

SHIRE OF MENZIES



ANNUAL REPORT

For the year ended 30th June

2019

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COMMUNITY STATISTICS



Shire of Menzies

PO Box 4
Menzies WA 6436

Email: admin@menzies.wa.gov.au

Website: www.menzies.wa.gov.au

Telephone: 08 9024 2041

Population	490 (ABS 2016)
Number of Electors	278
Number of Dwellings	130
Distance from Perth (klm)	730 klm
Area (sq klm)	124,635 square kilometres (48,122 sq mi)
Suburbs and Localities	Kookynie, 6431; Menzies, 6436; Tjuntjuntjara 6431.
Schools	Menzies Community School Tjuntjuntjara Remote Community School
Length of Sealed Roads (klm)	51.2 klm
Length of Unsealed Road (klm)	2129
Rates Levied	\$3.1m
Total Revenue	\$6.8m
Council Employees	25
Tourist Attractions	Lake Ballard Niagara Dam, Lady Shenton Building Menzies Art Gallery, Goongarrie Cottages Spinifex Art Centre
Local Industries	Gold mining; Nickel mining; Potash salt mining; Pastoral; Tourism, Prospecting and Gold Battery.
Significant Local Events	Menzies Cyclassic Menzies Rodeo

SHIRE OF MENZIES

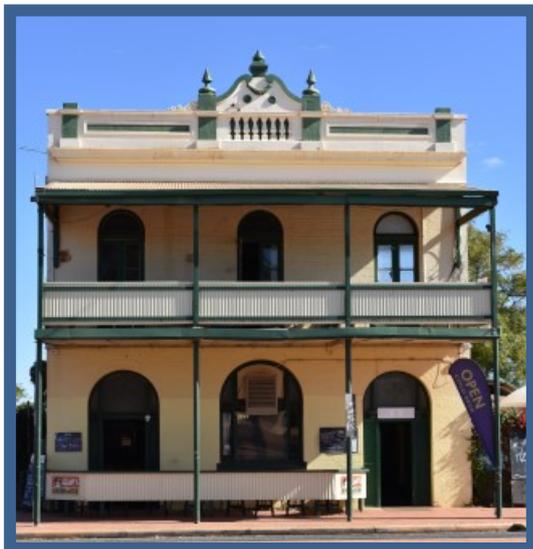
The Shire of Menzies has common borders with the Shires of Yilgarn, Sandstone, Leonora, Laver-ton, Coolgardie and the City of Kalgoorlie-Boulder.

It stretches some 1025 kilometres from east to west, and encompasses an area of 124,635 square kilometres.

The three major population centres, are Menzies, Kookynie to the west, and Tjuntjuntjara close to the border with South Australia. They are separated by a wide area of the country. Within this area a combination of mining and pastoral activities are undertaken.

The Shire boasts schools at Menzies and Tjuntjuntjara where students from kindergarten to Year 12 attend.

Both Menzies and Tjuntjuntjara are also serviced by a Nursing Post and the Royal Flying Doctor respectively.



The Menzies Municipality was gazetted in 1895. It was dissolved and included in the North Coolgardie Road District in 1912, which was itself dissolved the same year to form the Menzies, Kookynie and Mount Malcolm Road Districts. In 1918, Kookynie was merged into Menzies, which on 1 July 1961 became the shire of today.

The heart of the Menzies Town is its people and their meeting places. The Menzies Hotel and the Achievable Outback Café are central to the lives of the residents of the town. Tourists welcome the facilities provided and are always made to feel welcome by the locals.

Kookynie Grand Hotel has a long and distinguished history. Willie the horse has adopted the Hotel, and in return the town has adopted Willie. In recent times the Hotel and the Horse have added to the towns tourist popularity. Kookynie is close to Niagara Dam which is one of the Shires very popular tourist destinations.



The residents of the remote community at Tjutjuntjara share their time between caring for the land and capturing important times and stories on canvas.

The children join with their counterparts from Menzies and Mount Margaret in school camps specialising in writing and music.

2018-2019 COUNCILLORS



Cr Greg Dwyer
Shire President
Rural Ward
Term Expires 2021



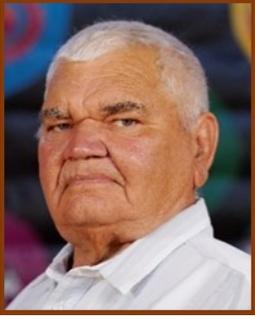
Cr Ian Baird
Deputy Shire
President
Rural Ward
Term Expires 2019



Cr Justin Lee
Town Ward
Term Expires 2021



Cr Jill Dwyer
Rural Ward
Term Expires 2021



Cr Ian Tucker
Town Ward
Term Expires 2021



Cr Debbie Hanson
Rural Ward
Term Expires 2019



Cr Keith Mader
Rural Ward
Term Expires 2019

2018-2019 COUNCILLORS

COUNCILLOR COMMITTEE'S

- Shire of Menzies Audit Committee
- Goldfields Esperance Zone
- Local Emergency Management Committee
- Lake Ballard Management Advisory Committee
- WALGA Goldfields Voluntary Regional Organisation of Councilors (GVROC)
- Goldfields Esperance Regional Collaborative Group (GERCG)
- Goldfields Cyclclassic
- Regional Road Group
- Goldfields Tourism Network



SHIRE PRESIDENTS REPORT



This year has brought about changes with the departure of the CEO Rhonda Evans completing her three year Contract with the Shire of Menzies, our new Chief Executive Officer, Peter Money who commenced his employment on the 6th May 2019.

Our Community continues to support events hosted by the Shire including Remembrance Day, Australia Day, Anzac Day and more.

In August 2018 the community came together for the dedication and installation of a plaque and bench in memory and to celebrate the life of long term resident of Menzies and volunteer to the Shire of Menzies, Mr Allan Henderson.

September in the Town Hall, our local band The Desert Stars who were accompanied by the Remains band from Sydney provided a free concert for the Community and visitors.

20th October the Shire Sponsored Menzies Rodeo and Ute Muster held on the prepared grounds on the old Golf Course. The day turned out to be excellent for weather, crowd numbers (2,500) with lots of food stalls, children's activities, live music and dancing in the dust. All in attendance had a very good time and on their best behaviour. The Committee and volunteers did an excellent job and should be acknowledged for all their efforts.

Council continues to support the Cashless Debit Card and the involvement of Gen One and the Minderoo Foundation who's aim is to continue improvements, benefits and quality of life for recipients of the Card.

On December 13th 2018 we had the grand opening of the Youth Centre which will bring many years of pleasure and activities to the children within our Community. We were honoured to have Kyran O'Donnell MLA, Kyle McGinn MLC and Robin Scott MLC as guests at the opening. We were able to provide the Community with the Youth Centre through support of Lotteries West grant of \$206,000. A very well attended Annual Community Christmas function was held at the Menzies Hotel following the opening.



A further 5 kilometres of bitumen was completed on the Menzies Northwest Road and we continue to maintain all our gravel roads in the Shire to a high standard. We continue to improve our towns appearance with an extensive tree and garden planting program. Upgrade to the basketball courts, playground and installation of a barbeque at the Town Park make this a very family friendly area in our Town.

This year saw the erection of lights at the Marmion Village and fencing around the Museum and down the side of the Youth Centre.

The Outback Grave Markers have presented a proposal to Council for financial support in identifying and marking unmarked Graves within the Shire of Menzies.

SHIRE PRESIDENTS REPORT

The sad passing of local mining and pastoral identity Robert Money of Money Mining, a great supporter of the Community and his old Police Station Goal Museum was a huge draw

The Lady Shenton building CRC, Visitors Centre, Library and Post Office is a great asset to Menzies as this provides the tourists with the much needed information to showcase our tourist attractions such as Lake Ballard, Niagara Dam and more. The CRC hosted Seniors Week, Cake Stalls, raising money for Kalgoorlie Soldier Stomp, Valentines Day morning tea and Biggest Morning Tea for Cancer.

The Menzies Shire once again supported the Bi-annual Leonora Inland Art Prize held on the Friday Night of the Leonora Golden Gift and the second stage of the Goldfields Cyclastic, Leonora Golden Wheels Bike Race.

It is a pleasure every year to see our Community come together and support local events that we are fortunate to hold in Menzies. It goes without saying our Annual Cyclastic and this year the Menzies Rodeo and Ute Muster bring our community a huge economic boost.

Finally, on behalf of all the Shire Councillors I would like to thank the Staff, Community and our dedicated Volunteers for your support and look forward to the new year ahead.

Cr Greg Dwyer

SHIRE PRESIDENT



CHIEF EXECUTIVE OFFICER REPORT



I was appointed as Chief Executive Officer in May 2019, only one month in 2018/2019 year so much of this information comes from others.

It was reported that three statues at Lake Ballard had been broken and have been removed. These will be replaced early in 2020.

There has been a decline in the occupancy of the Caravan Park and it seems the placement of multi room construction team accommodation may have had a detrimental effect of the more sedate caravanning public. In 2020 the Shire will be looking at other sites for any multi-unit type accommodation.

The Rodeo was deemed a great success and congratulations to all the organisers and the Shire staff who gave freely of their time. It is likely that this will be a two yearly event and will hopefully work in with the state wide rodeo circuit.

I was here to view the Cyclastic in June and it ran very smoothly thanks once again to all the locals who participated in this annual event and the Kookynie Volunteers Association who catered for the event.

The State Government commenced a review of the Local Government Act which has been in place since 1995. To date some amendments have been made but the Act covers an enormous range of local government responsibilities and the review, or the development of a new Act, will take several years.

The outside workforce worked consistently ensuring that the townsites of Menzies and Kookynie remain as tidy as possible and the inside staff have also worked hard for the people of Menzies. I thank them all for their endeavours. It is essential that all employees work together for the benefit of the Shire and its community.

Another very dry year has seen Niagara Dam dry to almost a zero water level. We aim to start work on the repairs that are required at Niagara early in the new financial year.

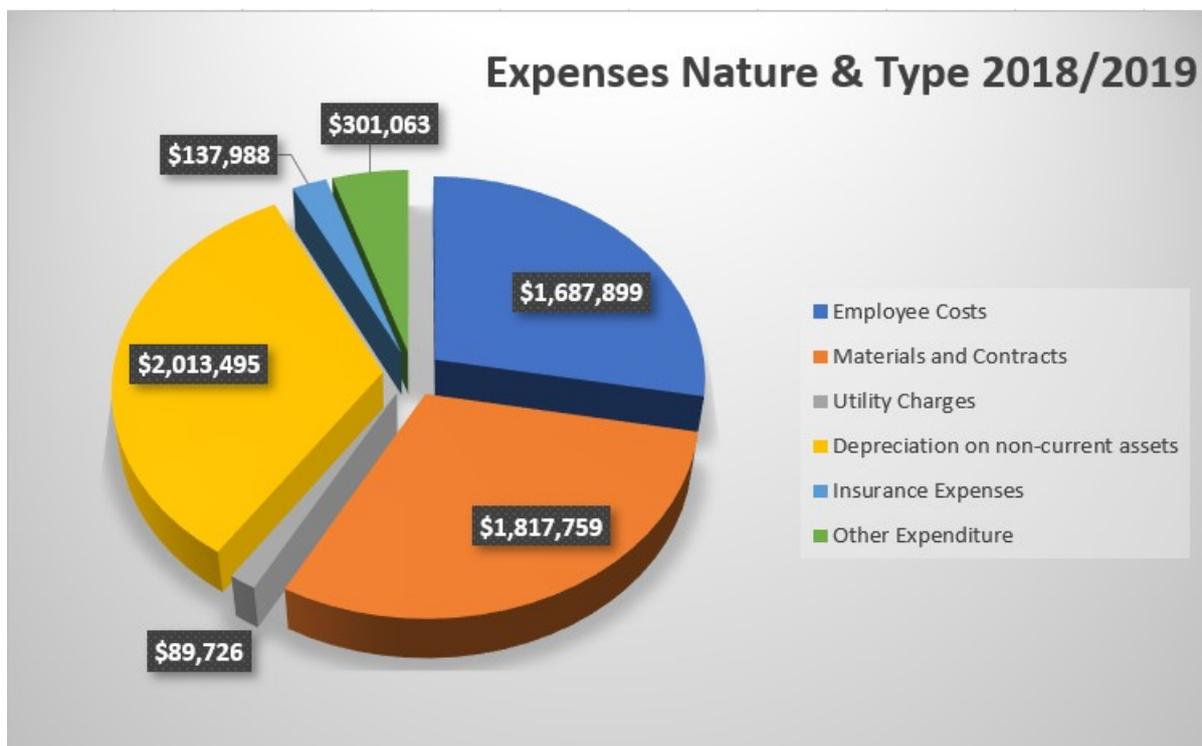
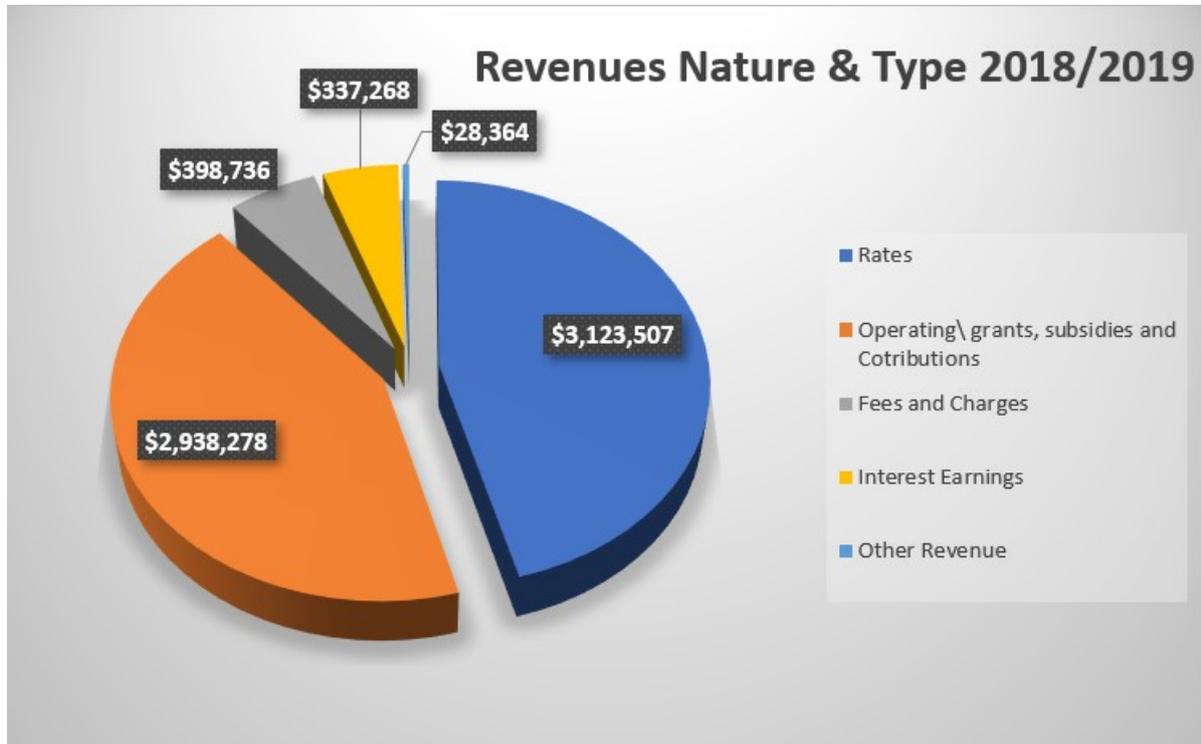
I thank Councillors for their support in the short time I have been in Menzies and I look forward to a long and productive time in Menzies.



PETER MONEY
CHIEF EXECUTIVE OFFICER

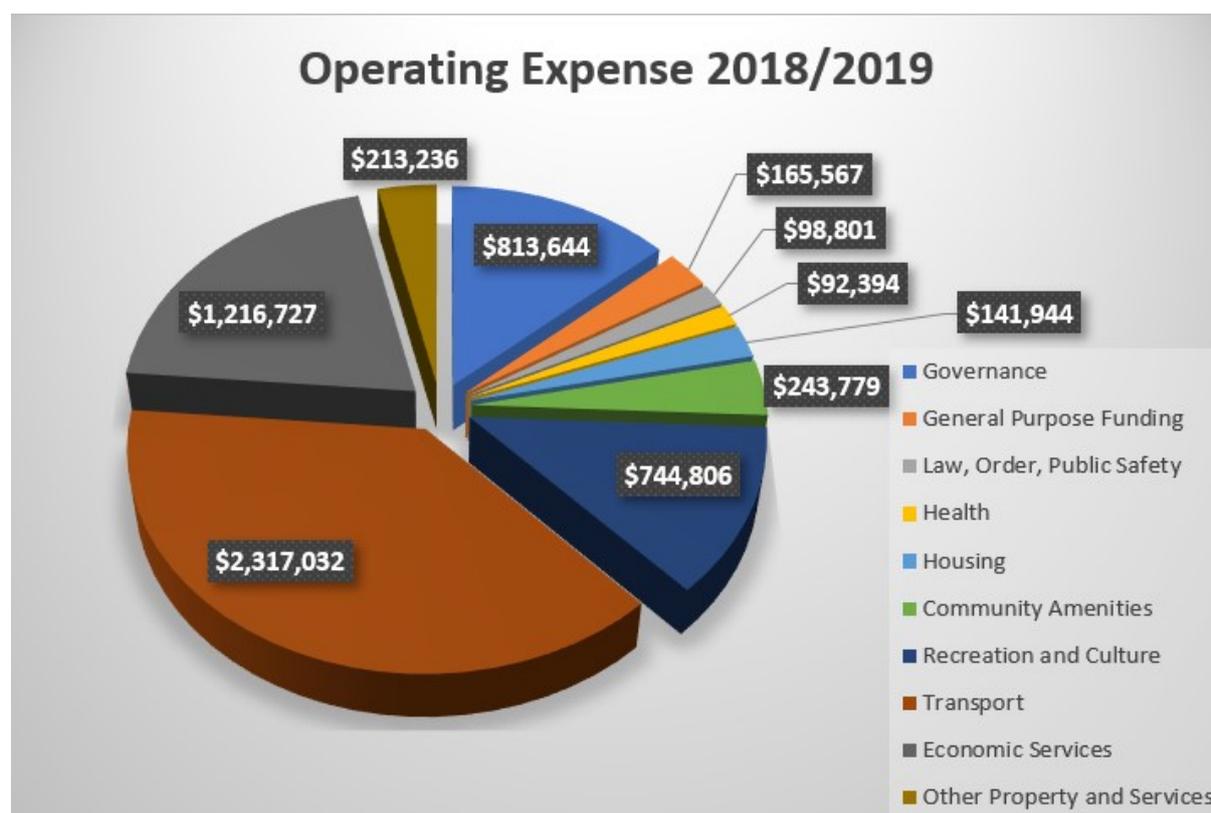
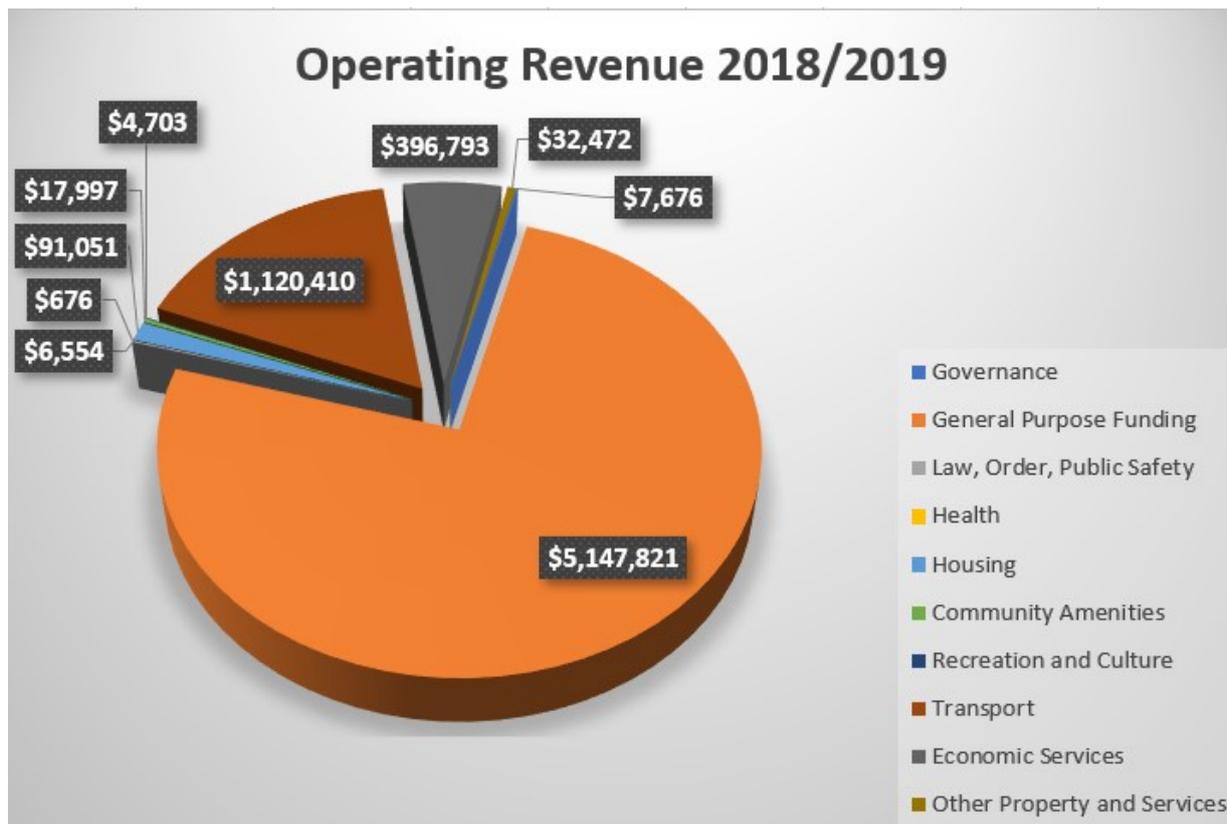
CHIEF EXECUTIVE OFFICER REPORT

Below is a breakdown of the shire's revenue and expenditure by Nature and Type for the year ending 30th June 2019 and for which there are more details in the attached audited financial statements.



CHIEF EXECUTIVE OFFICER REPORT

Below are graphical representations of the final revenues and expenditures by Programme for the year ending 30th June 2019. Grants, Subsidies & contributions includes grants from Federal taxes (GST) for the maintaining of roads and general infrastructure. A Full explanation of the components of the headings can be found in the financial statements.



OVERVIEW OF THE PLAN FOR THE FUTURE

The Shire of Menzies Strategic Community Plan 2013 – 2023 was prepared through engagement and consultation with the community it reflects predominant community interest and views.

In 2019 – 2020 the following Plans are to be reviewed:

- Strategic Community Plan
- Corporate Business Plan
- Long Term Financial Plan
- Workforce Plan
- Town Planning Scheme

There is also to be a review of the Wards and the Town Planning Scheme.

The Corporate Business Plan shows an expected capital expenditure for 2019-2020 as the following

PROJECT	2019-20 \$
Building Renewal	200,000
New Staff Housing	600,000
Other Infrastructure	100,000
Parks and Gardens	200,000
Plant Replacement Program	420,053
Menzies North West Road	980,898
Evanstone Road	500,000
Town Streets Construction Work	191,831
Town Streets Reseal Work	73,332
Roads Provisions (inc Tjuntjuntjarra Access Rd & Yarri Rd)	536,667

OVERVIEW OF THE PLAN FOR THE FUTURE

The capital projects in the Annual Budget are decided by referring to the Shire’s Strategic Plan, Long Term Plan and Corporate Business Plan. The following capital projects are anticipated to commence during the 2019–2020 year.

PROJECT	PROJECTED COST
Menzies North West Rd extend a further 5km of bitumen	\$1,100,000
Build new staff housing	\$600,000
Plant Replacement - Grader	\$390,000
Niagara Dam – Silt removal	\$84,000
Town Hall Upgrade	\$160,000
Road Construction Connie Sue Access Rd	\$300,000



ACTIVITIES OF COUNCIL

PERSONAL INVOLVEMENT

Elected members are involved with many organisations within the community, and are also active in representing Menzies at a regional and state level. Council's nomination to other organisations include:

- Goldfields Tourism Network Association
- Goldfields Regional Road Group
- Goldfields Voluntary Regional Organisation of Councils
- Local Emergency Management Committee
- Goldfields Esperance Regional Collaborative Group (GERCG)
- Lake Ballard Management Advisory Committee

AGENDA

To ensure that all items are included in the Agenda for Council meetings, it is requested that items for consideration be submitted to the Chief Executive Officer at least 14 days prior to Council meeting. This will permit your item to be researched if necessary, and be presented to Council with a recommendation for decision, if appropriate. Agendas are prepared for members and are distributed 7 days prior to the meeting. Copies of the Agenda are available prior to the meeting in accordance with the *Local Government Act (1995)*.

MINUTES

The Minutes of Council and Committee meetings are available for inspection after the meeting in accordance with the *Local Government Act 1995*, and are available on the Council website. Please note that all Minutes are subject to confirmation by Council.

PUBLIC LIBRARY

The Shire of Menzies Public Library is situated within the Lady Shenton Building (*Menzies Visitor Centre*). It is open the same hours as the Lady Shenton Building. New Books, DVD's and magazines are received each month. Newspapers are available for reading from 9am each weekday.

CARAVAN PARK

The Shire of Menzies Caravan Park is adjacent to the Menzies Visitor Centre (08) 9024 2702. After hours for caravans works on a honesty system. The caravan park has powered caravan sites, and tent sites available. A camp kitchen and guest laundry are also available. One chalet with a double and a single bed is available for booking.

MENZIES VISITOR CENTRE

The Menzies Visitor Centre is located within the Lady Shenton Building. Facilities co-located within the Visitor Centre include; Community Postal Agency, Internet Access, Gift Shop and Public Library. The Visitor Centre is open weekdays (*except public holidays*), November until March and every day, April until September.

Telephone: (08) 9024 2702

Email: cso2@menzies.wa.gov.au

ACTIVITIES OF COUNCIL

EMERGENCY SERVICES BUILDINGS

The Emergency Services Buildings are situated on Archibald Street in the Emergency Services Area. This area comprises the Volunteer Bushfire Brigade Headquarters, Menzies Nursing Post, and Menzies St John Ambulance Sub Centre. Details of times for the Nursing Post and visiting Doctors and other medical agencies are published in the Menzies Matters each month.

AIRSTRIP

The Menzies Airstrip is located 1km north of the Menzies townsite off Goldfields Highway. The airstrip for Kookynie is adjacent to the townsite.

DOG AND CAT REGISTRATIONS

Dog registrations become due on the 1 November each year. All dogs and cats over 3 months and over must be registered and microchipped. All cats must be sterilised.

Sterilised Dog <i>(Proof of sterilization required)</i>	1 Year \$20.00	3 Years \$42.50
Unsterilised Dog	1 Year \$50.00	3 Years \$120.00
Cats <i>(All Cats must be sterilised)</i>	1 Year \$20.00	3 Years \$42.50

A 50% discount is available for eligible pensioners (*pension card must be shown at the time of registration*).

A 25% discount is available for dogs registered as working cattle/sheep dogs (*proof must be shown at time of registration*).

Your dog is required to wear a tag showing your name and address as well as the registration tag.

If you own a dog you have a legal responsibility to keep it under control, either within a fenced area on your property or on a leash when in public.

To register your dog or cat please visit the Shire of Menzies. For further enquiries, please contact administration on (08) 9024 2041.

DOG IMPOUNDMENT

Dog owners have an obligation to keep their dogs under effective control at all times. Dogs wandering at large present a nuisance and are a danger to the public. Dog patrols will be carried out by the ranger and complaints will be acted upon. The Dog Act 1976 provides heavy penalties for owners whose dogs are impounded.

HEALTH AND BUILDING INFORMATION

The Principal Environmental Health Officer / Building Surveyor, Mr David Hadden is located at the Shire of Leonora Administration Offices. Any matters concerning Health and Building can be directed to Mr Hadden on (08) 9037 6044.

ACTIVITIES OF COUNCIL

COMMUNITY SERVICES

The Shire of Menzies provides an extensive variety of services for the community under a wide range of legislation. Services provided include:

- Building Control
- Bush Fire Control & Fire Prevention
- Cemeteries (*Tourism Value and Maintenance Only*)
- Citizenship Ceremonies
- Crossovers
- Demolition Permits
- Dog Control
- Environmental Health
- Library Services
- Street Bins
- Media Releases
- Playground Equipment
- Public Buildings for Hire
- Public Toilets
- Recreation/Sporting Facilities
- Roads and Footpaths
- Rubbish Collection
- Street Lighting
- Traffic Control Works
- Local Emergency Management Committee (*LEMC*)
- Weed Control on Reserves
- Planning Controls
- Parks and Reserves

The Shire provide financial and/or other support to a number of organisations such as:

- Menzies Community School
- Royal Flying Doctor Service
- Menzies Volunteer Bushfire Brigade
- Menzies Classic Cycle Race
- Golden Quest Trail Association
- Menzies St John Ambulance Sub Centre
- Tjuntjuntjara Community
- Menzies Aboriginal Corporation

ACCESS TO COUNCIL DOCUMENTS

The following documents are available for inspection at the Council Administration Office and the Town Library free of charge. Copies of the documents can be made available, although some will incur a charge to cover the cost of photocopying. The *Local Government Act 1995* does stipulate minimum requirements for documents to be made available for public inspection, and these include:

- Minutes and Agenda of Council and Committee Meetings
- General Policy Manual Annual Budgets Annual Report
- Annual Financial Statements
- Council Local Laws (*By laws*)
- Town Planning Scheme
- Town Planning Policy Manual
- Financial Interest Register

STATUTORY COMPLIANCE

STATE RECORD ACT 2000

The State Records Act 2000 requires that the Shire maintains and disposes of all records in the prescribed manner.

Standard 2, Principle 6 – Compliance: Government organisations ensure their employees comply with the record keeping plan. Rationale: An organisation and its employees must comply with the organisation’s record keeping plan. Organisations should develop and implement strategies for ensuring that each employee is aware of the compliance responsibilities.

Minimum Compliance Requirements: The record keeping plan is to provide evidence that:

1. The efficiency and effectiveness of the organisation’s record keeping system is evaluated not less than once every 5 years.
2. The organisation conducts a record keeping training program. When required.
3. The efficiency and effectiveness of the record keeping training program is reviewed from time to time.
4. The organisation’s induction program addresses employee roles and responsibilities in regard to their compliance with the organisation’s record keeping plan.

COMPLIANCE AUDIT RETURN

All local governments are required to carry out an annual Compliance Audit Return (CAR) for the period 1 January 2018 to 31 December 2018 as specifies by the *Local Government Act 1995*. The CAR includes a range of compliance categories to be met. The Completed CAR was received by Council at its March 2019 meeting (ref 1614) and was subsequently submitted to the Department of Local Government prior to 31 March 2019 in accordance with Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996*.

FREEDOM OF INFORMATION STATEMENT

The Shire of Menzies is responsible for the good governance of the district and carries out functions as required including statutory compliance and provision of facilities and services. The Council consists of seven elected members.

The Council meets once each month except January to make decisions relating to the policy and direction of the Shire. All meetings are open to the public and the meeting dates and venues are advertised to the public. Members of the public are able to ask questions during public question time at the commencement of each meeting.

Council maintains records relating to each property within the Shire and also records relating to the function and administration of the Shire including minutes of meetings, financial interests register, register of delegations, rates book, electoral roll, financial statements and local laws.

STATUTORY COMPLIANCE

FREEDOM OF INFORMATION STATEMENT (CONTINUED)

These documents can be inspected at the Shire Office, Shenton Street Menzies, Monday to Friday between the hours of 8.30am and 4.30pm. Changes to personal information should be made in writing.

Requests for information under the Freedom of Information Act can be sent to the Chief Executive Officer, Shire of Menzies, PO Box 4 Menzies WA 6436. The Shire of Menzies received no applications under the Freedom of Information Act 1992.

DISCLOSURE OF ANNUAL SALARIES IN ANNUAL REPORT

Regulation 19B of the Local Government (Administration) Regulation 1996 requires the Shire to include the following information in its Annual Report;

- The number of employees of the Shire entitled to an annual salary of \$100,00 or more; and
- The number of employees with an annual salary entitlement that falls within each band of \$10,000 over \$100,000.

Set out below, in bands of \$10,000, is the number of employees of the Shire entitled to an annual salary of \$100,000 or more for 2018/2019:

Salary Range

\$ From	\$ To	Number of employees
110,000	119,999	
120,000	129,999	
130,000	139,999	1
140,000	149,999	
150,000	159,000	1
160,000	169,000	1
Total		

PRIMARY AND ANNUAL RETURNS

In accordance with Section 5.75 and 5.76 of the *Local Government Act 1995* all relevant persons lodged an Annual Return by the due date of 31 August 2019 and a primary return within 3 months of their start date. All returns are managed by the Chief Executive Officer and are available for viewing by members of the public upon request.

COMPLAINTS

For the purpose of Section 5.121 of the Local Government Act 1995 Council must report entries recorded in the Register of Complaints during the financial year.

Council did not receive any complaints during the 2018/2019 financial year.

STATUTORY COMPLIANCE

PUBLIC INTEREST DISCLOSURE

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

The Chief Executive Officer has complied with the obligation under the Act. The Shire of Menzies had no Public Interest Disclosures during the reporting period 2018/19.

COMPETITIVE NEUTRALITY

This principle deals with ensuring that government business operations have no advantage or disadvantage in comparison with the private sector. The Shire of Menzies complied with this principle.

1. LEGISLATIVE REVIEW

All local governments are required to assess which of their local laws might impact on competition and conduct a review of each to determine how any restrictive practices might be overcome.

Where necessary Clause 7 legislation review principles will be complied with and the Shire of Menzies remains committed to reviewing its existing local laws, as well as proposed local laws.

2. DISABILITY SERVICES PLAN

The Shire of Menzies is committed to ensuring that the community is accessible for people with disabilities, their families and their carers.

People with disabilities who live in country areas should be given the support to remain in the community of their own choice. The *Disability Services Act 1999* requires Council to report on its Disability Services Plan achievements within its Annual Report.

Council adopted the Disability Access and Inclusion Plan 2013 -2018 on 29 August 2013 and submitted a progress report to the Disability Services Commission annually. Many of the outcomes and strategies identified within the plan are being implemented on an ongoing basis.

When Council is addressing the issue of accessibility to Council's facilities and functions it is aware that by providing better access for people with disabilities it is providing better access for the whole community. Work continues to improve footpaths and access ways around the Menzies townsite as part of recognising the Disability Access and Inclusion Plan.

The Disability Services Commission requires Local Governments to report on the six outcomes relating to DAIP's to the public annually.

STATUTORY COMPLIANCE

Outcome 1: Services and Events

Council is continually adapting our existing services to give people with disabilities the same opportunities as other people to access the services of, and any events organized by the Shire.

Outcome 2: Buildings and Other Facilities

Council also continues with improvements to buildings and footpath infrastructure to assist with both wheelchair and gopher access.

Outcome 3: Information

Wherever possible people with disabilities can receive information from the Shire in a format that will enable them to access the information readily as other people are able to access it.

People with disabilities can access information produced by the Shire of Menzies in different formats. Anyone requiring a different format are encouraged to contact the Shire Office.

Council also has a website which enables ease of access to public documents, information and other Council related data.

Outcome 4: Level and Quality of Service

The staff is always encouraged to be aware of the needs of people with disabilities to ensure they receive the same level and quality of service as other people receive. Staff at the Shire of Menzies are made aware that people with disabilities may have different needs. Staff are encouraged to ensure that people with disabilities receive the same level and quality of service as other people receive.

Outcome 5: Complaints Process

People with disabilities have the same opportunities as other people to make complaints to staff, and can be via written letters, email, SMS or verbally.

People with disabilities are able to make complaints and can do this via written letters, email, SMS or verbally.

Outcome 6: Public Consultation Process

Council provides many ways for people to participate in public consultation and we are more than happy to discuss any grievances community members may have regarding the services available to the disabled.

Council has made the DAIP available on the website for the community to access. The community is also given the opportunity to comment on the DAIP prior to it being adopted by Council.

Further information can be obtained by contacting the Chief Executive Officer.

STATUTORY COMPLIANCE

PUBLIC PARTICIPATION

Members of the public have a number of opportunities to put forward their views on particular items before Council. These are:

Deputations - Any member of the public can address the Council personally, or on behalf of another person or organisation. This opportunity is afforded at each meeting of Council.

Submissions - Some development applications do not require specific or special approval of Council. However, where special approval is required, residents are notified by advertising in local newspapers, and in some instances, they may also be notified individually by the Council or the developer.

When an application is publicly advertised, residents have the opportunity to make written submission to the Council expressing their views regarding the application.

Petitions - Written petitions can be addressed to the Council on any issue within the Council's jurisdiction. It is a good idea to advise your Ward Councillor, who can familiarise themselves with the petition and refer it to the appropriate person.

Written requests - A member of the public can write to Council on any Council policy, activity or service.

Elected members - Members of the public can contact any of the Councillors to discuss any issue relevant to Council.



FINANCIAL RATIOS EXPLAINED

The Annual Financial Report for the year ended 30 June 2019 includes a set of financial ratios. The trends have been extrapolated to provide an indication of past performance on these ratios, and the effect that striving to meet industry standards may have on future decisions and direction of Council.

They have been set to guide Council to good governance, ensuring the future viability of the shire.

Of the seven ratios following, four exceed the industry targets, one meets the industry target, one is not assessed (Asset Renewal Funding) and one is not applicable (Debt Service Cover) as the Shire has no loans. Awareness and understanding of these ratios by all stakeholders will be important as Council enters into forward planning.

SHIRES ACTUAL RATIOS

Ratio	Basic Standard	2018	2017	2017	3 Year Trends
Current Ratio	≥ 1.00	3.26	5.24	9.59	
Asset Sustainability	≥ 0.90	2.79	1.49	0.46	
Debt Service Cover	≥ 2.00	0.00	0.00	0.00	N/A
Operating Surplus	≥ 0.15	0.19	.21	0.50	
Own Source Revenue Coverage	≥ 0.60	0.64	.61	0.59	
Asset Consumption	≥ 0.75	0.98	0.99	0.79	
Asset Renewal Funding	≥ 1.05	N/A	N/A	1.00	N/A
	Above Target	Within Acceptable Banding	Below Acceptable Banding		

¹ Target ratios per Department of Local Government and Communities (DLGC) Guidelines for Basic standard.

²The 3 year trend compares the 2019 ratio to the average of the last 3 years.

Current Ratio measures the liquidity position that has arisen from past year's transactions. This continues to be above the industry benchmark of ≥ 1 . It is calculated by dividing current unrestricted assets by current unrestricted liabilities.

FINANCIAL RATIOS EXPLAINED

A ratio of less than 1 means that means that the Council does not have sufficient cash to meet its immediate cash commitments. We have a very healthy Current Ratio, and therefore can readily meet our immediate cash requirements.

2016	6.43
2017	9.59
2018	5.24
2019	3.26

Asset Sustainability Ratio (ASR) measures the extent to which assets are being renewed/replaced compared to the amount consumed (depreciation). A ratio of more than 0.90 indicates the Council has a sustained capital investment program sufficient to renew/replace assets while also negating the effect of inflation on purchasing power over time.

This ratio for the year suggests the Council is replacing or renewing its existing assets at a greater rate than they are wearing out.

2016	1.35
2017	0.46
2018	1.49
2019	2.79

Debt Service Cover Ratio measures Council's ability to service debt out of uncommitted or general purpose funds. The DLGC guideline for the basic standard is 2 and the advanced standard is 5.

This ratio is the measurement of a local government's ability to repay its debt including lease payments. The higher the ratio is, the easier it is for a local government to obtain a loan. The Shire of Menzies does not have any loans.

Operating Surplus Ratios measure Council's financial sustainability having regard to asset management and the community's service level needs. A negative ratio indicates the local government is experiencing an operating deficit. A sustained period of deficits will erode Council's ability to maintain both its operational service level and asset base over the longer term.

The target for this ratio is a positive between 0.01 and 0.15 for the basic standard, and greater than 0.15 for the advanced standard. The trend for this ratio has been up and down. This year the ratio once again is above industry standard.

2016	(0.60)
2017	0.60
2018	0.21
2019	0.19

FINANCIAL RATIOS EXPLAINED

Own Source Revenue Coverage Ratio measures the Shire's ability to cover operating expenses from its own source revenue given current levels of operating expenses. A basic standard is achieved if the ratio is between 0.40 and 0.90, and advanced standard is greater than 0.90. These different standards have been established to recognise the varying revenue raising capacities across the sector.

Council meets the basic standard and can improve this ratio by either increasing rates, fees and charges or reducing operating expenses.

2016	0.47
2017	0.59
2018	0.61
2019	0.64

Asset Consumption Ratio (ACR) measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. The standard is met if the ratio is 0.50 and above, and improving if the ratio is between 0.60 and 0.75. Council has consistently met the target for this ratio.

2016	1.72
2017	0.79
2018	0.99
2019	0.98

Asset Renewal Funding Ratio measures the shires ability to fund its projected asset renewal/replacements in the future. The standard is met if the ratio is between .75 and .95, and improving if the ratio is between 0.95 and 1.05 and the ASR falls within the range of 0.90 and 1.10 and ACR falls within the range of 0.5 to .75.

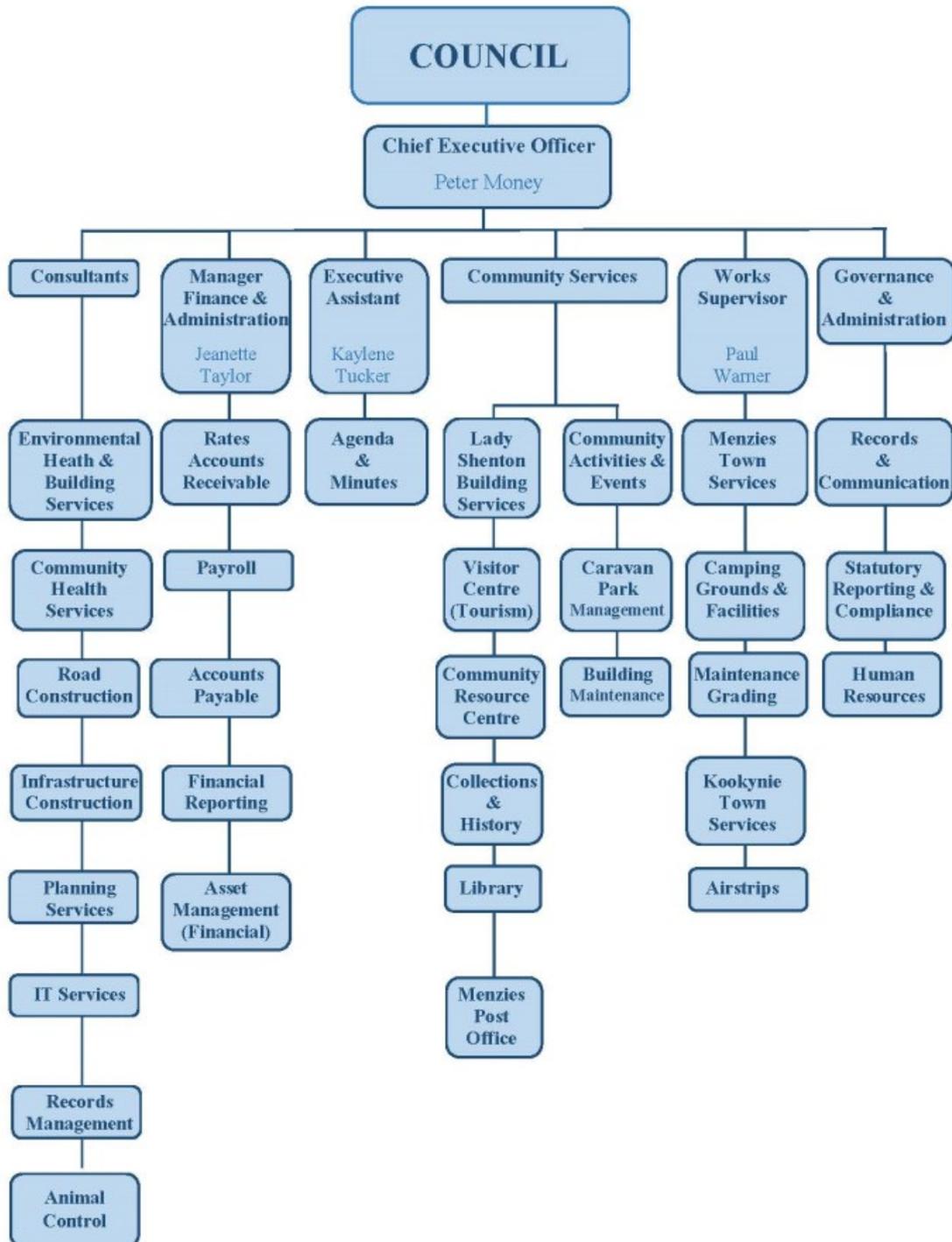
2016	0.99
2017	1.00
2018	N/A
2019	N/A

This ratio was once again not measured in 2018-2019; the Long Term Financial and Capital Investment Plans are being reviewed.



ORGANISATIONAL STRUCTURE

SHIRE OF MENZIES - SERVICE PROVISION 2018-2019



2018-2019 AUDITED FINANCIALS

SHIRE OF MENZIES

FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE 2019

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COMMUNITY VISION

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

Principal place of business:
124 Shenton Street
MENZIES WA 6436

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

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Menzies for the financial year ended 30 June 2019 is based on proper accounts and records to present fairly the financial position of the Shire of Menzies at 30 June 2019 and the results of the operations for the financial year then ended in accordance with the Local Government Act 1995 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Signed on the *Eighteenth* day of *December* 2019



Chief Executive Officer

Peter Anthony Money

Name of Chief Executive Officer



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
Rates	22(a)	3,123,507	3,163,515	3,035,767
Operating grants, subsidies and contributions	2(a)	2,938,278	1,439,517	3,027,985
Fees and charges	2(a)	398,736	269,080	246,983
Interest earnings	2(a)	337,268	224,501	312,795
Other revenue	2(a)	28,364	48,290	52,357
		<u>6,826,153</u>	<u>5,144,903</u>	<u>6,675,887</u>
Expenses				
Employee costs		(1,687,899)	(1,872,974)	(1,597,958)
Materials and contracts		(1,817,759)	(1,827,165)	(1,441,736)
Utility charges		(89,726)	(109,340)	(100,056)
Depreciation on non-current assets	9(b)	(2,013,495)	(2,774,749)	(2,392,955)
Interest expenses	2(b)	0	(7,000)	0
Insurance expenses		(137,988)	(124,470)	(127,351)
Other expenditure		(301,063)	(298,734)	(278,054)
		<u>(6,047,930)</u>	<u>(7,014,432)</u>	<u>(5,938,110)</u>
		<u>778,223</u>	<u>(1,869,529)</u>	<u>737,777</u>
Non-operating grants, subsidies and contributions	2(a)	1,279,246	3,212,556	2,274,434
Profit on asset disposals	9(a)	18,401	15,000	28,141
(Loss) on asset disposals and assets expensed	9(a)	(23,859)	(22,500)	(11,183)
(Loss) on revaluation of furniture and equipment	7(a)	(18,922)	0	0
(Loss) on revaluation of Parks and Ovals	8(a)	0	0	(84,699)
		<u>1,254,866</u>	<u>3,205,056</u>	<u>2,206,693</u>
Net result for the period		2,033,089	1,335,527	2,944,470
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	10	639,667	0	(2,754,292)
Total other comprehensive income for the period		639,667	0	(2,754,292)
Total comprehensive income for the period		2,672,756	1,335,527	190,178

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



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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
Revenue				
	2(a)			
Governance		7,676	0	164
General purpose funding		5,147,821	4,224,396	4,999,469
Law, order, public safety		6,554	3,200	2,965
Health		676	7,100	7,337
Housing		91,051	105,600	99,840
Community amenities		17,997	8,300	9,291
Recreation and culture		4,703	640	1,085
Transport		1,120,410	537,637	1,303,252
Economic services		396,793	206,690	196,913
Other property and services		32,472	51,340	55,571
		<u>6,826,153</u>	<u>5,144,903</u>	<u>6,675,887</u>
Expenses				
	2(b)			
Governance		(813,644)	(803,917)	(733,330)
General purpose funding		(165,567)	(185,769)	(224,429)
Law, order, public safety		(98,801)	(108,274)	(71,659)
Health		(92,394)	(114,370)	(94,238)
Housing		(141,944)	(167,276)	(140,908)
Community amenities		(243,779)	(295,312)	(214,083)
Recreation and culture		(744,806)	(922,015)	(638,518)
Transport		(2,317,032)	(3,323,040)	(2,581,706)
Economic services		(1,216,727)	(1,036,068)	(936,257)
Other property and services		(213,236)	(51,391)	(302,982)
		<u>(6,047,930)</u>	<u>(7,007,432)</u>	<u>(5,938,110)</u>
Finance Costs				
	2(b)			
Housing		0	(7,000)	0
		<u>0</u>	<u>(7,000)</u>	<u>0</u>
		778,223	(1,869,529)	737,777
Non-operating grants, subsidies and contributions	2(a)	1,279,246	3,212,556	2,274,434
Profit on disposal of assets	9(a)	18,401	15,000	28,141
(Loss) on disposal of assets and assets expensed	9(a)	(23,859)	(22,500)	(11,183)
(Loss) on revaluation of furniture and equipment	7(a)	(18,922)	0	0
(Loss) on revaluation of Parks and Ovals	8(a)	0	0	(84,699)
		<u>1,254,866</u>	<u>3,205,056</u>	<u>2,206,693</u>
		<u>2,033,089</u>	<u>1,335,527</u>	<u>2,944,470</u>
Net result for the period				
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	10	639,667	0	(2,754,292)
Total other comprehensive income for the period		<u>639,667</u>	<u>0</u>	<u>(2,754,292)</u>
Total comprehensive income for the period		<u>2,672,756</u>	<u>1,335,527</u>	<u>190,178</u>

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



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

	NOTE	2019 \$	2018 \$
CURRENT ASSETS			
Cash and cash equivalents	3	10,633,767	12,408,650
Trade receivables	5	728,510	564,214
Inventories	6	10,706	5,157
TOTAL CURRENT ASSETS		11,372,983	12,978,021
NON-CURRENT ASSETS			
Property, plant and equipment	7	9,380,577	8,797,243
Infrastructure	8	117,269,232	113,590,657
TOTAL NON-CURRENT ASSETS		126,649,809	122,387,900
TOTAL ASSETS		138,022,792	135,365,921
CURRENT LIABILITIES			
Trade and other payables	11	880,763	879,554
Employee related provisions	13	140,097	170,534
TOTAL CURRENT LIABILITIES		1,020,860	1,050,088
NON-CURRENT LIABILITIES			
Employee related provisions	13	81,268	67,925
TOTAL NON-CURRENT LIABILITIES		81,268	67,925
TOTAL LIABILITIES		1,102,128	1,118,013
NET ASSETS		136,920,664	134,247,908
EQUITY			
Retained surplus		17,138,002	15,235,528
Reserves - cash backed	4	8,497,246	8,366,631
Revaluation surplus	10	111,285,416	110,645,749
TOTAL EQUITY		136,920,664	134,247,908

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



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

	NOTE	RETAINED SURPLUS	RESERVES CASH BACKED	REVALUATION SURPLUS	TOTAL EQUITY
		\$	\$	\$	\$
Balance as at 1 July 2017		16,039,864	4,617,825	113,400,041	134,057,730
Comprehensive income					
Net result for the period		2,944,470	0	0	2,944,470
Other comprehensive income	10	0	0	(2,754,292)	(2,754,292)
Total comprehensive income		2,944,470	0	(2,754,292)	190,178
Transfers from/(to) reserves		(3,748,806)	3,748,806	0	0
Balance as at 30 June 2018		15,235,528	8,366,631	110,645,749	134,247,908
Comprehensive income					
Net result for the period		2,033,089	0	0	2,033,089
Other comprehensive income	10	0	0	639,667	639,667
Total comprehensive income		2,033,089	0	639,667	2,672,756
Transfers from/(to) reserves		(130,615)	130,615	0	0
Balance as at 30 June 2019		17,138,002	8,497,246	111,285,416	136,920,664

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

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

	NOTE	2019 Actual \$	2019 Budget \$	2018 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,034,101	2,981,523	3,324,540
Operating grants, subsidies and contributions		2,926,494	1,439,517	3,073,827
Fees and charges		398,736	269,080	246,983
Interest received		337,268	224,501	312,795
Goods and services tax received		354,329	218,424	37,150
Other revenue		28,364	48,290	52,357
		<u>7,079,292</u>	<u>5,181,335</u>	<u>7,047,652</u>
Payments				
Employee costs		(1,794,834)	(1,902,046)	(1,464,141)
Materials and contracts		(1,732,258)	(1,251,366)	(1,285,123)
Utility charges		(89,726)	(109,340)	(100,056)
Interest expenses		0	(7,000)	0
Insurance paid		(137,988)	(124,470)	(127,351)
Goods and services tax paid		(417,435)	0	(156,318)
Other expenditure		(301,063)	(300,234)	(278,054)
		<u>(4,473,304)</u>	<u>(3,694,456)</u>	<u>(3,411,043)</u>
Net cash provided by / (used in) operating activities	14	<u>2,605,988</u>	<u>1,486,879</u>	<u>3,636,609</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment		(832,668)	(1,937,950)	(818,087)
Payments for construction of infrastructure		(4,980,291)	(5,211,723)	(2,945,051)
Non-operating grants, subsidies and contributions		1,279,246	3,212,556	2,274,434
Proceeds from sale of property, plant & equipment		152,842	129,000	165,072
Net cash provided by / (used in) investment activities		<u>(4,380,871)</u>	<u>(3,808,117)</u>	<u>(1,323,632)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings		0	(21,837)	0
Proceeds from new borrowings		0	500,000	0
Net cash provided by / (used in) financing activities		<u>0</u>	<u>478,163</u>	<u>0</u>
Net increase (decrease) in cash held		<u>(1,774,883)</u>	<u>(1,843,075)</u>	<u>2,312,977</u>
Cash at beginning of year		12,408,650	12,408,651	10,095,673
Cash and cash equivalents at the end of the year	14	<u><u>10,633,767</u></u>	<u><u>10,565,576</u></u>	<u><u>12,408,650</u></u>

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

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

	NOTE	2019 Actual	2019 Budget	2018 Actual
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	23 (b)	3,731,834	3,730,680	5,631,192
		3,731,834	3,730,680	5,631,192
Revenue from operating activities (excluding rates)				
Governance		7,676	0	164
General purpose funding		2,024,314	1,060,881	1,963,702
Law, order, public safety		6,554	3,200	2,965
Health		676	7,100	7,337
Housing		91,051	105,600	99,840
Community amenities		17,997	8,300	9,291
Recreation and culture		4,703	640	1,085
Transport		1,138,811	552,637	1,327,169
Economic services		396,793	206,690	196,913
Other property and services		32,472	51,340	59,795
		3,721,047	1,996,388	3,668,261
Expenditure from operating activities				
Governance		(813,644)	(803,916)	(733,330)
General purpose funding		(173,967)	(185,769)	(224,429)
Law, order, public safety		(98,801)	(108,274)	(71,659)
Health		(92,394)	(114,370)	(94,238)
Housing		(141,944)	(174,276)	(140,908)
Community amenities		(243,779)	(295,312)	(214,083)
Recreation and culture		(744,806)	(922,015)	(638,518)
Transport		(2,332,491)	(3,345,540)	(2,592,150)
Economic services		(1,216,727)	(1,036,068)	(936,257)
Other property and services		(232,158)	(51,391)	(388,420)
		(6,090,711)	(7,036,931)	(6,033,992)
Non-cash amounts excluded from operating activities	23(a)	2,020,783	2,782,249	2,503,044
Amount attributable to operating activities		3,382,953	1,472,386	5,768,505
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions		1,279,246	3,212,556	2,274,434
Proceeds from disposal of assets	9(a)	152,842	129,000	165,072
Purchase of property, plant and equipment	7(a)	(832,668)	(1,937,950)	(818,087)
Purchase and construction of infrastructure	8(a)	(4,980,291)	(5,211,723)	(2,945,051)
Amount attributable to investing activities		(4,380,871)	(3,808,117)	(1,323,632)
FINANCING ACTIVITIES				
Repayment of borrowings	12(b)	0	(21,837)	0
Proceeds from borrowings	12(b)	0	500,000	0
Transfers to reserves (restricted assets)	4	(1,268,636)	(2,504,625)	(3,895,806)
Transfers from reserves (restricted assets)	4	1,138,021	1,198,678	147,000
Amount attributable to financing activities		(130,615)	(827,784)	(3,748,806)
Surplus/(deficit) before imposition of general rates		(1,128,533)	(3,163,515)	696,067
Total amount raised from general rates	22(a)	3,123,507	3,163,515	3,035,767
Surplus/(deficit) after imposition of general rates	23(b)	1,994,974	0	3,731,834

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

1. BASIS OF PREPARATION

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 25 to these financial statements.

2. REVENUE AND EXPENSES

(a) Revenue

Grant Revenue

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
Governance	0	0	84
General purpose funding	1,677,990	821,540	1,641,638
Law, order, public safety	6,522	3,000	2,965
Recreation and culture	909	0	46
Transport	1,120,291	537,637	1,303,252
Economic services	122,793	77,340	80,000
Other property and services	9,773	0	0
	2,938,278	1,439,517	3,027,985
Non-operating grants, subsidies and contributions			
Recreation and culture	47,301	72,871	128,335
Transport	1,121,945	2,547,685	2,146,099
Economic services	110,000	592,000	0
	1,279,246	3,212,556	2,274,434
	4,217,524	4,652,073	5,302,419

Total grants, subsidies and contributions

SIGNIFICANT ACCOUNTING POLICIES

Grants, donations and other contributions

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over

Grants, donations and other contributions (Continued)

a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in Note 21. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

2. REVENUE AND EXPENSES

(a) Revenue (Continued)

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Other revenue			
Reimbursements and recoveries	10,109	6,200	6,926
Other	18,255	42,090	45,431
	<u>28,364</u>	<u>48,290</u>	<u>52,357</u>
Fees and Charges			
General purpose funding	8,792	13,750	9,094
Law, order, public safety	32	200	0
Health	676	7,100	7,337
Housing	90,982	105,600	99,840
Community amenities	17,997	7,800	8,443
Recreation and culture	3,794	640	1,039
Economic services	273,684	128,950	116,337
Other property and services	2,779	5,040	4,893
	<u>398,736</u>	<u>269,080</u>	<u>246,983</u>
There were no changes during the year to the amount of the fees or charges detailed in the original budget.			
Interest earnings			
Reserve accounts interest	208,232	90,000	57,269
Rates instalment and penalty interest (refer Note 22(b))	105,392	114,501	124,156
Other interest earnings	23,644	20,000	131,370
	<u>337,268</u>	<u>224,501</u>	<u>312,795</u>

SIGNIFICANT ACCOUNTING POLICIES

Interest earnings

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

Interest earnings (Continued)

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

(b) Expenses

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Auditors remuneration			
- Audit of the Annual Financial Report	32,469	20,000	7,850
	<u>32,469</u>	<u>20,000</u>	<u>7,850</u>
Interest expenses (finance costs)			
Borrowings (refer Note 12(b))	0	7,000	0
	<u>0</u>	<u>7,000</u>	<u>0</u>
Rental charges			
- Operating leases	37,293	38,939	36,995
	<u>37,293</u>	<u>38,939</u>	<u>36,995</u>

3. CASH AND CASH EQUIVALENTS

	NOTE	2019 \$	2018 \$
Cash at bank and on hand		10,633,767	12,408,650
		10,633,767	12,408,650
Comprises:			
- Unrestricted cash and cash equivalents		2,132,836	4,039,686
- Restricted cash and cash equivalents		8,500,931	8,368,964
		10,633,767	12,408,650
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Reserve accounts			
Leave reserve	4	201,642	197,364
Building reserve	4	2,298,078	2,003,260
Plant reserve	4	1,395,073	1,427,758
Road reserves	4	1,529,390	1,730,661
Main Street reserve	4	138,105	135,175
Staff Amenities reserve	4	74,299	72,722
TV reserve	4	17,590	17,216
Caravan Park reserve	4	434,027	424,818
Bitumen reserve	4	397,087	388,662
Rates creditors reserve	4	50,119	48,788
Niagara Dam reserve	4	1,349,520	1,320,884
Water reserve	4	98,143	96,059
Economic Development reserve	4	0	402,678
Waste Management reserve	4	102,766	100,586
Former Post Office reserve	4	411,407	0
		8,497,246	8,366,631
Other restricted cash and cash equivalents			
Unspent grants/contributions	21	3,685	2,333
Total restricted cash and cash equivalents		8,500,931	8,368,964

SIGNIFICANT ACCOUNTING POLICIES**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash

Cash and cash equivalents (Continued)

and which are subject to an insignificant risk of change in value. Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

SHIRE OF MENZIES
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	2019		2019		2019		2019		2019		2018		2018		
	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Budget Opening Balance	Budget Transfer to	Budget Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance	Actual Opening Balance	Actual Transfer to	Actual Closing Balance
4. RESERVES - CASH BACKED															
(a) Leave reserve	\$ 197,364	\$ 4,278	\$ 201,642	\$ 197,364	\$ 2,123	\$ 199,487	\$ 192,460	\$ 4,904	\$ 197,364	\$ 192,460	\$ 4,904	\$ 197,364	\$ 192,460	\$ 4,904	\$ 197,364
(e) Building reserve	2,003,260	405,161	2,298,078	2,003,260	380,726	2,222,986	1,161,096	872,164	2,003,260	1,161,096	872,164	2,003,260	1,161,096	872,164	2,003,260
(f) Plant reserve	1,427,758	353,315	1,395,073	1,427,758	337,841	1,369,599	932,561	612,197	1,427,758	932,561	612,197	1,427,758	932,561	612,197	1,427,758
(g) Road reserves	1,730,661	37,729	1,529,390	1,730,660	1,348,904	2,840,564	474,836	1,255,825	1,730,661	474,836	1,255,825	1,730,661	474,836	1,255,825	1,730,661
(h) Main Street reserve	135,175	2,930	138,105	135,175	1,454	136,629	131,578	3,597	135,175	131,578	3,597	135,175	131,578	3,597	135,175
(i) Staff Amenities reserve	72,722	1,577	74,299	72,722	782	73,504	70,915	1,807	72,722	70,915	1,807	72,722	70,915	1,807	72,722
(j) TV reserve	17,216	374	17,590	17,216	185	17,400	16,789	427	17,216	16,789	427	17,216	16,789	427	17,216
(k) Caravan Park reserve	424,818	9,209	434,027	424,818	4,570	429,388	316,747	108,071	424,818	316,747	108,071	424,818	316,747	108,071	424,818
(l) Bitumen reserve	388,662	8,425	397,087	388,662	4,181	392,843	379,618	9,044	388,662	379,618	9,044	388,662	379,618	9,044	388,662
(m) Rates creditors reserve	48,788	1,331	50,119	48,788	525	49,313	47,576	1,212	48,788	47,576	1,212	48,788	47,576	1,212	48,788
(n) Niagara Dam reserve	1,320,884	28,636	1,349,520	1,320,885	14,209	1,335,094	800,049	520,835	1,320,884	800,049	520,835	1,320,884	800,049	520,835	1,320,884
(o) Water reserve	96,059	2,084	98,143	96,061	1,033	97,094	93,600	2,459	96,059	93,600	2,459	96,059	93,600	2,459	96,059
(p) Economic Development reserve	402,678	0	402,678	402,678	0	402,678	0	402,678	402,678	0	402,678	402,678	0	402,678	402,678
(q) Waste Management reserve	100,586	2,180	102,766	100,586	1,082	101,667	0	100,586	100,586	0	100,586	100,586	0	100,586	100,586
(r) Former Post Office reserve	0	411,407	411,407	0	407,010	407,010	0	407,010	0	407,010	0	0	0	0	0
	8,366,631	1,268,636	8,497,246	8,366,631	2,504,625	9,672,578	4,617,825	3,895,806	8,366,631	4,617,825	3,895,806	8,366,631	4,617,825	3,895,806	8,366,631

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

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

Anticipated date of use	Name of Reserve	Purpose of the reserve
Perpetual	(a) Leave reserve	To be used to fund annual and long service leave requirements.
Perpetual	(e) Building reserve	To be used for the acquisition of future building and renovation of existing buildings.
Perpetual	(f) Plant reserve	To be used for the purchase of major plant.
Perpetual	(g) Road reserves	To be used to fund major road works.
Perpetual	(h) Main Street reserve	Established for the beautification of the main street.
Perpetual	(i) Staff Amenities reserve	Established for the purpose of providing staff housing and amenities.
Perpetual	(j) TV reserve	To be used to fund upgrades to the rebroadcasting equipment.
Perpetual	(k) Caravan Park reserve	Established for the purpose of upgrading the caravan park.
Perpetual	(l) Bitumen reserve	Established for future rates claims.
Perpetual	(m) Rates creditors reserve	Established for ongoing upgrade of Niagara Dam valve workings and other maintenance.
Perpetual	(n) Niagara Dam reserve	Established to provide a water park.
Perpetual	(o) Water reserve	To provide for new or additional services in the Shire in partnership with Not for Profit organisations.
Perpetual	(p) Economic Development reserve	To provide for the statutory reinstatement and development of the reserve.
Perpetual	(q) Waste Management reserve	To provide for the restoration and maintenance of the Former Post Office
Perpetual	(r) Former Post Office reserve	

5. TRADE RECEIVABLES

Current

Rates receivable	
Sundry receivables	
GST receivable	
Allowance for impairment of receivables	
Accrued income/Payments in Advance	

	2019	2018
	\$	\$
Rates receivable	828,183	710,858
Sundry receivables	23,926	26,391
GST receivable	261,491	198,385
Allowance for impairment of receivables	(413,176)	(385,257)
Accrued income/Payments in Advance	28,086	13,837
	728,510	564,214

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

Impairment and risk exposure

Information about the impairment of trade receivables and their exposure to credit risk and interest rate risk can be found in Note 24.

Previous accounting policy: Impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

Classification and subsequent measurement

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

6. INVENTORIES

Current

Fuel and materials

	2019	2018
	\$	\$
	10,706	5,157
	10,706	5,157

The following movements in inventories occurred during the year:

Carrying amount at 1 July

Additions to inventory

Carrying amount at 30 June

	5,157	5,157
	5,549	0
	10,706	5,157

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Land held for resale

Land held for development and 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.

Land held for resale (Continued)

Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

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

SHIRE OF MENZIES
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7. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Buildings - non-specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	684,000	1,951,700	4,666,200	6,617,900	7,301,900	23,110	1,478,874	8,803,884
Additions	0	41,191	348,123	389,314	389,314	103,738	325,035	818,087
(Disposals)	0	0	0	0	0	0	(148,114)	(148,114)
Depreciation (expense)	0	(118,377)	(243,169)	(361,546)	(361,546)	(40,794)	(324,082)	(726,422)
Transfers	0	300,000	(254,990)	45,010	45,010	0	4,798	49,808
Carrying amount at 30 June 2018	684,000	2,174,514	4,516,164	6,690,678	7,374,678	86,054	1,336,511	8,797,243
Comprises:								
Gross carrying amount at 30 June 2018	684,000	2,292,892	4,756,965	7,049,857	7,733,857	130,738	1,882,326	9,746,921
Accumulated depreciation at 30 June 2018	0	(118,378)	(240,801)	(359,179)	(359,179)	(44,684)	(545,815)	(949,678)
Carrying amount at 30 June 2018	684,000	2,174,514	4,516,164	6,690,678	7,374,678	86,054	1,336,511	8,797,243
Additions	0	49,590	265,537	315,127	315,127	41,103	476,438	832,668
(Disposals)	0	0	0	0	0	(8,400)	(149,900)	(158,300)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	639,667	639,667
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	(18,922)	0	(18,922)
Depreciation (expense)	0	(120,051)	(260,347)	(380,398)	(380,398)	(12,565)	(318,816)	(711,779)
Carrying amount at 30 June 2019	684,000	2,104,053	4,521,354	6,625,407	7,309,407	87,270	1,983,900	9,380,577
Comprises:								
Gross carrying amount at 30 June 2019	684,000	2,342,481	5,022,501	7,364,982	8,048,982	87,270	1,978,829	10,115,081
Accumulated depreciation at 30 June 2019	0	(238,428)	(501,147)	(739,575)	(739,575)	0	5,071	(734,504)
Carrying amount at 30 June 2019	684,000	2,104,053	4,521,354	6,625,407	7,309,407	87,270	1,983,900	9,380,577

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent market data for similar properties	Independent Registered Valuer	June 2017	Price per hectare
Buildings - non-specialised	2 & 3	Market approach using recent market data for similar properties	Independent Registered Valuer and Management Valuation	June 2017	Improvements to land using construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Buildings - specialised	2 & 3	Market approach using recent market data for similar properties	Independent Registered Valuer and Management Valuation	June 2017	Improvements to land using construction costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Furniture and equipment	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2019	Purchase costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.
Plant and equipment	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2019	Purchase costs (Level 2) and current condition, residual values and remaining useful life assessments (Level 3) inputs.

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

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

8. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Roads	Other infrastructure	Footpaths	Parks and Ovals	Total Infrastructure
	\$	\$	\$	\$	\$
Balance at 1 July 2017	112,104,952	2,815,332	71,979	208,675	115,200,938
Additions	2,519,127	250,745	58,648	116,531	2,945,051
Revaluation increments / (decrements) transferred to revaluation surplus	(3,338,839)	584,547	0	0	(2,754,292)
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	(84,699)	(84,699)
Depreciation (expense)	(1,542,528)	(78,930)	(7,756)	(37,319)	(1,666,533)
Transfers	0	(106,730)	0	56,922	(49,808)
Carrying amount at 30 June 2018	109,742,712	3,464,964	122,871	260,110	113,590,657
Comprises:					
Gross carrying amount at 30 June 2018	109,742,712	3,464,964	230,583	260,110	113,698,369
Accumulated depreciation at 30 June 2018	0	0	(107,712)	0	(107,712)
Carrying amount at 30 June 2018	109,742,712	3,464,964	122,871	260,110	113,590,657
Additions	4,386,393	586,350	0	7,548	4,980,291
Depreciation (expense)	(1,141,737)	(145,358)	(7,753)	(6,868)	(1,301,716)
Carrying amount at 30 June 2019	112,987,368	3,905,956	115,118	260,790	117,269,232
Comprises:					
Gross carrying amount at 30 June 2019	114,129,105	4,047,798	230,583	267,658	118,675,144
Accumulated depreciation at 30 June 2019	(1,141,737)	(141,842)	(115,465)	(6,868)	(1,405,912)
Carrying amount at 30 June 2019	112,987,368	3,905,956	115,118	260,790	117,269,232

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8. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Roads	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Other Infrastructure	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Footpaths	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2015	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Parks and Ovals	2 & 3	Cost approach using depreciated replacement cost	Management Valuation	June 2018	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.

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

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

9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

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

Revaluation

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY Land under control

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

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

Land under roads

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

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

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

Whilst such treatment is inconsistent with the requirements of AASB 1051, Local Government (Financial Management) Regulation 4(2) provides, in the event of such an inconsistency, the Local Government (Financial Management) Regulations prevail.

Consequently, any land under roads acquired on or after 1 July 2008 is not included as an asset of the Shire.

SHIRE OF MENZIES
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9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING INFRASTRUCTURE) (Continued)

(a) Disposals of Assets and assets expensed

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss	2019 Budget Net Book Value	2019 Budget Sale Proceeds	2019 Budget Profit	2019 Budget Loss	2018 Actual Net Book Value	2018 Actual Sale Proceeds	2018 Actual Profit	2018 Actual Loss
Plant and equipment - disposal	138,500	152,842	18,401	(4,059)	138,500	129,000	15,000	(22,500)	148,114	165,072	28,141	(11,183)
Furniture and equipment - Assets under \$5,000 expensed	8,400	0	0	(8,400)				0				0
Plant and equipment - Assets under \$5,000 expensed	11,400	0	0	(11,400)				0				0
	158,300	152,842	18,401	(23,859)	138,500	129,000	15,000	(22,500)	148,114	165,072	28,141	(11,183)

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and Equipment	\$	\$	\$	\$
General purpose funding	8,400		0	(8,400)
Transport	149,900	152,842	18,401	(15,459)
	158,300	152,842	18,401	(23,859)

The following assets were disposed of during the year.

	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
Plant and Equipment				
Transport				
P0180 Mercedes 8 wheel truck	84,000	101,233	17,233	0
P0161 Tri Axle drop deck trailer	35,000	32,822	0	(2,178)
P0197 Ford Ranger 4x4 Dualcab	17,500	16,527	0	(973)
P0127 Kubota generator camp	1,500	592	0	(908)
P0128 Generator 12.5 KVA	500	1,688	1,188	0
Floor mounted hydraulic crane	2,200	0	0	(2,200)
P0215 Coastmac 8x5 Offroad Trailer	5,800	0	0	(5,800)
P0173 Digga Cleena Roadsweeper	1,100	0	0	(1,100)
P0194 Ingersol Rand Air compressor	1,300	0	0	(1,300)
P0189 Digger Slasher mower	1,000	0	0	(1,000)
Transport Total	149,900	152,842	18,401	(15,459)
Furniture and equipment				
General Purpose Funding				
4 cabinet filing compactus	2,200		0	(2,200)
Leather upholstered swivel chairs	1,600		0	(1,600)
Wooden shelf unit - Chambers	1,300		0	(1,300)
Speed queen Industrial Coin operated washer	1,800		0	(1,800)
Speed queen Industrial washer/dryer	1,500		0	(1,500)
	8,400	0	0	(8,400)

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

(b) Depreciation	2019	2019	2018
	Actual	Budget	Actual
	\$	\$	\$
Buildings - non-specialised	120,051	0	118,377
Buildings - specialised	260,347	367,131	243,169
Furniture and equipment	12,565	28,566	40,794
Plant and equipment	318,816	340,906	324,082
Roads	1,141,737	1,970,862	1,542,528
Other infrastructure	145,358	19,516	78,930
Footpaths	7,753	7,024	7,756
Parks and Ovals	6,868	40,744	37,319
	2,013,495	2,774,749	2,392,955

SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

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

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

Depreciation rates

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

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

Depreciation (Continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways: (a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or (b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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10. REVALUATION SURPLUS

	2019		2019		2019		2018		2018		2018	
	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Opening Balance	Revaluation Increment	Revaluation (Decrement)	Total Movement on Revaluation	Closing Balance	Revaluation Increment	Revaluation (Decrement)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	680,443	0	0	0	680,443	680,443	0	0	0	680,443	0	0
Revaluation surplus - Buildings - non-specialised	3,250,986	0	0	0	3,250,986	3,250,986	0	0	0	3,250,986	0	0
Revaluation surplus - Buildings - specialised	217,456	0	0	0	217,456	217,456	0	0	0	217,456	0	0
Revaluation surplus - Plant and equipment	703,442	639,667	0	639,667	1,343,109	703,442	0	0	0	703,442	0	0
Revaluation surplus - Roads	105,024,948	0	0	0	105,024,948	106,363,787	0	(3,338,839)	(3,338,839)	105,024,948	0	0
Revaluation surplus - Other infrastructure	768,474	0	0	0	768,474	183,927	584,547	0	584,547	768,474	584,547	0
	110,645,749	639,667	0	639,667	111,285,416	113,400,041	584,547	(3,338,839)	(2,754,292)	110,645,749	584,547	(2,754,292)

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

11. TRADE AND OTHER PAYABLES

Current

	2019	2018
	\$	\$
Sundry creditors	618,919	656,124
Income received in advance	26,321	26,321
Accrued salaries and wages	46,463	30,756
ATO liabilities	0	105,548
Accrued expenses	155,998	29,397
Payroll Creditors	33,062	31,408
	880,763	879,554

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

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

Trade and other payables (Continued)

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

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12. INFORMATION ON BORROWINGS (Continued)

	2019	2018
	\$	\$
(c) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	25,000	25,000
Credit card balance at balance date	(7,772)	(13,395)
Total amount of credit unused	17,228	11,605

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

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

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

Borrowing costs

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

Risk

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

13. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	Provision for Annual Leave	Provision for Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 July 2018			
Current provisions	121,521	49,013	170,534
Non-current provisions	0	67,925	67,925
	121,521	116,938	238,459
Additional provision	(69,303)	(19,679)	(88,982)
Amounts used	65,973	5,915	71,888
Balance at 30 June 2019	118,191	103,174	221,365
Comprises			
Current	118,191	21,906	140,097
Non-current	0	81,268	81,268
	118,191	103,174	221,365

	Annual Leave		Long Service Leave	
	2019	2018	2019	2018
	\$	\$	\$	\$
Amounts are expected to be settled on the following basis:				
Less than 12 months after the reporting date	118,191	121,521	21,906	49,013
More than 12 months from reporting date	0	0	87,947	91,104
Expected reimbursements from other WA local governments	0	0	(6,679)	(23,179)
	118,191	121,521	103,174	116,938

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

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

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

Provisions

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

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

14. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
Cash and cash equivalents	10,633,767	10,565,576	12,408,650
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	2,033,089	1,335,527	2,944,470
Non-cash flows in Net result:			
Depreciation	2,013,495	2,774,749	2,392,955
(Profit)/loss on sale of asset	5,458	7,500	(16,958)
Loss on revaluation of fixed assets	18,922	0	84,699
Changes in assets and liabilities:			
(Increase)/decrease in receivables	(164,296)	(181,993)	215,446
(Increase)/decrease in inventories	(5,549)	(1,843)	3,365
Increase/(decrease) in payables	1,209	765,495	244,718
Increase/(decrease) in provisions	(17,094)	0	42,348
Grants and non-operating contributions for the development of assets	(1,279,246)	(3,212,556)	(2,274,434)
Net cash from operating activities	2,605,988	1,486,879	3,636,609

15. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	<u>2019</u>	<u>2018</u>
	\$	\$
Governance	5,100	4,800
General purpose funding	2,917,456	4,655,021
Law, order, public safety	175,145	148,199
Housing	2,247,252	2,728,067
Community amenities	3,297,165	3,022,633
Recreation and culture	5,024,438	4,434,493
Transport	118,404,566	115,292,110
Economic services	3,776,317	3,447,026
Other property and services	2,175,353	1,633,572
	<u>138,022,792</u>	<u>135,365,921</u>

16. CONTINGENT LIABILITIES

The Shire of Menzies has in compliance with the Contaminated Sites Act 2003 section 11 listed sites to be possible sources of contamination:

- Memorial M995306 ML, Lot 8 on Plan 222795 as shown in the certificate of title 1096/558 known as Shenton Street, Menzies WA 6436.

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and degree with the Department of Water and Environment Regulation the need and criteria for remediation, the Shire is unable to accurately quantify its clean-up liabilities for potentially contaminated sites.

The Shire is continuing to monitor the sites and will progressively undertake site investigations and remediation on a risk based approach. This approach is consistent with the Department of Water and Environment Regulation guidelines.

17. CAPITAL AND LEASING COMMITMENTS

	2019	2018
	\$	\$
(a) Capital Expenditure Commitments		
Contracted for:		
- capital expenditure projects	0	2,782,234
	<u>0</u>	<u>2,782,234</u>
Payable:		
- not later than one year	0	2,782,234

The capital expenditure project outstanding at the end of the prior reporting period represents a further 5km seal of the Menzies Northwest Road, and WANDRAA funded road works.

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

	2019	2018
	\$	\$
Payable:		
- not later than one year	41,607	41,607
- later than one year but not later than five years	66,774	1,083,006
	<u>108,381</u>	<u>1,124,613</u>

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

Leases (Continued)

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

18. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

	2019 Actual	2019 Budget	2018 Actual
	\$	\$	\$
The following fees, expenses and allowances were paid to council members and/or the President.			
Meeting Fees	75,870	75,870	75,870
President's allowance	19,864	19,864	19,864
Deputy President's allowance	4,966	4,966	4,966
Travelling expenses	34,938	37,000	33,876
Telecommunications allowance	7,699	7,700	7,700
	<u>143,337</u>	<u>145,400</u>	<u>142,276</u>

Key Management Personnel (KMP) Compensation Disclosure

	2019 Actual	2018 Actual
	\$	\$
The total of remuneration paid to KMP of the Shire during the year are as follows:		
Short-term employee benefits	377,093	409,412
Post-employment benefits	69,938	64,396
Other long-term benefits	44,387	20,252
Termination benefits	<u>52,015</u>	<u>0</u>
	<u>543,433</u>	<u>494,060</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

18. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

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

The following transactions occurred with related parties:	2019 Actual	2018 Actual
	\$	\$
Sale of goods and services	6,818	6,573
Purchase of goods and services	0	6

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

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

ii. Other Related Parties

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

iii. Entities subject to significant influence by the Shire

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

20. MAJOR LAND TRANSACTIONS

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

21. CONDITIONS OVER GRANTS/CONTRIBUTIONS

Grant/Contribution	Opening	Received ⁽²⁾		Expended ⁽³⁾	Closing	Received ⁽²⁾		Expended ⁽³⁾	Closing
	Balance ⁽¹⁾ 1/07/17	2017/18	2018/19	2017/18	Balance ⁽¹⁾ 30/06/18	2018/19	2019/20	2017/18	Balance ⁽¹⁾ 30/06/19
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Law, order, public safety									
DFES Operating Grant	3,948	2,965		(4,580)	2,333	6,522		(5,170)	3,685
Transport									
Roads to Recovery	110,116	1,171,037		(1,281,153)	0	0		0	0
Tjuntjunjarra Access Road	61,200	146,223		(207,423)	0	0		0	0
Total	175,264	1,320,225		(1,493,156)	2,333	6,522		(5,170)	3,685

Notes:

- (1) - Grants/contributions recognised as revenue in a previous reporting period which were not expended at the close of the previous reporting period.
- (2) - New grants/contributions which were recognised as revenues during the reporting period and which had not yet been fully expended in the manner specified by the contributor.
- (3) - Grants/contributions which had been recognised as revenues in a previous reporting period or received in the current reporting period and which were expended in the current reporting period in the manner specified by the contributor.

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22. RATING INFORMATION

(a) Rates

RATE TYPE	Differential general rate / general rate	Rate in \$	Number of Properties	2018/19		2018/19		2018/19		2018/19		2018/19		2017/18	
				Actual Rateable Value	Actual Revenue	Actual Interim Rates	Actual Back Rates	Budget Interim Rate	Budget Back Rate	Budget Total Revenue	Actual Total Revenue	Budget Total Revenue	Actual Total Revenue		
Gross rental valuations															
Vacant		0.0849	4	20,956	1,779	0	0	1,779	0	0	0	1,779	0	0	1,305
General		0.0847	29	2,490,662	210,958	0	0	210,958	0	0	0	210,958	0	0	320,881
Unimproved valuations															
Mining lease		0.1626	214	13,980,148	2,273,172	(41,483)	0	2,231,689	0	0	0	2,042,199	0	0	1,862,919
Exploration lease		0.1473	259	2,688,326	395,990	0	0	395,990	0	0	0	614,155	0	0	552,235
Prospecting lease		0.1451	152	348,179	50,521	0	0	50,521	0	0	0	56,987	0	0	62,862
Pastoral lease		0.0814	19	734,152	59,760	0	0	59,760	0	0	0	59,760	0	0	58,732
Other		0.0814	61	301,300	24,526	0	0	24,526	0	0	0	24,526	0	0	24,840
Sub-Total			738	20,563,713	3,016,706	(41,483)	0	2,975,223	0	0	0	3,010,364	0	0	2,883,774
Minimum payment															
Gross rental valuations															
Vacant		200	201	41,216	40,200	0	0	40,200	0	0	0	40,200	0	0	42,600
General		317	11	15,313	3,487	0	0	3,487	0	0	0	3,487	0	0	2,488
Unimproved valuations															
Mining lease		317	62	49,292	19,654	0	0	19,654	0	0	0	19,337	0	0	19,282
Exploration lease		280	174	166,163	48,720	0	0	48,720	0	0	0	50,680	0	0	45,650
Prospecting lease		248	132	120,067	32,736	0	0	32,736	0	0	0	35,960	0	0	38,552
Pastoral lease		317	8	16,843	2,536	0	0	2,536	0	0	0	2,536	0	0	2,488
Other		317	3	6,700	951	0	0	951	0	0	0	951	0	0	933
Sub-Total			591	415,594	148,284	0	0	148,284	0	0	0	153,151	0	0	151,993
Total amount raised from general rate			1,329	20,979,307	3,164,990	(41,483)	0	3,123,507	0	0	0	3,163,515	0	0	3,035,767

SIGNIFICANT ACCOUNTING POLICIES

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

23. RATE SETTING STATEMENT INFORMATION

Note	2018/19	2018/19	2018/19
	(30 June 2019 Carried Forward)	Budget (30 June 2019 Carried Forward)	(1 July 2018 Brought Forward)
	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	9(a) (18,401)	(15,000)	(28,141)
Movement in employee benefit provisions	(17,092)	0	42,348
Add: Loss on disposal of assets and assets expensed	9(a) 23,859	22,500	11,183
Add: Loss on revaluation of fixed assets	7(a), 8(a) 18,922	0	84,699
Add: Depreciation on assets	9(b) 2,013,495	2,774,749	2,392,955
Non cash amounts excluded from operating activities	2,020,783	2,782,249	2,503,044
(b) Surplus/(deficit) after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserves - restricted cash	4 (8,497,246)	(9,672,578)	(8,366,631)
Add: Cash backed provision for leave	140,097	0	170,532
Total adjustments to net current assets	(8,357,149)	(9,672,578)	(8,196,099)
Net current assets used in the Rate Setting Statement			
Total current assets	11,372,983	11,372,578	12,978,021
Less: Total current liabilities	(1,020,860)	(1,700,000)	(1,050,088)
Less: Total adjustments to net current assets	(8,357,149)	(9,672,578)	(8,196,099)
Net current assets used in the Rate Setting Statement	1,994,974	0	3,731,834

24. FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Interest rate risk

Cash and cash equivalents

The Shire's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Shire to cash flow interest rate risk. Short term overdraft facilities also have variable interest rates however these are repaid within 12 months, reducing the risk level to minimal.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Shire to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the table below.

	Weighted Average Interest Rate	Carrying Amounts	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
	%	\$	\$	\$	\$
2019					
Cash and cash equivalents	1.79%	10,633,767	8,497,246	2,135,767	755
2018					
Cash and cash equivalents	1.68%	12,408,650	863,939	3,768,470	841

Sensitivity

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

	2019	2018
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	21,358	37,685

* 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 12(b).

24. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade Receivables

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

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

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

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

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

The loss allowance as at 30 June 2019 (on adoption of AASB 9) was determined as follows for rates receivable.

	Current	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
30 June 2019					
Rates receivable					
Expected credit loss	0.27%	1.12%	24.65%	1.41%	
Gross carrying amount	294,341	105,667	85,605	342,570	828,183
Loss allowance	799	1,185	21,102	4,833	27,919

Additional \$385,257 allowance for impairment was provided mainly for mining rates known not to be recoverable.

No expected credit loss was forecast on 1 July 2018 as it was deemed immaterial.

No expected credit loss was forecast on 1 July 2018 or 30 June 2019 for sundry debtors as it was deemed immaterial.

24. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Payables

Payables are subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Shire manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon if required and disclosed in Note 12(c).

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

	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
	\$	\$	\$	\$	\$
2019					
Payables	855,371	0	0	855,371	855,371
	855,371	0	0	855,371	855,371
2018					
Payables	748,063	0	0	748,063	748,063
	748,063	0	0	748,063	748,063

25. TRUST FUNDS

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

	1 July 2018	Amounts Received	Amounts Paid	30 June 2019
	\$	\$	\$	\$
Housing bonds	1,680	0	(1,680)	0
Pet Bonds	200	0	(200)	0
	1,880	0	(1,880)	0

26. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire did not have any events occurring after the end of the reporting period.

27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

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

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

AASB 9 Financial instruments

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

The Shire applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and no adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Shire has not restated the comparative information which continues to be reported under AASB 139.

(a) Classification and measurement

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

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

27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Shire did not designate any financial assets as at fair value through profit and loss.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Shire's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Shire to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

An assessment was performed to measure expected credit losses taking into account post events, current conditions and forecasts of future economic conditions. Any adjustments from adoption were deemed immaterial and have not been recognised directly in accumulated surplus/deficit.

28. CHANGE IN ACCOUNTING POLICY

Paragraph 17A (5) of *Local Government (Financial Management) Regulations 1996* came into operation on the 1 July 2018. The regulation stated an asset is to be excluded from the assets of a local government if the fair value of the asset at the date of acquisition by the local government is under \$5,000.

The Shire of Menzies has retrospectively applied the change in its accounting policy to comply with the regulation and excluded assets with a fair value of under \$5,000 at the time of acquisition from the assets of the Shire.

Based on the assessment performed, the Shire expensed \$19,800 in the Statement of Comprehensive Income for the current year given that the amount was considered immaterial to restate the retained surplus as at 1 July 2018.

The impacts of the changes in the accounting policy are disclosed at Note 7 and Note 9(a).

29. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

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

This note explains management's assessment of the new and amended pronouncements that are relevant to the Shire, the impact of the adoption of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income for Not-for-Profit Entities*. These standards are applicable to future reporting periods and have not yet been adopted.

(a) Revenue from Contracts with Customers

The Shire adopted AASB 15 *Revenue from Contracts with Customers* (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary adoption of AASB 15 is expected to immaterially increase contract liabilities recognised on the balance sheet at the date of initial application. (1 July 2019).

(b) Leases

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

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

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

On adoption of AASB 16 *Leases* (issued February 2016), for leases which had previously been classified as an 'operating lease' when applying AASB 117, the Shire is not required to make any adjustments on transition for leases for which the underlying asset is of low value. Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with Financial Management Regulation 17A (5).

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

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

The Shire has assessed that, based on the number of operating leases held by the Shire, the impact is not considered to be material.

29. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS (Continued)

(c) Income For Not-For-Profit Entities

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

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019, the impact of which is being assessed.

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

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

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

30. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

31. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES

GOVERNANCE

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

ACTIVITIES

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

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

The reporting of the Shire's general rating income and the recognition of the Western Australian Grants Commission payment together with interest on investments and costs associated with the collection of funds.

LAW, ORDER, PUBLIC SAFETY

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

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

HEALTH

To provide an operational framework for environmental and community health.

Inspection of food outlets and their control, provision of meat inspection services, noise control and disposal compliance.

EDUCATION AND WELFARE

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

Expenditure to assist in the education of the children and youth within the Shire.

HOUSING

To provide and maintain housing.

Income and expenditure associated with the provision of housing to staff and others.

COMMUNITY AMENITIES

To provide services required by the community.

Rubbish collection services, operation of rubbish disposal sites, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemetery and public conveniences.

RECREATION AND CULTURE

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

The reporting of income and expenditure associated with the Town Hall, library and recreation area, oval and reserves operated by Council.

TRANSPORT

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

Construction and maintenance of roads, grids, footpaths, depots, cycle ways, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting and the maintenance of the Council's airstrips.

ECONOMIC SERVICES

To help promote the Shire and its economic well being.

The reporting of income and expenditure including the operation of Council's caravan park and administration of the Building Code of Australia.

OTHER PROPERTY AND SERVICES

To monitor and control Shire's overheads operating accounts.

Involves the expenditure and allocation of employee overheads and plant costs. Also included is the accounting for private works, salary and wages reconciliation and other incomes and expenditure not included elsewhere.

32. FINANCIAL RATIOS

	2019 Actual	2018 Actual	2017 Actual
Current ratio	3.26	5.24	9.59
Asset consumption ratio	0.98	0.99	0.79
Asset renewal funding ratio	N/A	N/A	1.00
Asset sustainability ratio	2.79	1.49	0.46
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	0.19	0.21	0.60
Own source revenue coverage ratio	0.64	0.61	0.59

The above ratios are calculated as follows:

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



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Menzies

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Menzies which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

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

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

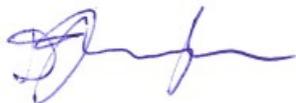
- (i) The following material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a. The Shire has not reported the Asset Renewal Funding Ratio for 2018 or 2019 in its annual financial report, as required by regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively.
 - b. There was no independent review of reconciliations for the Shire's municipal or the cash maximiser and trust accounts.
 - c. There was no independent review of journals that have been input to the accounting system up to May 2019. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be appropriately reviewed and approved.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2017 in Note 32 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ending 30 June 2017. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

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



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

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Prior year issues			
1. Asset Renewal Funding Ratio	✓		
2. Procurement – Obtaining Quotes		✓	
Current year issues			
3. Non-compliance with Local Government Regulations 1996	✓		
4. Bank Reconciliations	✓		
5. Journal Entries	✓		
6. Review of Property Values Input Into Synergysoft		✓	
7. Review of Open Purchase Orders		✓	

KEY TO RATINGS

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

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

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE AUDIT

Prior Year Issues

1. Asset Renewal Funding Ratio

Finding

2019

Prior year issue was not resolved as the Shire has not reported the asset renewal funding ratio for 2019.

2018

We noted that the Shire has not reported the asset renewal funding ratio for 2018 in its annual financial report, as required by regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as the Shire has not updated and approved its Asset Management Plan.

Rating: Significant

Implication:

The financial report does not comply with regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996.

Recommendation

The Shire should update and approve its Asset Management Plan and include asset renewal funding ratio in the Shire's financial report

Management Comment

The Asset Management Plan is being reviewed this year by Moore Stephens. Was scheduled for November 2019, however due to unforeseen circumstances was delayed.

Responsible Person: Peter Money, Chief Executive Officer

Completion Date: Early 2020

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE AUDIT

2. Procurement – Obtaining Quotes

Findings**2019**

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2018 to 31 March 2019, we noted 1 (3%) instance where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Section 4.2 *Purchasing and Tenders* of the Shire's purchasing policy requires that purchases within prescribed price ranges meet certain conditions that must be met to comply with the *Local Government Act 1995* and accompanying regulations.

2018

During our procurement testing, we noted 14 instances from a sample of 54 where there was insufficient documentation to indicate that the Shire obtained three quotes for the purchase of goods and services.

The Shire's purchasing policy requires the Shire to obtain three quotes for purchases greater than \$10,000.

Rating: Moderate**Implication:**

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulation 11A (3)(b) of the Local Government (Finance and General ledger) Regulations. There is a further risk of not achieving the objectives of 'Value for Money' as stated in Policy 4 *Value for Money* of the Shire's purchasing policy.

Recommendation

The requirement for full compliance with the Shire's purchasing policy must be communicated to all staff and be closely monitored by management.

If instances arise where the Shire is unable to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management Comment

Our procedures have been reviewed as to the keeping of these quotes. A folder has been set up in our cloud server for quotes, verbal and written including emails, to be stored. Going forward every effort will be made to obtain the requisite number of quotes.

Responsible Person: Jeanette Taylor, Manager of Finance & Administration
Peter Money, Chief Executive Officer
Paul Warner, Works Supervisor

Completion Date: 12 December 2019

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE AUDIT

Current Year Issues

3. Non-compliance with Local Government Regulations 1996

Findings

Effective from 1 July 2018, regulation 17A(5) of the Local Government (Financial Management) Regulations 1996 (Financial Management Regulations) provides that an asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000.

During our audit, we noted that 17 assets were still recorded on the fixed assets register with acquired cost of less than \$5,000 with net book value of \$19,800.

Subsequent to audit, these assets were expensed in the current financial year.

Rating: Significant

Implication:

Non-compliance with regulation 17A(5) of the Financial Management Regulations, in addition assets balances are likely to be misstated.

Recommendation

The Shire should

- review the fixed asset register to ensure all items acquired for less than \$5,000 have been expensed.
- consider monitoring the assets excluded from the fixed asset register by including all or some of these assets in 'attractive items register'

Management Comment

We have reviewed the asset register and all assets under \$5000 have been written off. An Attractive Items list has been maintained for the year ended 30 June 2019.

There are dedicated accounts in our new chart of accounts so that assets under \$5,000 are expensed. Capital jobs are reviewed for those that may have been budgeted as over \$5,000 but actually cost less than \$5,000.

Responsible Person: Jeanette Taylor, Manager of Finance and Administration
Asoncion Tambis, Asset Management Officer

Completion Date: 12 December 2019

SHIRE OF MENZIES**PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****4. Bank Reconciliations****Finding**

Bank reconciliations are an essential control in managing the accuracy and completeness of the Shire's accounting records and financial statements. Review of bank reconciliations are also a key aspect of internal controls over cash resources.

During our audit we noted that there is no formal process in place for the reconciliation and review of the Shire's cash maximiser and trust accounts. In addition, we noted that the Shire's municipal bank account is reconciled monthly, but there is no evidence of an independent review.

During our review of bank reconciliations, it was noted that there was one long outstanding item amounting to \$250 dating back to August 2018.

Rating: Significant**Implication:**

Inconsistent application of bank reconciliation review procedures increases the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the Local Government (Financial Management) Regulations 1996, which requires the Chief Executive Officer to ensure that the resources of the local government are effectively and efficiently managed.

Recommendation

We recommend that the Shire design and implement policy and procedures which require bank reconciliations to be prepared for all accounts on a monthly basis and within two weeks of the month end.

An officer independent of the preparation should review the bank reconciliations within one week of preparation. The Shire should require and maintain proper evidence of the reviewer's name and review date.

Management should also review long outstanding items listed on period-end bank reconciliations and adequately explain or resolve them.

Management Comment

Our processes were reviewed, and auditor recommendations implemented in May 2019. All bank reconciliations are prepared for all bank accounts, printed, signed and dated by the preparer, then checked and signed by the CEO.

The long outstanding item noted was the incorrect receipt of a hall hire bond and was resolved.

Please note, all bank accounts are and always have been, reconciled on a monthly basis.

Responsible Person: Jeanette Taylor, Manager of Finance & Administration
Peter Money, Chief Executive Officer

Completion Date: May 2019

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE AUDIT

5. Journal Entries

Finding

We noted that accounting journal entries were not independently reviewed and approved before being posted.

Rating: Significant

Implication:

Without evidence of independent review and approval of journal entries, there is an increased risk of fraud and error, and non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

General journals approvals are a key control and should be signed to evidence review and approval by someone independent of the processing function.

Management Comment

Our processes were reviewed, and auditor recommendations implemented in May 2019.

All General Journals are now printed, signed and dated by the preparer, then reviewed and signed by the CEO.

Responsible Person: Jeanette Taylor, Manager of Finance & Administration
Peter Money, Chief Executive Officer

Completion Date: May 2019

SHIRE OF MENZIES**PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****6. Review of Property Values Input Into SynergySoft****Findings**

In August 2018, the Shire issued initial rate notices for the 30 June 2019 financial year based on preliminary valuation reports received from Landgate. Rates are calculated, in part, by referring to the property values stored in the Shire's automated SynergySoft financial management platform. Subsequently, the Shire received several revised property valuation reports from Landgate. The revised property values were manually input by the Rates and Records Officer into SynergySoft and updated rates notices were issued to ratepayers.

During our audit we noted that the Shire failed to:

- a) Independently review property values input into SynergySoft after they were updated in the system against both the preliminary and the revised Landgate valuation reports; and
- b) Complete a reconciliation between the Landgate valuation reports and SynergySoft.

Rating: Moderate**Implication:**

Failure to perform an independent review of the revised valuation reports or to complete a reconciliation between the Landgate valuation reports and SynergySoft, may lead to inaccuracies in both the interim rates charged and ultimately the rates revenue recognised in the financial statements.

Recommendation

The Shire should implement a formal review process of property values input into SynergySoft against both the preliminary and the revised Landgate valuation reports and establish a system to reconcile the Landgate property valuation reports to SynergySoft.

Management Comment:

Further training with IT Vision is being undertaken by our rates officer which will address this issue

Responsible Person: Rates Officer

Completion Date: Training has been arranged for early 2020

SHIRE OF MENZIES**PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE AUDIT****7. Review of Open Purchase Orders****Findings**

During our audit, we noted there is no evidence of review of open purchase orders (POs). As at 30 April 2019, open POs totalled \$95,275 with some POs dating back to December 2018.

Rating: Moderate**Implication:**

Failure to ensure timely review of open POs increases the risk of improper or unauthorised expenditure. In addition, potential exists for incorrect disclosure of expenditure commitments in the financial statements.

Recommendation

Long outstanding open POs should be reviewed and followed up on a regular basis. POs, which are no longer required, should be closed or cancelled in a timely manner.

Management Comment:

Each responsible person is tasked with ensuring only the relevant purchase orders are open. Outstanding purchase orders are reviewed on a monthly basis by the responsible officer for any cancelled, duplicate and no longer relevant purchase orders.

Please note we also have standing orders for regular expenses, such as Telstra. These are often generated at the beginning of the financial year and remain open until June 30 at which time they are closed off.

Responsible Person: Jeanette Taylor, Manager of Finance & Administration
Peter Money, Chief Executive Officer
Paul Warner, Works Supervisor

Completion Date: May 2019

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END OF REPORT