shire of Beverley are in accordance with the Local Government Act 1995 and Regulations, including:
 - (a) giving a true and fair view of the Shire of Beverley's financial position as at 30 June 2020 and of its performance for the year ended on that date; and,
 - (b) complying with applicable Australian Accounting Standards; and
 - 1.2 there are reasonable grounds to believe that the Shire of Beverley will be able to pay its debts as and when they become due and payable.

On behalf of the Council:

Cr DW Davis
President

Cr CJ Pepper
Deputy President

Dated this 27th day of April 2021

6.4 Draft 2019/20 Annual Financial Report

SUBMISSION TO: Audit & Risk Committee 27 April 2021
REPORT DATE: 22 April 2021
APPLICANT: N/A
FILE REFERENCE: ADM 0199
AUTHOR: S.P. Gollan, Chief Executive Officer
ATTACHMENTS: Draft 2019/20 Annual Report (under separate cover)

SUMMARY

The Audit and Risk Committee to consider recommending to Council that the 2019/20 Annual Financial Report be received.

BACKGROUND

The 2019/20 Annual Financial Report has been produced in-house by the Deputy Chief Executive Officer and was audited by AMD Chartered Accountants in September 2020.

COMMENT

The 2019/20 Annual Financial Report is attached for the Committees consideration.

On receipt, the Annual Financial Report will be incorporated into the 2019/20 Annual Report which will be formatted by Workhouse Advertising and be presented at either the Ordinary 25 May 2021 Ordinary Council Meeting or a Special Meeting of Council.

Once the complete Annual Report is adopted a date for the Annual Electors Meeting can be set and the report made available for public viewing for at least 14 days before the Annual Electors Meeting.

STATUTORY ENVIRONMENT

The *Local Government Act 1995* outlines the following in relation to the Annual Report:

5.53. Annual reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
 - (a) a report from the mayor or president; and
 - (b) a report from the CEO; and
 - [(c), (d) deleted]*
 - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
 - (f) the financial report for the financial year; and
 - (g) such information as may be prescribed in relation to the payments made to employees; and
 - (h) the auditor's report for the financial year; and
 - (ha) a matter on which a report must be made under section 29(2) of the *Disability Services Act 1993*; and

- (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
- (i) the number of complaints recorded in the register of complaints; and
 - (ii) how the recorded complaints were dealt with;
- and
- (iii) any other details that the regulations may require;
- and such other information as may be prescribed.

5.54. Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* *Absolute majority required.*

- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

5.55. Notice of annual reports

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

Local Government (Financial Management) Regulations 1996 provide:

51. Completion of financial report

- (1) After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.
- (2) A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

POLICY IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommend to Council that;

1. the 2019/20 Annual Financial Report be approved and incorporated into the 2019/20 Annual Report; and
2. a special meeting of Council be called if the 2019/20 Annual Report is available from Workhouse Advertising prior to the May Ordinary Council meeting.

7. NEW BUSINESS ARISING BY ORDER OF THE MEETING

Nil

8. CLOSURE

The Chairman to close the meeting.

SHIRE OF BEVERLEY
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2020

TABLE OF CONTENTS

Statement by Chief Executive Officer	1
Statement of Comprehensive Income by Nature or Type	2
Statement of Comprehensive Income by Program	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Rate Setting Statement	7
Notes to and Forming Part of the Financial Report	8 to 55
Independent Audit Report	56 to 58
Councillor's Declaration	59

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**SHIRE OF BEVERLEY
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH 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 Beverley for the financial year ended 30th June 2020 is based on proper accounts and records to present fairly the financial position of the Shire of Beverley at 30th 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 consistent with the Act, the Australian Accounting Standards.

Signed on the 31st day of July, 2020



S.P. Gollan
Chief Executive Officer

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

	NOTE	2019/20 Actual \$	2019/20 Budget \$	2018/19 Actual \$
Revenue				
Rates	23(a)	2,813,252	2,800,672	2,694,744
Operating Grants, Subsidies and Contributions	29	1,899,398	1,192,083	1,683,236
Fees and Charges	28	630,881	583,040	589,732
Interest Earnings	2(a)	117,455	88,455	158,925
Other Revenue		483,785	471,451	480,248
		<u>5,944,771</u>	<u>5,135,701</u>	<u>5,606,885</u>
Expenses				
Employee Costs		(2,056,018)	(2,132,703)	(1,962,529)
Materials and Contracts		(1,570,890)	(2,051,198)	(1,464,477)
Utility Charges		(230,369)	(221,479)	(203,037)
Depreciation on Non-Current Assets	2(a)	(2,330,127)	(2,306,734)	(2,452,839)
Interest Expenses	2(a)	(82,572)	(96,015)	(81,547)
Insurance Expenses		(195,150)	(192,504)	(184,221)
Other Expenditure		(110,361)	(84,325)	(101,145)
		<u>(6,575,487)</u>	<u>(7,084,958)</u>	<u>(6,449,795)</u>
		(630,716)	(1,949,257)	(842,910)
Non-Operating Grants, Subsidies and Contributions	29	824,214	1,679,656	5,793,490
Profit on Asset Disposals	21	-	30,000	35,161
Loss on Asset Disposal	21	(40,052)	(55,000)	(25,483)
Asset Accounting Change - Regulations	7(b)	-	-	(96,513)
		<u>153,446</u>	<u>(294,601)</u>	<u>4,863,745</u>
Net Result				
Other Comprehensive Income				
Changes on revaluation of non-current assets	13	-	-	238,273
		<u>-</u>	<u>-</u>	<u>238,273</u>
Total Other Comprehensive Income				
		<u>153,446</u>	<u>(294,601)</u>	<u>5,102,018</u>
Total Comprehensive Income				

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

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

	NOTE	2019/20 Actual \$	2019/20 Budget \$	2018/19 Actual \$
Revenue				
General Purpose Funding		3,741,567	3,296,127	3,686,492
Governance		53,682	35,100	81,896
Law, Order, Public Safety		212,127	210,156	214,112
Health		582	100	364
Housing		130,888	117,192	119,433
Community Amenities		223,806	207,073	210,223
Recreation and Culture		260,516	242,701	128,164
Transport		727,773	399,056	1,543,925
Economic Services		176,097	208,929	129,240
Other Property and Services		71,286	15,469	56,632
		<u>5,598,324</u>	<u>4,731,903</u>	<u>6,170,481</u>
Expenses				
General Purpose Funding		(145,995)	(182,995)	(142,773)
Governance		(209,513)	(274,300)	(338,017)
Law, Order, Public Safety		(415,298)	(357,971)	(331,196)
Health		(144,873)	(170,695)	(136,060)
Education and Welfare		(72,603)	(92,513)	(62,605)
Housing		(181,650)	(212,325)	(298,426)
Community Amenities		(648,050)	(674,741)	(627,697)
Recreation and Culture		(1,414,829)	(1,480,668)	(1,289,393)
Transport		(2,518,082)	(2,558,918)	(2,378,080)
Economic Services		(409,781)	(558,586)	(385,443)
Other Property and Services		14,206	(6,433)	(43,045)
		<u>(6,146,468)</u>	<u>(6,570,145)</u>	<u>(6,032,735)</u>
Finance Costs				
Housing		-	-	(117)
Community Amenities		(1,706)	(1,467)	(2,437)
Recreation and Culture		(80,866)	(94,548)	(78,993)
	2(a)	<u>(82,572)</u>	<u>(96,015)</u>	<u>(81,547)</u>
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		26,950	-	-
Recreation and Culture		38,847	400,000	300,005
Transport		758,417	1,264,656	4,594,376
		<u>824,214</u>	<u>1,664,656</u>	<u>4,894,381</u>
Profit/(Loss) on Disposal of Assets				
Governance		(15,530)	(9,000)	(6,847)
Law, Order, Public Safety		-	(35,000)	(7,998)
Health		-	-	(8,638)
Other Property and Services		(24,522)	19,000	33,161
	21	<u>(40,052)</u>	<u>(25,000)</u>	<u>9,678</u>
Asset Accounting Change - Regulations	7(b)	-	-	(96,513)
Net Result		153,446	(294,601)	4,863,745
Other Comprehensive Income				
Changes on revaluation of non-current assets	13	-	-	238,273
Total Other Comprehensive Income		<u>-</u>	<u>-</u>	<u>238,273</u>
Total Comprehensive Income		<u>153,446</u>	<u>(294,601)</u>	<u>5,102,018</u>

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

SHIRE OF BEVERLEY
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2020

	NOTE	2019/20 Actual \$	2018/19 Actual \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	1,931,559	4,453,120
Trade and Other Receivables	4	416,379	624,974
Other Financial Assets	5	2,599,819	-
Inventories	6	9,345	12,501
TOTAL CURRENT ASSETS		<u>4,957,102</u>	<u>5,090,595</u>
NON-CURRENT ASSETS			
Other Receivables	4	150,441	154,483
Other Financial Assets	5	53,416	46,400
Property, Plant and Equipment	7(a)	23,069,483	23,360,563
Infrastructure	8(a)	60,366,533	60,219,209
TOTAL NON-CURRENT ASSETS		<u>83,639,873</u>	<u>83,780,655</u>
TOTAL ASSETS		<u>88,596,975</u>	<u>88,871,250</u>
CURRENT LIABILITIES			
Trade and Other Payables	9	444,812	814,267
Long Term Borrowings	10	137,938	153,429
Employee Related Provisions	11	352,111	342,435
TOTAL CURRENT LIABILITIES		<u>934,861</u>	<u>1,310,131</u>
NON-CURRENT LIABILITIES			
Trade and Other Payables	9	304,054	-
Long Term Borrowings	10	1,379,225	1,517,163
Employee Related Provisions	11	67,240	25,790
TOTAL NON-CURRENT LIABILITIES		<u>1,750,519</u>	<u>1,542,953</u>
TOTAL LIABILITIES		<u>2,685,380</u>	<u>2,853,084</u>
NET ASSETS		<u>85,911,595</u>	<u>86,018,166</u>
EQUITY			
Retained Surplus		43,427,040	43,643,768
Reserves - Cash Backed	12	2,582,025	2,372,868
Revaluation Surplus	13	39,902,530	40,001,530
TOTAL EQUITY		<u>85,911,595</u>	<u>86,018,166</u>

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

**SHIRE OF BEVERLEY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2020**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH/ INVESTMENT BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2018		38,881,645	2,271,246	39,763,257	80,916,148
Comprehensive Income					
Net Result		4,863,745	-	-	4,863,745
Changes on Revaluation of Non-Current Assets	13	-	-	238,273	238,273
Total Comprehensive Income		4,863,745	-	238,273	5,102,018
Reserve Transfers		(101,622)	101,622	-	-
Balance as at 30 June 2019		43,643,768	2,372,868	40,001,530	86,018,166
Changes in Accounting Policy - AASB 15 Adoption	36(d)	(161,017)	-	-	(161,017)
Changes in Accounting Policy - Regulation Changes	7	-	-	(99,000)	(99,000)
Restated total equity at 1 July 2019		43,482,751	2,372,868	39,902,530	85,758,149
Comprehensive Income					
Net Result		153,446	-	-	153,446
Total Other Comprehensive Income		153,446	-	-	153,446
Reserve Transfers		(209,157)	209,157	-	-
Balance as at 30 June 2020		43,427,040	2,582,025	39,902,530	85,911,595

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

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

	NOTE	2019/20 Actual \$	2019/20 Budget \$	2018/19 Actual \$
Cash Flows From Operating Activities				
Receipts				
Rates		2,813,252	2,800,672	2,694,744
Operating Grants, Subsidies and Contributions		1,899,398	1,192,083	1,683,236
Fees and Charges		630,882	583,040	589,733
Interest Earnings		117,456	88,455	158,925
Other Revenue		439,848	471,454	852,730
		<u>5,900,836</u>	<u>5,135,704</u>	<u>5,979,368</u>
Payments				
Employee Costs		(2,004,892)	(2,132,703)	(1,922,012)
Materials and Contracts		(1,570,890)	(2,051,198)	(1,464,477)
Utility Charges		(230,369)	(221,479)	(203,037)
Insurance Expenses		(195,150)	(192,504)	(184,221)
Interest expenses		(101,836)	(96,015)	(82,855)
Other Expenditure		(253,893)	(84,325)	(1,231,865)
		<u>(4,357,030)</u>	<u>(4,778,224)</u>	<u>(5,088,467)</u>
Net Cash Provided By (Used In)				
Operating Activities	14(b)	<u>1,543,806</u>	<u>357,480</u>	<u>890,901</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment	7(b)	(978,364)	(1,846,000)	(972,877)
Payments for Construction of Infrastructure	8(b)	(1,517,042)	(2,700,790)	(5,473,045)
Non-Operating Grants, Subsidies and Contributions	29	663,197	1,679,656	5,793,490
Proceeds from Sale of Plant & Equipment	21	169,982	-	167,920
Proceeds from Advances		-	345,000	-
Proceeds from financial assets at amortised cost - Bonds		316,042	-	-
Payments (to) financial assets at amortised cost – Term Deposits		(2,582,024)	-	-
		<u>(3,928,209)</u>	<u>(2,522,134)</u>	<u>(484,512)</u>
Net Cash Provided By (Used In)				
Investing Activities		<u>(3,928,209)</u>	<u>(2,522,134)</u>	<u>(484,512)</u>
Cash Flows from Financing Activities				
Repayment of Debentures	22	(153,429)	(153,429)	(129,929)
Repayment of Finance Leases		-	16,270	-
Proceeds from Self Supporting Loans	22	16,271	-	15,313
Proceeds from New Debentures	22	-	150,000	-
		<u>(137,158)</u>	<u>12,841</u>	<u>(114,616)</u>
Net Cash Provided By (Used In)				
Financing Activities		<u>(137,158)</u>	<u>12,841</u>	<u>(114,616)</u>
Net Increase (Decrease) in Cash Held				
Cash at Beginning of Year		4,453,120	4,453,118	4,161,347
Cash and Cash Equivalents at the End of the Year				
	14(a)	<u><u>1,931,559</u></u>	<u><u>2,301,305</u></u>	<u><u>4,453,120</u></u>

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

**SHIRE OF BEVERLEY
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2020**

	NOTE	2019/20 Actual \$	2019/20 Budget \$	2018/19 Actual \$
Revenue				
General Purpose Funding		928,315	494,955	991,754
Governance		53,682	26,100	81,896
Law, Order, Public Safety		239,077	210,156	214,112
Health		582	100	364
Housing		130,888	117,192	119,433
Community Amenities		223,806	207,073	210,223
Recreation and Culture		299,363	642,701	428,169
Transport		1,486,190	1,663,712	6,138,301
Economic Services		176,097	208,929	129,240
Other Property and Services		71,286	45,469	56,632
		<u>3,609,286</u>	<u>3,616,387</u>	<u>8,370,124</u>
Expenses				
General Purpose Funding		(145,995)	(182,495)	(142,773)
Governance		(225,043)	(274,300)	(344,864)
Law, Order, Public Safety		(415,298)	(392,971)	(339,194)
Health		(144,873)	(170,695)	(144,698)
Education and Welfare		(72,603)	(92,513)	(62,605)
Housing		(181,650)	(212,325)	(298,543)
Community Amenities		(649,756)	(676,208)	(630,134)
Recreation and Culture		(1,495,695)	(1,575,216)	(1,368,386)
Transport		(2,518,082)	(2,558,918)	(2,474,593)
Economic Services		(409,781)	(558,586)	(385,443)
Other Property and Services		(10,316)	(17,433)	(9,884)
		<u>(6,269,092)</u>	<u>(6,711,660)</u>	<u>(6,201,117)</u>
Net Result Excluding Rates		(2,659,806)	(3,095,273)	2,169,007
Adjustments for Cash Budget Requirements:				
Non-Cash Expenditure and Revenue				
(Profit)/Loss on Asset Disposals	21	40,052	25,000	(9,678)
Asset Accounting Change - Regulations	7(b)	-	-	96,513
Movements in Non-Current to Current Items		10,917	-	(54,716)
Depreciation and Amortisation on Assets	2(a)	2,330,127	2,306,735	2,452,839
Total Non-Cash Expenditure and Revenue		2,381,096	2,331,735	2,484,958
Capital Expenditure and Revenue				
Purchase Land and Buildings	7(b)	(423,598)	(979,000)	(656,551)
Purchase Plant and Equipment	7(b)	(554,765)	(867,000)	(257,329)
Purchase Furniture and Equipment	7(b)	-	-	(58,997)
Purchase Infrastructure Assets - Roads	8(b)	(1,276,983)	(2,441,722)	(1,798,238)
Purchase Infrastructure Assets - Other	8(b)	(240,059)	(259,068)	(3,674,807)
Proceeds from Disposal of Assets	21	169,983	345,000	167,920
Repayment of Debentures	22	(153,429)	(153,429)	(129,929)
Proceeds from New Debentures	22	-	150,000	-
Self-Supporting Loan Principal Income		16,271	16,270	15,313
Transfers to Reserves (Restricted Assets)	12	(537,901)	(547,696)	(262,401)
Transfers from Reserves (Restricted Assets)	12	328,744	974,867	160,779
Total Capital Expenditure and Revenue		(2,671,737)	(3,761,778)	(6,494,240)
ADD Surplus/(Deficit) July 1 B/Fwd.	23(b)	1,563,627	1,724,644	870,175
LESS Surplus/(Deficit) June 30 C/Fwd.	23(b)	1,426,432	-	1,724,644
Total (Deficit) to be covered by General Rate	23(a)	(2,813,252)	(2,800,672)	(2,694,744)

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

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

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

(a) Basis of Preparation

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

The *Local Government (Financial Management) Regulations 1996* (FM Regs) take precedence over Australian Accounting Standards. Prior to 1 July 2019, Regulation (Reg) 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 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 balance sheet. Also, the FM regs have been amended to specify that vested land is a right of use (ROU) asset to be measured at cost. All ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the balance sheet) 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.

Except for cash flow and rate setting information, the report has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of the selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

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

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

(b) The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears at Note 20 to these financial statements.

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

1. SIGNIFICANT ACCOUNTING POLICIES

(c) 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.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, 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 shown as short term borrowings in current liabilities in the statement of financial position.

(e) 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.

(f) 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. Information about impairment of trade receivables and their exposure to credit risk can be found in Note 34.

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.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Trade and Other Receivables (continued)

Recognition of revenue is dependent 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	N/A	When rates notice is issued
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 term transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement with funding body	Based on the progress of works matched to performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations
Grants, subsidies or contributions with no contractual commitments	General appropriations and contributions with no reciprocal commitment	No obligations	N/A	N/A	Cash received	On receipt of funds	N/A	When assets are controlled
Fees and charges-licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence	Single point in time	Full payment prior to issue	None	Set by State legislation or limited by legislation to the cost provision	Base don timing of issue of the associated rights	No refunds	On payment of the licence, registration or approval

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Trade and Other Receivables (continued)

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
Fees and charges- Pool inspections	Compliance safety check	Single point in time	Equal proportion based on an equal annual fee	None	Set by State legislation	Apportioned equally across the inspection cycle	N/A	After inspection complete based on a four year cycle
Fees and charges- 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 provision	Applied fully at time of inspection	N/A	After inspection complete
Fees and charges- Waste management	Kerbside collection service	Over time	Payment on an annual basis in advance	None	Adopted by Council annually	Apportioned equally over the collection period	N/A	Output method based on regular weekly and fortnightly periods as proportionate to collection service
Fees and charges- Property hire	Use of Halls and other facilities	Single point in time	Payment in full in advance	Refund if event cancelled	Adopted by Council annually	Based on timing of entry to facility	Returned limited to repayment of transaction	On entry or at conclusion of hire
Fees and charges- Commercial lease	Lease of office facilities	Over time	Fixed term transfer of funds based on agreed lease terms	None	As per lease agreement	Based on timing of entry to facility	N/A	Output method over lease term matched to access right

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Trade and Other Receivables (continued)

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
Fees and charges- Memberships	Community Gym and Pool Memberships	Over time	Payment in full in advance	None	Adopted by Council annually	Apportioned equally over the access period	Returned limited to repayment of transaction	Output method over 12 months matched to access right
Fees and charges- Other goods and services	Cemetery services, Library fees, private works	Single point in time	Payment in full in advance	None	Adopted by Council annually	Applied fully based on timing of provision	N/A	Output method based on provision of service or completion of works
Fees and charges- Fines	Fines issued for breaches of local laws	Single point in time	Payment in full within defined time	None	Adopted by Council annually	When taxable event occurs	N/A	When fine notice is issued
Other Revenue- Commissions	Commissions on transport licencing and building levies	Single point in time	Payment in full on sale	None	Set by mutual agreement with customer	On receipt of funds	N/A	When assets are controlled
Other Revenue- Reimbursements	Insurance claims	Single point in time	Payment in arrears for claimable event	None	Set by mutual agreement with customer	When claim is agreed	N/A	When claim is agreed

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Inventories

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.

Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in the statement of comprehensive income at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on Council's intention to release for sale.

(h) 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.

Recognition and measurement

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Fixed Assets (Continued)

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 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)*, 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 AASB1051 *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 is not included as an asset of the Council.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Fixed Assets (Continued)

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 ROU assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect on ono-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 balance sheet.

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 ROU assets at zero cost.

Depreciation of Non-Current Assets

All non-current assets having a limited useful life (excluding freehold and vested land) are separately and systematically depreciated over their useful lives in a manner which reflects the Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period.
 Major depreciation periods are:

Land	not depreciated
Buildings	25 to 50 years
Furniture and Equipment	3 to 10 years
Plant and Equipment	5 to 15 years
Sealed roads and streets	
- Formation	not depreciated
- Pavement	40 years
- Bituminous seals	15 years
Gravel roads	
- Formation	not depreciated
- Pavement	40 years
- Gravel sheet	20 years
Formed roads (unsealed)	
- Formation	not depreciated
- Pavement	40 years
Bridges	100 years
Footpaths - slab	48 years
Water supply piping & drainage systems	54 years
Parks and Ovals	25 years

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Fixed Assets (Continued)

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. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

(i) Fair Value of Assets and Liabilities

When performing a revaluation, Council uses a mix of both independent and management valuations using the following as a guide:

Fair Value is the price that Council 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.

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Fair Value of Assets and Liabilities (Continued)

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

Council 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 Council 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 an asset at its current service capacity.

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, Council 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.

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 5 years.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment

In accordance with Australian Accounting Standards the Council's 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). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other standard.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

(k) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council 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.

(l) Employee Benefits

Short-term employee benefits

Provision is made for Council'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.

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other 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 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.

Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where Council 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) Provisions

Provisions are recognised when:

- a) the Council has a present legal or constructive obligation as a result of past events;
- b) for which it is probable that an outflow of economic benefits will result; and
- c) 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.

(o) Leases

At the inception of the 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 are subsequently measured under the revaluation model as they relate to asset classes that are also revalued.

Right of use assets are depreciated over the lease term or useful life of the underlying assets, 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.

Right of use asset - valuation

ROU assets are measured at cost. This means that all ROU assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included on the balance sheet). The exception is vested improvements which are reported at fair value.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Investments in Associates

The Council has no investments held in any third party entities.

(q) Joint Venture

The Council has no interest in any Joint Venture.

(r) Rates, Grants, Donations and Other Contributions

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

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 2(c).

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

(s) Superannuation

The Council contributes to a number of superannuation funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

(t) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council 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 even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on Council's intentions to release for sale.

(u) 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.

(v) Comparative Figures

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

When the council applied an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement that has a material effect on the statement of financial position, a statement of financial position as at the beginning of the earliest period will be disclosed.

(w) 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New Accounting Standards and Interpretations for Application in Future Periods

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

Management's assessment of the new and amended pronouncement that are relevant to the Council, applicable to future reporting periods and which have not yet been adopted are set out as follows.

	Title and Topic	Issued	Applicable (*)	Impact
(i)	AASB 1059 Service Concession Arrangements: Grantors	July 2017	1 July 2020	AASB 1059 Service Concession Arrangements: Grantors is not expected to impact the financial report.
(ii)	AASB 2018-7 Amendments to Australian Accounting Standards - Materiality	December 2018	1 July 2020	Specific impacts of AASB 2018-7 Amendments to Australian Accounting Standards - Materiality, have not been identified.

Notes:

(*) Applicable to reporting periods commencing on or after the given date.

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

2. REVENUE AND EXPENSES	2019/20	2018/19	
	Actual	Actual	
	\$	\$	
(a) Net Result			
The Net Result includes:			
(i) Charging as an Expense:			
Auditors Remuneration			
Audit Expenses	11,132	15,500	
Other Services	7,392	-	
Depreciation			
Buildings	666,323	783,764	
Furniture and Equipment	15,527	27,029	
Plant and Equipment	278,559	272,328	
Roads	822,389	822,389	
Bridges	385,142	385,142	
Footpaths	37,944	37,944	
Drainage	49,658	49,658	
Parks and Gardens	74,585	74,585	
	<u>2,330,127</u>	<u>2,452,839</u>	
Interest Expenses (Finance Costs)			
Debentures (<i>refer Note 22(a)</i>)	82,572	81,547	
	<u>82,572</u>	<u>81,547</u>	
Rental Charges			
- Operating Leases	6,364	6,364	
	<u>6,364</u>	<u>6,364</u>	
(ii) Crediting as Revenue:			
	2019/20	2019/20	2018/19
	Actual	Budget	Actual
	\$	\$	\$
Interest Earnings			
Investments			
- Reserve Funds	42,458	47,455	58,519
- Other Funds	34,208	20,000	65,420
Other Interest Revenue (<i>refer Note 27</i>)	40,789	21,000	34,986
	<u>117,455</u>	<u>88,455</u>	<u>158,925</u>

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

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis and for each of its broad activities/programs.

Council operations as disclosed in this report encompass the following service orientated activities/programs:

GOVERNANCE

Member of Council Allowances and Reimbursements, Civic Functions, Election Expenses and Administration Expenses.

GENERAL PURPOSE FUNDING

Rates Levied, Interest on Late Payment of Rates, General Purpose Grants and Interest Received on Investments.

LAW, ORDER, PUBLIC SAFETY

Supervision of various Local Laws, Fire Prevention and Animal Control.

HEALTH

Subsidisation of the Beverley Medical Practice, Environmental Health, Food Control and Pest Control.

EDUCATION AND WELFARE

Pre-Schools and other Education. Care of Families and Children.

HOUSING

Aged Persons Residence and Staff Housing.

COMMUNITY AMENITIES

Refuse Collection Services, Landfill Site Operations, Protection of the Environment. Administration of the Town Planning Scheme and Urban Stormwater and Drainage Works.

RECREATION AND CULTURE

Maintenance of Halls, Swimming Pool, Recreation Ground, Reserves, Libraries and Other Culture.

TRANSPORT

Maintenance of Roads, Drainage Works, Footpaths, Street Lighting, Crossovers, Verge Maintenance and Street Sweeping.

ECONOMIC SERVICES

Weed Control, Area Promotion, Implementation of Building Controls, Swimming Pool Inspections.

OTHER PROPERTY & SERVICES

Private Works, Public Works Overheads, Plant Operations, Materials, Salaries and Wages Controls and Other Unclassified Activities.

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

2. REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions

Grant/Contribution	Function/ Activity	Opening Balance (*) 1-Jul-18 \$	Received (+) 2018/19 \$	Expended (#) 2018/19 \$	Closing Balance (*) 30-Jun-19 \$	Received (+) 2019/20 \$	Expended (#) 2019/20 \$	Closing Balance 30-Jun-20 \$
MRWA Direct Road Grant	Transport	-	108,404	(108,404)	-	115,556	(115,556)	-
Regional Road Group Grant	Transport	-	322,385	(322,385)	-	320,698	(320,698)	-
Roads To Recovery Grant	Transport	-	4,081,472	(4,081,472)	-	303,652	(303,652)	-
Special Bridge Grant	Transport	-	134,067	-	134,067	-	(134,067)	-
Bush Fire Risk Mitigation Grant	Law, Order, Public Safety	-	26,950	-	26,950	-	(26,950)	-
Total		-	4,673,278	(4,512,261)	161,017	739,906	(900,923)	-

Notes:

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

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

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

Economic dependency

A significant portion of revenue is received by way of grants from State and Federal Government. Total grant revenue from government sources is disclosed within the Statement of Comprehensive Income.

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

	2019/20	2018/19
	Actual	Actual
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Unrestricted	1,615,517	1,919,235
Restricted	316,042	2,533,885
	<u>1,931,559</u>	<u>4,453,120</u>

The following restrictions have been imposed by regulations or other externally imposed requirements:

Reserve Funds - Cash Backed (<i>refer Note 12</i>)	-	2,372,868
Unspent Grants (<i>refer Note 2(c)</i>)	-	161,017
ILU Retention Fees - Bond	316,042	-
	<u>316,042</u>	<u>2,533,885</u>

4. TRADE AND OTHER RECEIVABLES

Current

Rates Outstanding	295,769	246,474
Sundry Debtors	103,322	143,583
GST Receivable	-	218,646
Loans - Clubs/Institutions	17,288	16,271
	<u>416,379</u>	<u>624,974</u>

Non-Current

Rates Outstanding - Pensioners	125,188	111,942
Loans - Clubs/Institutions	25,253	42,541
	<u>150,441</u>	<u>154,483</u>

5. OTHER FINANCIAL ASSETS

Current

Contract Assets	17,795	-
Investment - Reserve Funds	2,582,024	-
	<u>2,599,819</u>	<u>-</u>

Non-Current

Investment - Local Government House*	53,416	46,400
	<u>53,416</u>	<u>46,400</u>

*The Shire of Beverley holds three units in the Local Government House Trust.

6. INVENTORIES

Current

Fuel and Materials	9,345	12,501
	<u>9,345</u>	<u>12,501</u>

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

	2019/20 Actual \$	2018/19 Actual \$
7. PROPERTY, PLANT AND EQUIPMENT		
(a) Land and Buildings		
Freehold Land at Fair Value	2,679,196	2,679,196
	<u>2,679,196</u>	<u>2,679,196</u>
Land Under Control at Fair Value	-	99,000
Total Land	2,679,196	2,778,196
Buildings at Fair Value	33,792,949	33,410,350
Less Accumulated Depreciation	(15,612,705)	(14,982,507)
Total Buildings	18,180,244	18,427,843
Total Land and Buildings	20,859,440	21,206,039
Plant and Equipment		
Plant and Equipment at Fair Value	3,972,266	3,631,501
Less Accumulated Depreciation	(1,872,468)	(1,602,750)
Total Plant and Equipment	2,099,798	2,028,751
Furniture and Equipment		
Furniture and Equipment at Fair Value	192,348	192,349
Less Accumulated Depreciation	(82,103)	(66,576)
Total Furniture and Equipment	110,245	125,773
Total Property, Plant and Equipment	23,069,483	23,360,563

Land and Buildings:

A valuation of land and building assets was undertaken by an external consultant in December 2016 and the valuation was adopted as the fair value in June 2017.

The revaluation of land and building assets resulted in an increase on revaluation of \$454,061 in the net value of land and buildings.

All of this increase was credited to the revaluation surplus (refer Note 12) and was recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

Plant and Equipment:

A valuation of plant and machinery assets was undertaken by an external consultant in June 2019 and the valuation was adopted as the fair value in June 2019.

The revaluation of plant and machinery assets resulted in a increase on revaluation of \$238,272 in the net value of plant and machinery.

All of this increase was credited to the revaluation surplus (refer Note 12) and was recognised as Changes on Revaluation of Non-Current Assets in the Statement of Comprehensive Income.

Furniture and Equipment:

Furniture and Equipment items were valued in 2017 as part of the mandatory requirements as per Local Government (Financial Management) Regulation 17A.

The Furniture and Equipment currently on the Council's asset register was identified during a stocktake in 2020 and is replaced on a regular basis. Based on this, the cost approach is deemed to be the most appropriate and a very conservative fair value measurement.

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

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements in Carrying Amounts

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

Fair Value Hierarchy Valuation Approach Last Valued	<u>Land</u>	<u>Non- Specialised Buildings</u>	<u>Specialised Buildings</u>	<u>Total Buildings</u>	<u>Total Land and Buildings</u>	<u>Plant and Equipment</u>	<u>Furniture and Equipment</u>	<u>Total</u>
	Level 2 Market 2017	Level 2/3 Market/Cost 2017	Level 3 Cost 2017			Level 2/3 Market/Cost 2019	Level 3 Cost 2017	
	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at the beginning of the year	2,778,196	7,820,601	10,607,242	18,427,843	21,206,039	2,028,751	125,773	23,360,563
Additions	-	56,736	366,863	423,599	423,599	554,763	-	978,362
(Disposals)	-	-	(4,874)	(4,874)	(4,874)	(205,159)	-	(210,033)
Revaluation - Increments	-	-	-	-	-	-	-	-
- (Decrements)	-	-	-	-	-	-	-	-
Impairment - (Losses)	-	-	-	-	-	-	-	-
- Reversals	-	-	-	-	-	-	-	-
Changes in recognition of assets due to changes to Regulations	(99,000)	-	-	-	(99,000)	-	-	(99,000)
Depreciation (Expense)	-	(206,924)	(459,399)	(666,323)	(666,323)	(278,559)	(15,527)	(960,409)
Carrying amount at the end of year	2,679,196	7,670,413	10,509,832	18,180,245	20,859,441	2,099,796	110,246	23,069,483

The fair value of property, plant and equipment is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown as cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with Local Government (Financial Management) Regulation 17A (2) which requires property, plant and equipment to be shown at fair value.

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

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Freehold land	2	Market approach using recent observable market data for similar properties.	Independent Registered Valuer	June 2017	Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly e.g. local land sales.
Land vested in and under the control of Council	3	Improvements to land valued using depreciated replacement cost.	Independent Registered Valuer	June 2017	Depreciated replacement cost to acquire a modern equivalent that would provide equal utility.
Non-specialised buildings	2/3	Market approach using recent observable market data for similar properties & Cost approach using depreciated replacement cost.	Independent Registered Valuer	June 2017	Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly e.g. local property sales and Depreciated replacement cost to acquire a modern equivalent that would provide equal utility.
Specialised buildings	3	Cost approach using depreciated replacement cost.	Independent Registered Valuer	June 2017	Depreciated replacement cost to acquire a modern equivalent that would provide equal utility.
Plant and Equipment	2/3	Market approach using recent observable market data for similar properties & Cost approach using depreciated replacement cost.	Independent Registered Valuer	June 2019	Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly e.g. Plant auction sales.
Furniture and Equipment	3	Cost approach using depreciated replacement cost.	Management Valuation	June 2017	Residual values and remaining useful life assessment 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.

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

	2019/20 Actual \$	2018/19 Actual \$
8. INFRASTRUCTURE		
(a) Roads - Valuation	37,667,954	36,390,971
Less Accumulated Depreciation	<u>(11,074,538)</u>	<u>(10,252,149)</u>
	26,593,416	26,138,822
Bridges - Valuation	42,227,546	42,084,386
Less Accumulated Depreciation	<u>(12,712,730)</u>	<u>(12,327,588)</u>
	29,514,816	29,756,798
Footpaths - Valuation	1,827,380	1,730,481
Less Accumulated Depreciation	<u>(1,187,426)</u>	<u>(1,149,482)</u>
	639,954	580,999
Drainage - Valuation	2,703,200	2,703,200
Less Accumulated Depreciation	<u>(620,633)</u>	<u>(570,975)</u>
	2,082,567	2,132,225
Parks & Ovals - Valuation	2,034,941	2,034,941
Less Accumulated Depreciation	<u>(499,161)</u>	<u>(424,576)</u>
	1,535,780	1,610,365
	<u>60,366,533</u>	<u>60,219,209</u>

Infrastructure:

A full road asset network revaluation was undertaken by external consultants in December 2017. The fair value is determined as the current replacement cost (CRC) less accumulated depreciation to reflect the already consumed or expired economic benefits. This approach is consistent with AASB 116 and following review of current market rates were adopted as the fair value at 30 June 2018.

A full bridge asset valuation was undertaken by external consultants in December 2017. The fair value is determined as the current replacement cost (CRC) less accumulated depreciation to reflect the already consumed or expired economic benefits. This approach is consistent with AASB 116 and were adopted as the fair value at 30 June 2018.

A full footpath asset network revaluation was undertaken by external consultants in December 2017. The fair value is determined as the current replacement cost (CRC) less accumulated depreciation to reflect the already consumed or expired economic benefits. This approach is consistent with AASB 116 and were adopted as the fair value at 30 June 2018.

A full drainage asset network valuation was undertaken by external consultants in December 2017. The fair value is determined as the current replacement cost (CRC) less accumulated depreciation to reflect the already consumed or expired economic benefits. This approach is consistent with AASB 116 and were adopted as the fair value at 30 June 2018.

A full parks and ovals asset valuation was undertaken by external consultants in December 2017. The fair value is determined as the current replacement cost (CRC) less accumulated depreciation to reflect the already consumed or expired economic benefits. This approach is consistent with AASB 116 and were adopted as the fair value at 30 June 2018.

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

8. INFRASTRUCTURE (Continued)

(b) Movements in Carrying Amounts

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

	<u>Roads</u>	<u>Bridges</u>	<u>Footpaths</u>	<u>Drainage</u>	<u>Parks & Ovals</u>	<u>Total</u>
Fair Value Hierarchy	Level 3	Level 3	Level 3	Level 3	Level 3	
Valuation Approach	Cost	Cost	Cost	Cost	Cost	
Last Valued	2018	2018	2018	2018	2018	
	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	26,138,822	29,756,798	580,999	2,132,225	1,610,365	60,219,209
Additions	1,276,983	143,160	96,899	-	-	1,517,042
(Disposals)	-	-	-	-	-	-
Revaluation - Increments	-	-	-	-	-	-
- (Decrements)	-	-	-	-	-	-
Impairment - (Losses)	-	-	-	-	-	-
- Reversals	-	-	-	-	-	-
Depreciation (Expense)	(822,389)	(385,142)	(37,944)	(49,658)	(74,585)	(1,369,718)
Carrying amount at the end of year	<u>26,593,416</u>	<u>29,514,816</u>	<u>639,954</u>	<u>2,082,567</u>	<u>1,535,780</u>	<u>60,366,533</u>

The fair value of infrastructure is determined at least every three years in accordance with legislative requirements. Additions since the date of valuation are shown at cost, given they were acquired at arms length and any accumulated depreciation reflects the usage of service potential, it is considered the recorded written down value approximates fair value. At the end of each intervening 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 infrastructure to be shown at fair value.

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

8. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Roads	3	Cost approach using depreciated replacement cost.	Independent Valuation	June 2018	Sample assessment of Road assets conducted.
Bridges	3	Cost approach using depreciated replacement cost.	Independent Valuation	June 2018	Full pick up and condition assessment of Bridge assets conducted.
Footpaths	3	Cost approach using depreciated replacement cost.	Independent Valuation	June 2018	Sample assessment of Footpath assets conducted.
Drainage	3	Cost approach using depreciated replacement cost.	Independent Valuation	June 2018	Full pick up and condition assessment of Drainage assets conducted.
Parks & Ovals	3	Cost approach using depreciated replacement cost.	Independent Valuation	June 2018	Full pick up and condition assessment of Parks & Ovals assets conducted.

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.

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

	2019/20	2018/19
	Actual	Actual
	\$	\$
9. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	382,949	766,795
GST Payable	10,743	-
ILU Retention Fee - Bond	11,988	-
Accrued Interest on Debentures	5,626	24,890
Accrued Salaries and Wages	33,506	22,582
	<u>444,812</u>	<u>814,267</u>
Non-Current		
ILU Retention Fee - Bond	304,054	-
	<u>304,054</u>	<u>-</u>
10. LONG-TERM BORROWINGS		
Current		
Secured by Floating Charge		
Debentures	137,938	153,429
	<u>137,938</u>	<u>153,429</u>
Non-Current		
Secured by Floating Charge		
Debentures	1,379,225	1,517,163
	<u>1,379,225</u>	<u>1,517,163</u>
Additional detail on borrowings is provided in Note 22.		
11. PROVISIONS		
Analysis of Total Provisions		
Current Provisions	352,111	342,435
Non Current Provisions	67,240	25,790
	<u>419,351</u>	<u>368,225</u>
	Provision for	Provision for
	Annual	Long Service
	Leave	Leave
	\$	\$
Opening balance as at 1 July 2019	184,119	184,106
Additional provisions	52,452	50,518
Amounts used	(37,664)	(14,180)
Balance at 30 June 2020	<u>198,907</u>	<u>220,444</u>

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

	2019/20 Actual \$	2019/20 Budget \$	2018/19 Actual \$
12. RESERVES - CASH BACKED			
(a) Annual Leave Reserve			
<i>Purpose - to be used to fund annual leave requirements.</i>			
Opening Balance	136,589	136,590	133,067
Amount Set Aside / Transfer to Reserve	2,463	2,732	3,522
Amount Used / Transfer from Reserve	-	-	-
	<u>139,052</u>	<u>139,322</u>	<u>136,589</u>
(b) Avon River Development Reserve			
<i>Purpose - to be used to develop the Avon River pool and surrounding environment.</i>			
Opening Balance	25,384	25,383	24,752
Amount Set Aside / Transfer to Reserve	458	508	632
Amount Used / Transfer from Reserve	-	-	-
	<u>25,842</u>	<u>25,891</u>	<u>25,384</u>
(c) Building Reserve			
<i>Purpose - to be used to fund the construction of new and renovation of existing Council buildings.</i>			
Opening Balance	352,638	352,638	411,853
Amount Set Aside / Transfer to Reserve	6,359	7,053	10,785
Amount Used / Transfer from Reserve	(70,000)	(100,000)	(70,000)
	<u>288,997</u>	<u>259,691</u>	<u>352,638</u>
(d) Community Bus Reserve			
<i>Purpose - to be used for the replacement of the Community Bus.</i>			
Opening Balance	36,075	36,075	32,652
Amount Set Aside / Transfer to Reserve	1,768	1,889	3,423
Amount Used / Transfer from Reserve	-	-	-
	<u>37,843</u>	<u>37,964</u>	<u>36,075</u>
(e) Cropping Committee Reserve			
<i>Purpose - to be used to fund Community Based projects and assist Community Groups.</i>			
Opening Balance	134,139	134,139	101,540
Amount Set Aside / Transfer to Reserve	40,397	40,411	40,549
Amount Used / Transfer from Reserve	(15,440)	(120,000)	(7,950)
	<u>159,096</u>	<u>54,550</u>	<u>134,139</u>
(f) Emergency Services Reserve			
<i>Purpose - to be used to acquire Emergency Service support equipment.</i>			
Opening Balance	126,293	126,293	123,145
Amount Set Aside / Transfer to Reserve	2,277	2,526	3,148
Amount Used / Transfer from Reserve	(100,000)	(120,000)	-
	<u>28,570</u>	<u>8,819</u>	<u>126,293</u>
(g) LSL and Gratuity Reserve			
<i>Purpose - to be used to fund Long Service Leave and Gratuity payment obligations.</i>			
Opening Balance	43,299	43,301	62,607
Amount Set Aside / Transfer to Reserve	781	866	1,692
Amount Used / Transfer from Reserve	(13,513)	(44,167)	(21,000)
	<u>30,567</u>	<u>-</u>	<u>43,299</u>

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

	2019/20 Actual \$	2019/20 Budget \$	2018/19 Actual \$
12. RESERVES - CASH BACKED (Continued)			
(h) Office Equipment Replacement Reserve			
<i>Purpose - to be used for the replacement of office equipment.</i>			
Opening Balance	94	95	21,352
Amount Set Aside / Transfer to Reserve	1	-	571
Amount Used / Transfer from Reserve	(95)	-	(21,829)
	<u>-</u>	<u>95</u>	<u>94</u>
(i) Plant Replacement Reserve			
<i>Purpose - to be used for the purchase of major plant.</i>			
Opening Balance	488,157	488,156	475,659
Amount Set Aside / Transfer to Reserve	8,803	59,763	12,498
Amount Used / Transfer from Reserve	(129,696)	(300,000)	-
	<u>367,264</u>	<u>247,919</u>	<u>488,157</u>
(j) Recreation Ground Reserve			
<i>Purpose - to be used for the upgrade or maintenance of recreation areas and buildings, including the Swimming Pool.</i>			
Opening Balance	419,842	419,842	404,191
Amount Set Aside / Transfer to Reserve	12,571	13,397	15,651
Amount Used / Transfer from Reserve	-	-	-
	<u>432,413</u>	<u>433,239</u>	<u>419,842</u>
(k) Road Construction Reserve			
<i>Purpose - to be used to fund the construction and maintenance of roads.</i>			
Opening Balance	495,740	495,740	374,801
Amount Set Aside / Transfer to Reserve	17,921	9,915	120,939
Amount Used / Transfer from Reserve	-	(150,700)	-
	<u>513,661</u>	<u>354,955</u>	<u>495,740</u>
(l) Airfield Emergency Lighting Reserve			
<i>Purpose - to be used for the upgrade and maintenance of the Airfield runway lighting.</i>			
Opening Balance	39,239	39,240	38,173
Amount Set Aside / Transfer to Reserve	708	785	1,066
Amount Used / Transfer from Reserve	-	-	-
	<u>39,947</u>	<u>40,025</u>	<u>39,239</u>
(m) Senior's Housing Reserve			
<i>Purpose - to be used for the future development and current maintenance of Senior's Housing.</i>			
Opening Balance	75,379	75,379	67,454
Amount Set Aside / Transfer to Reserve	77,394	41,851	47,925
Amount Used / Transfer from Reserve	-	(20,000)	(40,000)
	<u>152,773</u>	<u>97,230</u>	<u>75,379</u>
(n) Mainstreet Redevelopment Reserve			
<i>Purpose - to be used to fund the redevelopment of Vincent Street including undergrounding of power supply.</i>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	306,000	306,000	-
Amount Used / Transfer from Reserve	-	(100,000)	-
	<u>306,000</u>	<u>206,000</u>	<u>-</u>

SHIRE OF BEVERLEY
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
12.

	2019/20 Actual \$	2019/20 Budget \$	2018/19 Actual \$
12. RESERVES - CASH BACKED (Continued)			
(o) Avondale Machinery Museum Reserve			
<i>Purpose - to be used to fund Avondale Machinery Museum upgrades and special projects.</i>			
Opening Balance	-	-	-
Amount Set Aside / Transfer to Reserve	60,000	60,000	-
Amount Used / Transfer from Reserve	-	(20,000)	-
	<u>60,000</u>	<u>40,000</u>	<u>-</u>
(n) Summary			
Opening Balance	2,372,868	2,372,871	2,271,246
Amount Set Aside / Transfer to Reserve	537,901	547,696	262,401
Amount Used / Transfer from Reserve	(328,744)	(974,867)	(160,779)
Total Reserves	<u><u>2,582,025</u></u>	<u><u>1,945,700</u></u>	<u><u>2,372,868</u></u>

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

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

	2019/20	2018/19
	Actual	Actual
	\$	\$
13. ASSET REVALUATION SURPLUS		
Asset revaluation surplus have arisen on revaluation of the following classes of non-current assets:		
(a) Land and Buildings		
Opening balance	9,621,871	9,621,871
Changes in recognition of assets due to changes to Regulations	(99,000)	
	<u>9,522,871</u>	<u>9,621,871</u>
(b) Plant and Equipment		
Opening Balance	436,388	198,115
Revaluation Increment	-	238,273
	<u>436,388</u>	<u>436,388</u>
(c) Infrastructure - Footpaths		
Opening Balance	538,684	538,684
	<u>538,684</u>	<u>538,684</u>
(d) Infrastructure - Bridges		
Opening Balance	25,921,379	25,921,379
	<u>25,921,379</u>	<u>25,921,379</u>
(e) Infrastructure - Drainage		
Opening Balance	1,798,258	1,798,258
	<u>1,798,258</u>	<u>1,798,258</u>
(f) Infrastructure - Parks & Ovals		
Opening Balance	1,684,950	1,684,950
	<u>1,684,950</u>	<u>1,684,950</u>
TOTAL ASSET REVALUATION RESERVES	<u><u>39,902,530</u></u>	<u><u>40,001,530</u></u>

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the statement of financial position as follows:

	2019/20 Actual \$	2019/20 Budget \$	2018/19 Actual \$
Cash and Cash Equivalents	<u>1,931,559</u>	<u>2,301,305</u>	<u>4,453,120</u>

(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result

Net Result	153,446	(294,601)	4,863,745
Amortisation	-	-	-
Depreciation	2,330,127	2,306,737	2,452,839
(Profit)/Loss on Sale of Asset	40,050	25,000	86,835
(Increase)/Decrease in Receivables	(66,355)	-	265,185
(Increase)/Decrease in Inventories	3,157	-	(2,563)
Increase/(Decrease) in Payables	(143,532)	-	(1,022,167)
Increase/(Decrease) in Employee Provisions	51,127	-	40,517
Grants/Contributions for the Development of Assets	<u>(824,214)</u>	<u>(1,679,656)</u>	<u>(5,793,490)</u>
Net Cash from Operating Activities	<u>1,534,806</u>	<u>357,480</u>	<u>890,901</u>

(c) Undrawn Borrowing Facilities
Credit Standby Arrangements

Credit Card limit	10,000		10,000
Credit Card Balance at Balance Date	<u>(3,571)</u>		<u>(3,571)</u>
Total Amount of Credit Unused	<u>6,429</u>		<u>6,429</u>

Loan Facilities

Loan Facilities - Current	137,938		153,429
Loan Facilities - Non-Current	<u>1,379,225</u>		<u>1,517,163</u>
Total Facilities in Use at Balance Date	<u>1,517,163</u>		<u>1,670,592</u>

Unused Loan Facilities at Balance Date	<u>-</u>		<u>-</u>
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15. CONTINGENT LIABILITIES

Council does not have any known contingent liabilities as at 30 June 2020.

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

	2019/20	2018/19
	Actual	Actual
	\$	\$
16. CAPITAL AND LEASING COMMITMENTS		
(a) Operating Lease Commitments		
Council does not have any lease commitments as at 30 June 2020.		
Payable:		
- not later than one year	-	6,364
	<u>-</u>	<u>6,364</u>
Note: With the implementation of AASB 16, from 1 July 2019 all Leased assets will be capitalised and applicable interest componets and applicable depreciation of the leased item will be expensed.		
(b) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	734,027	-
- plant & equipment purchases	95,475	-
	<u>829,502</u>	<u>-</u>
Payable:		
- not later than one year	829,502	-
	<u>829,502</u>	<u>-</u>
17. JOINT VENTURE		
The Shire of Beverley did not participate in any joint venture in the 2019/20 financial year.		
18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY		
Governance	1,013,303	1,061,926
Law, Order, Public Safety	187,730	144,122
Health	466,468	476,046
Housing	3,312,129	3,393,260
Community Amenities	98,067	101,407
Recreation and Culture	10,962,294	11,144,409
Transport	65,063,432	64,962,099
Economic Services	570,509	582,256
Other Property and Services	1,861,084	1,714,247
Unallocated	5,061,959	5,291,478
	<u>88,596,975</u>	<u>88,871,250</u>

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

	2019/20	2018/19	2017/18
19. FINANCIAL RATIOS			
Current Ratio	6.06	2.26	1.36
Asset Sustainability Ratio	0.61	2.17	0.79
Debt Service Cover Ratio	7.38	8.04	21.58
Operating Surplus Ratio	(0.15)	(0.20)	0.16
Own Source Revenue Coverage Ratio	0.67	0.64	0.86
Asset Consumption Ratio	0.65	0.75	0.61
Asset Renewal Funding Ratio	1.94	1.56	0.65
Rates to Borrowings Ratio	1.85	1.61	1.47

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 Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}}$
Debt Service Cover Ratio	$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}}$
Operating Surplus Ratio	$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue}}$
Own Source Revenue Coverage Ratio	$\frac{\text{own source operating revenue}}{\text{operating expense}}$
Asset Consumption Ratio	$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planned capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$
Rates to Borrowings Ratio	$\frac{\text{Total Rates}}{\text{Total Borrowings}}$

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

20. TRUST FUNDS

Funds held at balance date over which the Shire has no control and which are not included in the financial statements are as follows:

All funds held in trust are required by law or are held by agreement with fund owners.

Description	Balance 1-Jul-19 \$	Amounts Received \$	Amounts Paid (\$)	Reclassification Municipal Fund (\$)	Balance 30-Jun-20 \$
Unclaimed Monies	134	-	-	-	134
Nomination Deposits	-	480	(480)	-	-
Second Hand Housing Deposits	5,000	-	-	-	5,000
Housing Rental Bonds	5,767	500	(715)	-	5,552
Subdivision Bonds	10,000	-	-	-	10,000
Key Bonds	2,625	1,000	(1,395)	-	2,230
Cleaning Bonds	1,500	1,500	(1,500)	-	1,500
Funds held on behalf of the Community	63,604	8,092	(60,314)	-	11,382
ILU Retention Fee Fund	328,030	-	(11,988)	(316,042)	-
Cornerstone Retention Fee Fund	58,068	-	(58,068)	-	-
Cornerstone Commercial Tenancy Bond	7,308	750	(750)	-	7,308
	<u>482,035</u>				<u>43,105</u>

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

21. DISPOSAL OF ASSETS

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Governance						
2019 Holden Acadia SUV	53,083	50,000	42,427	41,000	(10,656)	(9,000)
Community Bus Shed	4,874	-	-	-	(4,874)	-
Law, Order & Public Safety						
2016 Case 590ST Backhoe	-	115,000	-	80,000	-	(35,000)
Other Property & Services						
2017 Holden Trailblazer SUV	32,670	30,000	23,636	24,000	(9,034)	(6,000)
2015 Holden Colorado Crew Cab	23,336	30,000	17,555	30,000	(5,781)	-
2012 Isuzu FVZ1400 Tip Truck	96,071	50,000	86,364	60,000	(9,707)	10,000
2014 Mitsubishi Fuso Canter Truck	-	35,000	-	30,000	-	(5,000)
2009 John Deere 544K Loader	-	60,000	-	80,000	-	20,000
	210,034	370,000	169,982	345,000	(40,052)	(25,000)

Profit on Asset Disposal
(Loss) on Asset Disposal

-
(40,052)

(40,052)

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

22. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 1-Jul-19 \$	New Loans \$	Principal Repayments		Principal 30-Jun-20		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Recreation & Culture								
Loan 117 - Bowling Greens* <i>Loan Date: 22 November 2006</i> <i>Term: 15 Years</i> <i>Fixed Interest Rate: 6.16%</i>	42,604	-	16,270	16,270	26,334	26,334	2,892	2,715
Loan 118 - Recreation Centre <i>Loan Date: 10 May 2013</i> <i>Term: 20 Years</i> <i>Fixed Interest Rate: 4.68%</i>	807,364	-	63,678	63,678	743,686	743,686	44,261	60,466
Loan 120 - Cornerstone Centre <i>Loan Date: 12 April 2018</i> <i>Term: 15 Years</i> <i>Fixed Interest Rate: 3.50%</i>	758,634	-	42,827	42,827	715,807	715,807	33,713	31,367
Community Amenities								
Loan 119 - Storm Water Dams <i>Loan Date: 23 June 2016</i> <i>Term: 5 Years</i> <i>Fixed Interest Rate: 2.21%</i>	61,990	-	30,654	30,654	31,336	31,336	1,706	1,467
	1,670,592	-	153,429	153,429	1,517,163	1,517,163	82,572	96,015

(*) Self supporting loan financed by payments from third parties. All other loan repayments were financed by general purpose revenue.

(b) New Debentures

Council did not raise any new debentures during the 2019/20 financial year.

(c) Unspent Debentures

Council had no unspent debentures at the balance date.

(d) Overdraft

Council did not utilise an overdraft facility in the 2019/20 financial year.

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

23. RATING INFORMATION

(a) Rates

RATE TYPE	Rate in \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
General Rate											
General Rate - GRV	0.110570	500	5,835,518	645,233	(386)	-	644,847	645,233	1,000	-	646,233
General Rate - UV	0.009014	627	240,424,500	2,167,186	(800)	-	2,166,386	2,167,186	1,000	-	2,168,186
General Rate - UV Mining	0.009014	-	-	-	-	-	-	-	-	-	-
Sub-Totals		1,127	246,260,018	2,812,419	(1,186)	-	2,811,233	2,812,419	2,000	-	2,814,419
Minimum Rates	Minimum \$										
Minimum Rates - GRV	853	162	591,387	138,186	-	-	138,186	138,186	-	-	138,186
Minimum Rates - UV	853	99	6,838,000	84,447	-	-	84,447	85,300	-	-	85,300
Minimum Rates - UV Mining	853	4	67,382	3,412	-	-	3,412	3,412	-	-	3,412
Sub-Totals		265	7,496,769	226,045	-	-	226,045	226,898	-	-	226,898
							3,037,278				3,041,317
Discounts <i>(refer note 26)</i>							(226,269)				(243,145)
Total Amount Raised from General Rate							2,811,009				2,798,172
Ex-Gratia Rates							3,219				3,000
Rates Written Off							(976)				(500)
Specified Area Rate <i>(refer note 24)</i>							-				-
Total Rates							2,813,252				2,800,672

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

23. RATING INFORMATION (Continued)

(b) Information on Surplus/(Deficit) Brought Forward	2019/20 (30 June 2020 Carried Forward) \$	2019/20 (1 July 2019 Brought Forward) \$	2018/19 (30 June 2019 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>1,426,432</u>	<u>1,563,627</u>	<u>1,724,644</u>
<u>Comprises:</u>			
Cash - Unrestricted	1,615,517	1,919,235	1,919,235
Cash - Restricted Grant Funds	-	-	161,017
Cash - Restricted Reserves	-	2,372,868	2,372,868
Rates - Current	295,769	246,474	246,474
Sundry Debtors	103,322	143,585	143,585
Contract Asset	17,795	-	-
GST Receivable	-	218,646	218,646
Inventories			
- Fuel and Materials	9,345	12,501	12,501
Less:			
Reserves - Cash Backed	-	(2,372,868)	(2,372,868)
Sundry Creditors	(382,949)	(766,795)	(766,795)
Accrued Interest on Debentures	(5,626)	(24,890)	(24,890)
Accrued Salaries and Wages	(33,506)	(22,582)	(22,582)
Current Employee Benefits Provision	(352,111)	(342,435)	(342,435)
GST Payable	(10,743)	-	-
Employee Benefits - Cash Backed	169,619	179,888	179,888
Surplus/(Deficit)	<u>1,426,432</u>	<u>1,563,627</u>	<u>1,724,644</u>

Difference:

There was no difference between the Surplus/(Deficit) 1 July 2019 Brought Forward position used in the 2019/20 audited financial report and the Surplus/(Deficit) Carried Forward position as disclosed in the 2018/19 audited financial report.

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

24. SPECIFIED AREA RATE

Council has not levied any Specified Area Rates during 2019/20 financial year.

25. SERVICE CHARGES

Council has not levied any Service Charges during the 2019/20 financial year.

26. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS

	Type	Disc %	Total Cost/ Value \$	Budget Cost/ Value \$
General Rates	Discount	10.00%	226,269	243,145
Minimum Rate	Discount	10.00%		
			226,269	243,145

A discount on rates is granted to all who pay their rates in full within 35 days of the date of service appearing on the rate notice.

27. INTEREST CHARGES AND INSTALMENTS

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%	-	36,223	15,000
Interest on Instalments Plan	5.50%	-	4,566	4,000
Admin. Charge on Instalments Plan	0.00%	10	4,290	4,000
			45,079	25,000

Ratepayers had the option of paying rates in four equal instalments, due on 2nd September 2019, 4th November 2019, 6th January 2020 and 6th March 2020. Administration charges and interest applied to the final three instalments.

28. FEES & CHARGES

	2019/20 Actual \$	2018/19 Actual \$
General Purpose Funding	14,992	14,730
Governance	11	6,271
Law, Order, Public Safety	10,828	12,731
Health	382	164
Housing	108,919	98,473
Community Amenities	231,464	220,248
Recreation and Culture	142,892	119,357
Transport	7,195	7,859
Economic Services	105,479	94,893
Other Property and Services	8,719	15,006
	<u>630,881</u>	<u>589,732</u>

There were three new charges introduced during 2019/20. These included:
 Increase to the Standpipe Water charge from \$8.35 to \$9.35 per kilolitre.
 Introduction of a standpipe access card fee of \$20 per card.
 Introduction of a non-potable water charge of \$3.35 per kilolitre.

These fees were adopted by absolute majority Council Resolution and include Goods and Services Tax.

All fees are generally set on a cost recovery basis.

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

29. GRANT REVENUE

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

	2019/20	2018/19
	Actual	Actual
	\$	\$
By Nature and Type:		
Operating Grants, Subsidies and Contributions*	1,899,398	1,683,236
Non-Operating Grants, Subsidies and Contributions	824,214	5,793,490
	<u>2,723,612</u>	<u>7,476,726</u>
By Program:		
General Purpose Funding	795,868	818,099
Governance	20,307	579
Law, Order, Public Safety	190,671	198,541
Housing	9,981	8,971
Community Amenities	4,329	1,962
Recreation and Culture	156,376	308,835
Transport	1,447,103	6,097,791
Economic Services	70,377	34,054
Other Property and Services	28,600	7,894
	<u>2,723,612</u>	<u>7,476,726</u>

* Operating Grants, Subsidies and Contributions total includes Reimbursements of \$359,295.

30. ELECTED MEMBERS REMUNERATION

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

	2019/20	2019/20	2018/19
	Actual	Budget	Actual
	\$	\$	\$
Meeting Fees	40,900	40,900	40,900
President's Allowance	5,500	5,500	5,500
Deputy President's Allowance	1,375	1,375	1,375
Travelling Expenses	2,490	5,000	2,985
Telecommunications Allowance	15,283	11,510	11,532
	<u>65,548</u>	<u>64,285</u>	<u>62,292</u>

31. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

	2019/20	2018/19
	Actual	Actual
	\$	\$
	<u>28</u>	<u>28</u>
Number of Employees earning \$100,000+ Gross Salary per annum.	<u>2</u>	<u>1</u>

The Chief Executive Officer and Deputy Chief Executive Officer earned a gross salary of \$100,000+ in 2019/20.

32. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2019/20 financial year.

33. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2019/20 financial year.

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

34. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk.

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 are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019/20					
Cash and cash equivalents	0.67%	4,197,539	3,293,124	904,115	300
2018/19					
Cash and cash equivalents	1.89%	4,453,118	3,372,868	1,079,950	300

Sensitivity

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

	2019/20	2018/19
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	19,316	44,531

* 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 22.

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

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

The Shire's major receivables comprise rates annual charges and user fees and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Shire manages this risk by monitoring outstanding debt and employing debt recovery policies. It also encourages ratepayers to pay rates by the due date through a 10% rate discount incentive.

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

The 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 loss allowance as at 30 June 2020 was determined as follows for rates and trade receivables:

No expected credit loss was forecast on 30 June 2020 for rates receivable as penalty interest applies to unpaid rates and properties associated with unpaid rates may be disposed of to recover unpaid rates.

No expected credit loss was forecast on 30 June 2020 for trade receivables.

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

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings**

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

The contractual undiscounted cash flows of Council's Payables and Borrowings are set out in the Liquidity Sensitivity Table below:

	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
<u>2019/20</u>					
Payables	444,812	-	-	444,812	444,812
Borrowings	31,337	26,334	1,459,492	1,517,163	1,517,163
	<u>476,149</u>	<u>26,334</u>	<u>1,459,492</u>	<u>1,961,975</u>	<u>1,961,975</u>
<u>2018/19</u>					
Payables	814,267	-	-	814,267	814,267
Borrowings	-	104,594	1,565,998	1,670,592	1,670,592
	<u>814,267</u>	<u>104,594</u>	<u>1,565,998</u>	<u>2,484,859</u>	<u>2,484,859</u>

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

34. FINANCIAL RISK MANAGEMENT (Continued)

**(c) Payables
Borrowings (Continued)**

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council 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 following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year	>1<2 years	>2<3 years	>3<4 years	>4<5 years	>5 years	Total	Weighted Average Effective Interest Rate
	\$	\$	\$	\$	\$	\$	\$	%
<u>Year Ended 30 June 2020</u>								
Fixed Rate								
Debentures	31,337	26,334	-	-	-	1,459,492	1,517,163	4.14%
Weighted Average Effective Interest Rate	2.21%	6.16%	0.00%	0.00%	0.00%	4.11%		
<u>Year Ended 30 June 2019</u>								
Fixed Rate								
Debentures	-	61,990	42,604	-	-	1,565,998	1,670,592	4.13%
Weighted Average Effective Interest Rate	0.00%	2.21%	6.16%	0.00%	0.00%	4.11%		

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

35. RELATED PARTY DISCLOSURES

(a) Key Management Personnel Compensation

Key Management Personnel (KMP) <i>Executive Staff with decision making responsibilities regarding the allocation of Council's resources.</i>	Short Term Benefits *	Post-Employment Benefits **	Other Long Term Benefits ***	Termination Benefits ****
Executive Staff Total	460,292	51,063	74,891	-

*** Short-term employee benefits**

These amounts include all gross salary, paid leave, fringe benefits and cash bonuses awarded to KMP.

Details in respect to fees and benefits paid to Elected Members may be found at Note 30.

**** 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 (Note: this may or may not be applicable in any given year).

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

35. RELATED PARTY DISCLOSURES (Continued)

(b) Related Party Disclosures

i) Ordinary Citizen Transactions

Use of facilities or any other Council provided service where a discount or special terms were applied that would not otherwise be offered to any other person.

KMP/Elected Member	Related Party	Nature	Value
Chief Executive Officer	N/A	Subsidised Gym Membership	296
Deputy Chief Executive Officer	N/A	Subsidised Gym Membership	296
Manager of Works	N/A	Subsidised Gym Membership	296
Manager of Planning and Development Services	N/A	Subsidised Gym Membership	296

ii) Leasing Agreements - Domestic Residential

Use of Council owned Domestic Residential Property whether by lease agreement or provisions under any other special terms that would not otherwise be offered to any other member of the public.

KMP/Elected Member	Related Party	Nature	Value
Chief Executive Officer	N/A	Subsidised Housing Lease	13,000
Deputy Chief Executive Officer	N/A	Subsidised Housing Lease	13,000
Manager of Planning and Development Services	N/A	Subsidised Housing Lease	13,000

iii) Leasing Agreements - Commercial

Use of Council owned Commercial Property whether by lease agreement or provisions under any other special terms that would not otherwise be offered to any other member of the public.

KMP/Elected Member	Related Party	Nature	Value
Manager of Planning and Development Services	Fun 2B Kids Family Day Care	Commercial lease of Office Space.	14,694

iv) Trading Arrangements - Provision of Goods or Services

Provision of Goods and/or Services to the Shire of Beverley.

KMP/Elected Member	Related Party	Nature	Value
Cr C Pepper	Beverley Supermarket & Liquor (IGA)	Supply of groceries/consumables.	8,866

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

35. RELATED PARTY DISCLOSURES (Continued)

(b) Related Party Disclosures (Continued)

v) Sale of Property

Sale of Property (Land, Buildings, Vehicles, Plant or Equipment) to the Shire of Beverley.

KMP/Elected Member	Related Party	Nature	Value
Manager of Works	N/A	Purchase Exercise Bike via Tender.	100

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

36. 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

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 provision 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-Jun-19	Reclassification	AASB 15 carrying amount 1-Jul-19
Contract Liabilities - Current				
Contract liabilities from contracts with customers	2(c)	0	(161,017)	(161,017)
Adjustment to retained surplus from adoption of AASB 15	36(d)	0	(161,017)	(161,017)

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 this Standard as compared to AASB 118 and 1004 and related Interpretations that were in effect before the change.

	Note	2020 \$ as reported under AASB 15	Reclassification	2020 \$ compared to AASB 118 and 1004
Statement of Comprehensive Income				
Revenue				
Non-operating grants, subsidies and contributions	29	663,197	(17,795)	645,402
Net Result		(7,571)	(17,795)	(25,366)
Statement of Financial Position				
Contract assets	5	17,795	(17,795)	0
Net Assets		85,911,595	(17,795)	85,893,800
Statement of Changes in Equity				
Net Result		(7,571)	(17,795)	(25,366)
Retained Surplus		43,427,040	(17,795)	43,409,245

As at 1 July 2019 there were no applicable adjustments required to carrying amounts in the balance sheet brought forward at 30 June 2019 under AASB 118: Revenues.

(b) AASB 1058: Income For Not-For-Profit Entities

The Shire adopted AASB 1058 Income For Not-For-Profit Entities on 1 July 2019 resulting in changes in accounting policies.

As at 1 July 2019 there were no applicable adjustments required to carrying amounts in the balance sheet brought forward at 30 June 2019 under AASB 118: Revenue and AASB 1004: Contributions.

(c) AASB 16: Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. At 30 June 2019 the Shire had no leases required to be recognised.

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

36. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

(d) Impact of New Accounting Standards on Retained Surplus

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

	Note	Adjustments	2019 \$
Retained Surplus - 30 June 2019			43,643,768
Adjustment to retained surplus from adoption of AASB 15	36(a)	(161,017)	(161,017)
Adjustment to retained surplus from adoption of AASB 16	36(c)	0	0
Adjustment to retained surplus from adoption of AASB 1058	36(b)	0	0
Retained Surplus - 1 July 2019			43,482,751

37. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes.

Effective 6 November 2020, Local Government (Financial Management) Regulation 16 was deleted and Local Government (Financial Management) Regulation 17A was amended with retrospective application. The changes were effective for financial years ending on or after 30 June 2020 so are required to be applied retrospectively with cumulative effect applied initially on 1 July 2019.

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB 16.

	Note	Carrying Amount 30 June 2019	Reclassification	Carrying Amount 1 July 2019
Property, Plant & Equipment	7	23,360,563	(99,000)	23,261,563
Asset Revaluation Surplus - Land & Buildings	13	9,621,872	(99,000)	9,522,872

Also, following changes to the Local Government (Financial Management) Regulation 17A, plant and equipment type assets (being plant and equipment and furniture and equipment) are to be measured under the cost model, rather than at fair value. This change is effective from 1 July 2019 and represents a change in accounting policy. Revaluations carried out previously or during the year were not reversed as it was deemed fair value approximate cost at the date of the change.

The Independent Audit Report will be Provided by your Auditor

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**SHIRE OF BEVERLEY
COUNCILLOR'S DECLARATION
FOR THE YEAR ENDED 30TH JUNE 2020**

In accordance with a resolution of the Councillors of the Shire of Beverley, we state that:

1. In the opinion of the Councillors:
 - 1.1 the financial statements and notes of the Shire of Beverley are in accordance with the Local Government Act 1995 and Regulations, including:
 - (a) giving a true and fair view of the Shire of Beverley's financial position as at 30 June 2020 and of its performance for the year ended on that date; and,
 - (b) complying with applicable Australian Accounting Standards; and
 - 1.2 there are reasonable grounds to believe that the Shire of Beverley will be able to pay its debts as and when they become due and payable.

On behalf of the Council:

Cr D Davis
President

Cr C Pepper
Deputy President

Dated this th day of October 2020