



SHIRE OF MENZIES

Agenda

**FOR THE ANNUAL ELECTORS MEETING
TO BE HELD ON**

29 JUNE 2021

Commencing at 5.00 pm

**At the Council Chambers
124 Shenton Street, Menzies**

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1 DECLARATION OF OPENING

2 ANNOUNCEMENT OF VISITORS

3 RECORD OF ATTENDANCE

Councillors: Cr G Dwyer, Shire President
Cr I Baird, Deputy Shire President
Cr J Dwyer
Cr J Lee
Cr K Mader
Cr S Baird

Staff: Mr B Joiner, Chief Executive Officer
Ms S Mik, Executive Officer (Minutes)

4 REPORTS OF OFFICERS

4.1 Chief Executive Officer Reports

4.1.1	Annual Report 2019/2020 FY
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	N/A
DATE OF REPORT	21 June 2021
AUTHOR	Chief Executive Officer, Brian Joiner
RESPONSIBLE OFFICER	CEO, Brian Joiner
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	1. Annual- Report- 2019-2020 draft [4.1.1.1 - 97 pages]

SUMMARY:

To consider the content of the Annual Report for the financial year ended 30 June 2020.

BACKGROUND:

The Annual Report 2019/20 details the activities and performance of the organisation over the period supported by the Annual Financial Report and the Independent Auditor's Report. The Independent Auditor's Report was not finalised until 31 May 2021 and this has created the subsequent delay in finalisation of the Annual Report 2019/20.

COMMENT:

The 2019/20 FY was a difficult year for the Shire and other organisations as the full effects of COVID19 were felt. The financial results for the Shire were still very good however a lot of the works program was not delivered.

Auditing of the Shire was also difficult with RSM having to conduct the audit remotely. This along with other factors has led to the late delivery of the Audit Report and subsequent Annual Report.

CONSULTATION:

Elected members.

Staff.

RSM (auditors).

Office of the Auditor General.

Council accepted the Annual Report including the audited Annual Financial Report at its Ordinary Council Meeting held 24 June 2021.

Community – local public notice has been given of the Annual Elector's meeting and Annual Report.

STATUTORY AUTHORITY:

The Shire is required to prepare an annual report for each financial year in accordance with Part 5 Division 5 of the Local Government Act 1995 (the Act). The report is to be accepted no later than 31 December or two months following receipt of the final audit opinion by an absolute majority in accordance with section 5.54 of the Act.

Section 5.27 of the Act requires that a Electors' General Meeting, to discuss the contents of the Shire's Annual Report, be held on a day selected by the local government, but not more than 56 days after the Council accepts the annual report for the previous year.

The audit opinion was received from the Auditor General on 31 May 2021 and Council accepted the Annual Report on 24 June 2021.

POLICY IMPLICATIONS:

There are no policy implications.

FINANCIAL IMPLICATIONS:

There are no financial implications from the acceptance of the Annual Report.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
Failure to hold the 2020 Electors' general meeting before 19 August 2021 will breach statutory requirements.	Medium	Scheduling of the Annual Elector's Meeting.

STRATEGIC IMPLICATIONS:

4.1 A strategically focused Council, leading our community.

4.1.3 Encourage and support community engagement and collaboration.

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That Electors, pursuant to Section 5.27 of the Local Government Act 1995 and Regulation 15 of the Local Government (Administration) Regulations 1996, Resolve to Note the contents of the Shire of Menzies Annual Report 2019/20 including the audited Annual Financial Report for the Year Ended 30 June 2020.

**SHIRE
OF
MENZIES**



ANNUAL REPORT
For the year ended 30th June
2020

Please note, this document contains images of deceased persons

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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

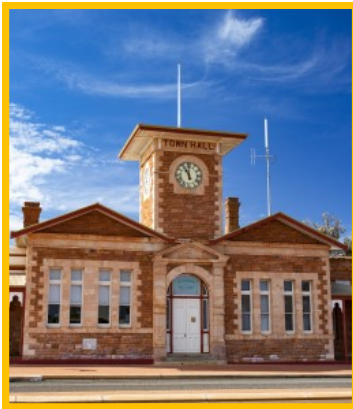
Population	490 (ABS 2016)
Number of Electors	278
Number of Dwellings	130
Distance from Perth (klm)	730 km
Area (sq klm)	124,635 square kilometres (48,122 sq mi)
Suburbs and Localities	Kookynie, 6431; Menzies, 6436; Tjuntjuntjara 6431.
Schools	Menzies Community School Tjuntjuntjara Remote Community School
Length of Sealed Roads (klm)	51.2 klm
Length of Unsealed Road (klm)	2129
Rates Levied	\$3.1m
Total Revenue	\$6.8m
Council Employees	21
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 Cyclastic Menzies Rodeo

SHIRE OF MENZIES

The Shire of Menzies has common borders with the Shires of Yilgarn, Sandstone, Leonora, Laverton, 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 Tjuntjuntjara 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.

2019-2020 COUNCILLORS



Cr Greg Dwyer
Shire President
(Rural Ward)

Term Expires: 2021



Cr Ian Baird
Deputy Shire
President
(Rural Ward)

Term Expires: 2023



Cr Jill Dwyer
(Rural Ward)

Term Expires: 2021



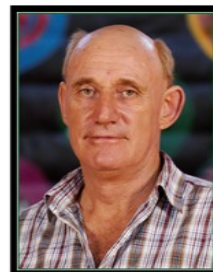
Cr Justin Lee
(Town Ward)

Term Expires: 2021



Cr Vashti Ashwin
(Town Ward)

Term Expires: 2023



Cr Keith Mader
(Town Ward)

Term Expires: 2021



Cr Debbie Hanson
(Rural Ward)

Term Expires: 2023



Cr Ian Tucker
(Town Ward)

Term Expires: 2021

2019-2020 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 Cyclastic
- Regional Road Group
- Goldfields Tourism Network

SHIRE PRESIDENTS REPORT



The financial year commenced with the completion of contracts for supervision and WANDRRA Roadworks of and the flood damage on the eastern section roads in the Shire.

In August there was an installation of Solar Lights in Kookynie. After consultation with the local Residents, installation was undertaken at strategic locations including the Public Toilet at the Information Bay.

Cr Ian Tucker passed away early in October which was unexpected and a sad occasion for the Shire and Community. Cr Tucker had been a Councillor for over 14 years and Chairperson of the Menzies Aboriginal Corporation for over 30 years.

The October Local Government Elections, Cr Ian Baird and Cr Debbie Hansen were returned for the Rural Ward and Cr Vashti Ashwin was successful in the Town Ward.

Murdoch University vets were in Menzies for 3 days from the 10th January 2019, servicing a total of 28 dogs, a free service to the local community.

The Menzies Rodeo was postponed in 2019 to enable an Association to be formed and furthermore secure professional riders from the Rodeo Circuit competing in WA and a suitable date.

Two accommodation units for the Caravan Park arrived on the 2nd June 2020 to assist with the demand for short stay accommodation in Menzies. There is an expectancy that these Units will be in high demand when available for occupancy.

Due to Covid 19 unfortunately there was no Cyclastic Event held in 2020 and due to the ongoing Covid 19 event restrictions across Australia the Menzies Rodeo was cancelled and postponed for the foreseeable future.

Covid 19 changed the lives of people throughout Australia with the closing of Borders, International travel and travel throughout the Regions led to a difficult time for everyone around with world with Social Distancing, limited numbers at such important events such as Weddings and Funerals, panic buying and limited food supplies initially.

The Shire Office was closed for a period of time with some Staff working from home, Council Meetings were held via Video Conferencing. The Menzies Hotel was partially closed during this period. Council voted unanimously to support the Hotel to purchase groceries on consignment to ensure sufficient food stocks were available to enable local residents to purchase groceries in Menzies to limit travel around the region.

SHIRE PRESIDENTS REPORT

The Outback Grave Markers continued their volunteer work recognising unmarked graves at various Cemeteries in our local government area.

It was decided in the 2019/2020 Budget to install a Public Toilet and Shower facilities at the truck bay on the north side of town. The Shire selected REBUS design and the Ablutions were finalised for supply in 20/21.

Application's from GBF to construct accommodation villages on Shenton and Reid Streets in January 2020, the applications were approved, however the mining company delayed the project before any works commenced due to the closure of the Sand Queen Mine at Comet Vale.

Cr Keith Mader was the successful candidate at the Extraordinary election on 28th February 2020 to fill the vacant Town Ward seat.

Council approved of the realignment of the Evanston road around Riverina, roadworks being carried out by Ora Banda Mining contractors to Main Roads standards.

June 20 roadworks were completed on the Connie Sue Highway and the Tjuntuntjara Community Access Road.

Due to staff shortages during the year the Shire has been fortunate to secure the services of Contractors to fill the roles whilst the employment of full time permanent staff could be achieved.

I take this opportunity to convey my thanks to all Councillors, Staff, Volunteers and the Community for your assistance and efforts over this unusual and trying twelve months as we all look forward to the advent of vaccines for Covid 19 in the near future.

Greg Dwyer
Shire President

CHIEF EXECUTIVE OFFICER REPORT

I come into this role with a high level of optimism after a year that most of the country would rather forget. It would be easy to use the events of 2020 as an excuse for everything that didn't go as planned. However, we as a Shire and community need to own our shortcomings and celebrate our achievements.

The year started on a positive note with the adoption of the Corporate Business Plan which was developed by drawing from the strategies of the Asset Management Plan, the Workforce Plan, the Long-Term Financial Plan and the Strategic Community Plan. The Corporate Business Plan is the action sheet for the Strategic Community Plan and is the source document for the Annual Budget.

The Shire undertook several capital works projects during the year including the sealing of a portion of the Menzies Northwest Road and considerable works on the Yarri Road and Evanston Menzies Road. Capital works were also undertaken at the Niagara Dam, stock grids and at the Menzies and Kookynie refuse sites.

Minor capital works included an upgrade of computer systems and software and the youth centre benefitted from new basketball poles and a shade structure.

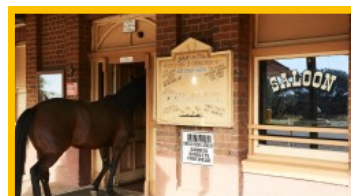
Action commenced to recover rates that have been outstanding for a considerable amount of time. The outstanding rates are reflected in the Shires financials and contribute to the Shires sustainability ratios and the issue needed to be addressed.

The broken statues at Lake Ballard have been replaced and the tourist icon continues to attract a constant stream of visitors to the area.

There has been an overall decline in the occupancy of the Caravan Park and overall visitor numbers to the Shire which is directly related to closed borders. In 2020/21 the Shire will be investigating other opportunities to boost tourist numbers and accommodation.

Looking to the future there are signs that the resilience of the communities are being rewarded. Mining is going from strength to strength, caravans are back on the roads and we are committed to delivering on Council's strategies and plans.

Your staff have worked hard to improve the Shire, its operations and community infrastructure and I would like to thank them for their endeavours. Our team is small in number, but it punches above its weight in what it delivers.

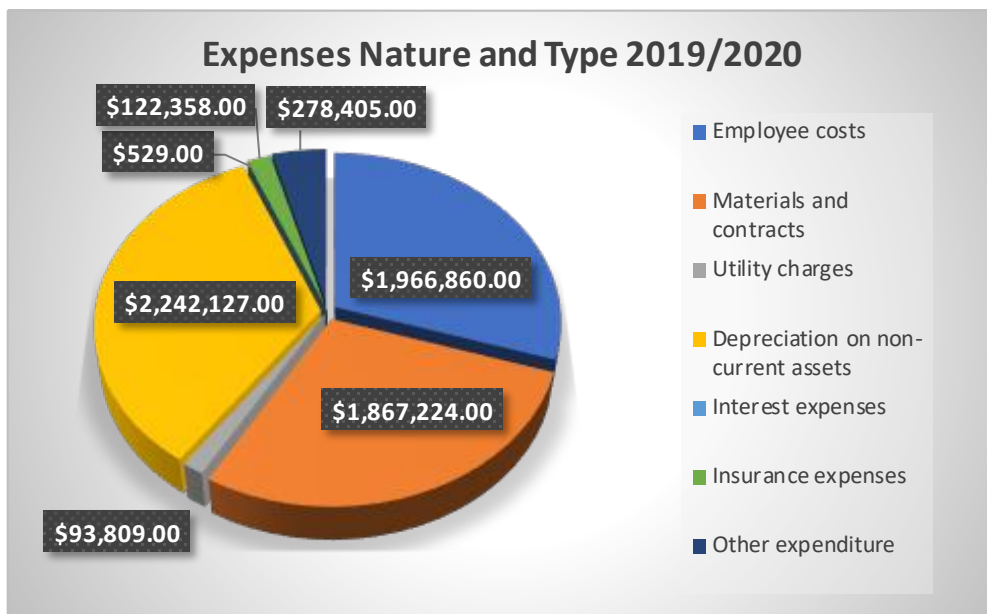
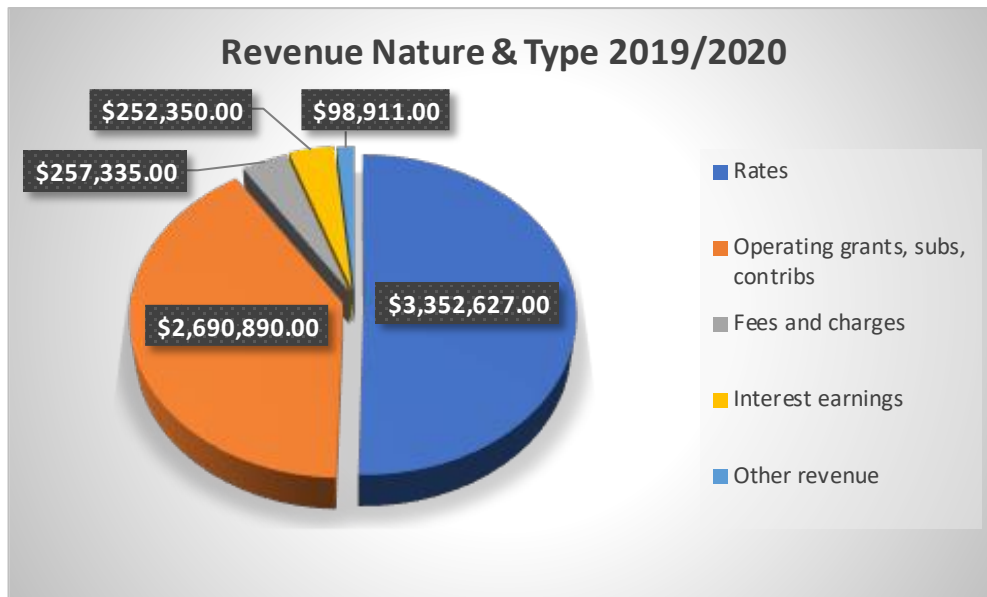


BRIAN JOINER

CHIEF EXECUTIVE OFFICER

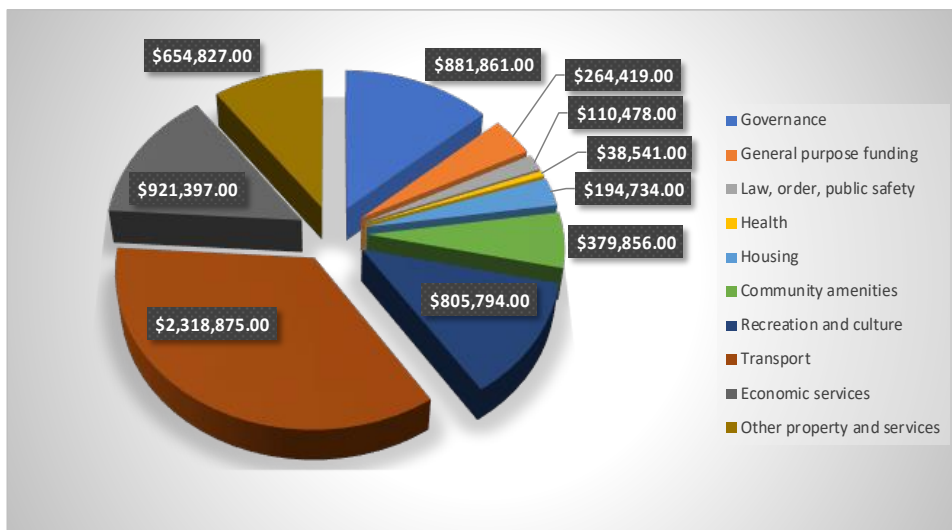
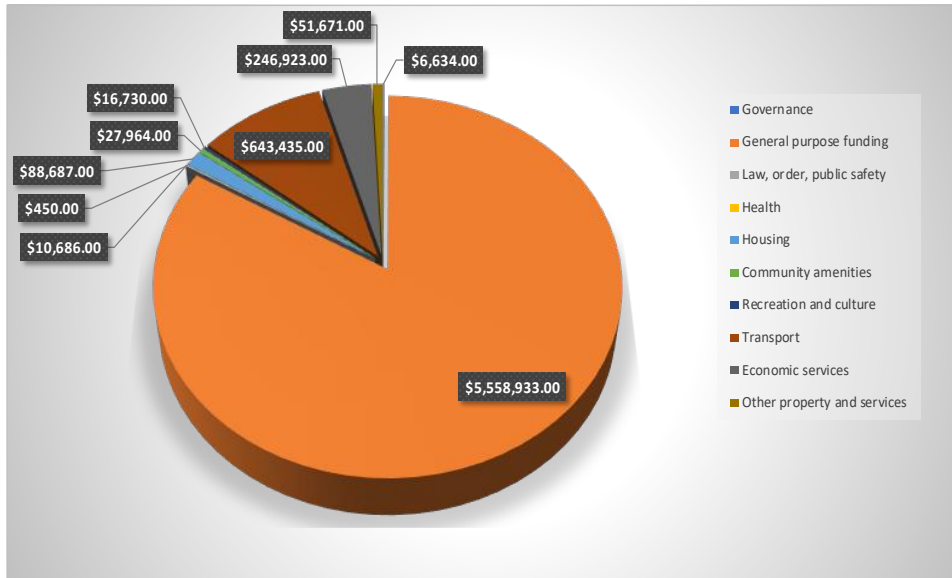
CHIEF EXECUTIVE OFFICER REPORT

Below is a breakdown of the shire’s revenue and expenditure by Nature and Type for the year ending 30th June 2020 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 2020. 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 2020– 2021 the following Plans are to be reviewed:

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

The Corporate Business Plan shows an expected capital expenditure for 2020-2021 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 2020-2021 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.

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. Two 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*).

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 (04) 2837 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
- Youth Activities and School Holiday Programs

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 2019 to 31 December 2019 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 February 2020 meeting and was subsequently submitted to the Department of Local Government prior to 31 March 2020 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 2019/2020:

Salary Range		
\$ From	\$ To	Number of employees
100,000	109,999	1
110,000	119,999	
120,000	129,999	1
130,000	139,999	
140,000	149,999	
150,000	159,000	1
160,000	169,000	1
Total		4

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 2019/2020 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 2019/20.

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 2020 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	2020	2019	2018	3 Year Trends
Current Ratio		≥ 1.00	4.41	3.26	5.24	↑
Asset Sustainability		≥ 0.90	1.41	2.79	1.49	↑
Debt Service Cover		≥ 2.00	N/A	N/A	N/A	N/A
Operating Surplus		≥ 0.15	0.01	0.19	.21	↓
Own Source Revenue Coverage		≥ 0.60	0.59	0.64	.61	↓
Asset Consumption		≥ 0.75	0.98	0.98	0.99	↑
Asset Renewal Funding		≥ 1.05	2.78	N/A	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.

² The 3 year trend compares the 2020 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
2020	4.21

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 overtime.

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
2020	1.41

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 is within the industry standard.

2016	(0.60)
2017	0.60
2018	0.21
2019	0.19
2020	0.01

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
2020	0.59

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
2020	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.

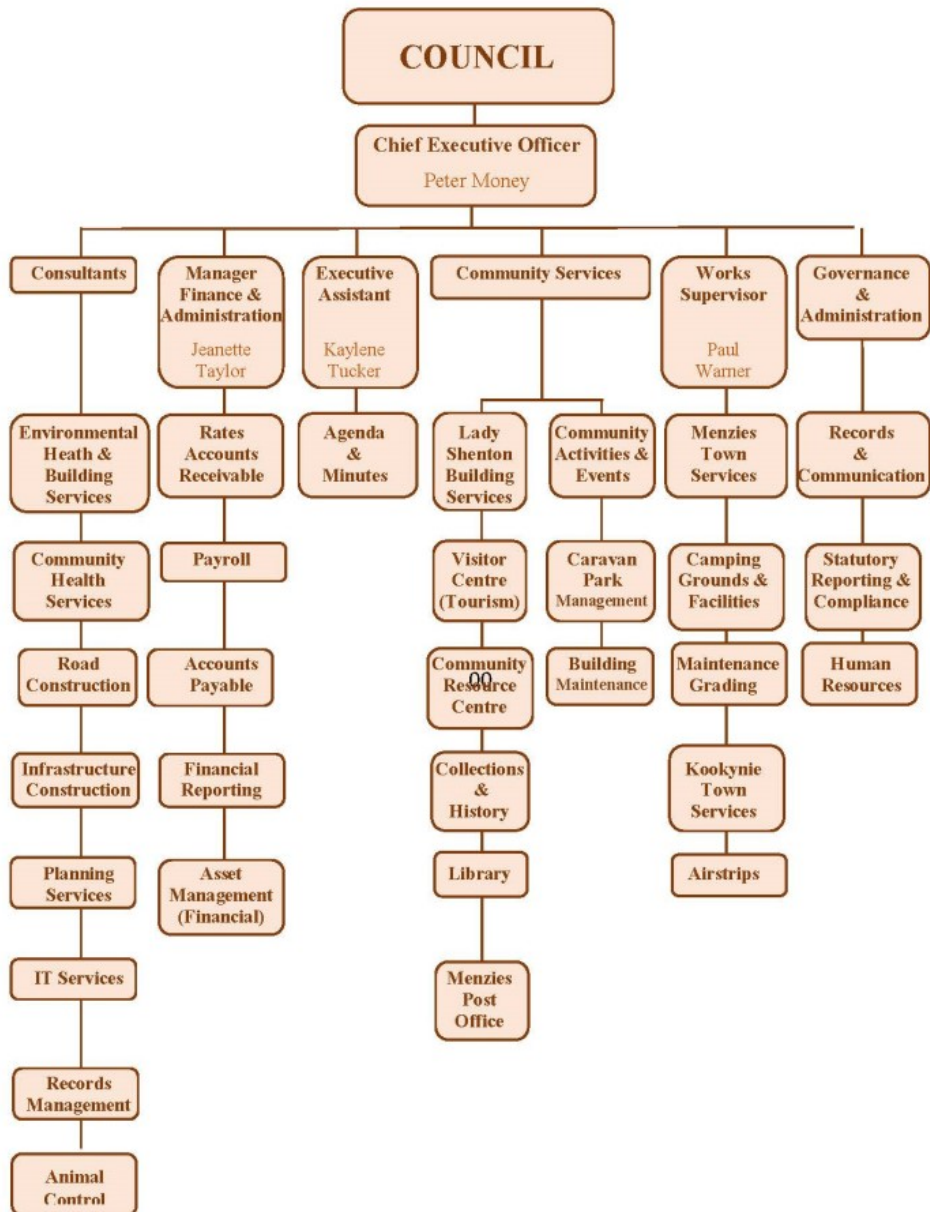
2016	0.99
2017	1.00
2018	N/A
2019	N/A
2020	2.78

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 2019-2020



2019-2020 AUDITED FINANCIALS

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

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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 30 JUNE 2020**

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

STATEMENT BY CHIEF EXECUTIVE OFFICER

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

Signed on the 27TH day of MAY 2021



Chief Executive Officer

Brian Joiner



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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue				
Rates	23(a)	3,352,627	3,266,373	3,123,507
Operating grants, subsidies and contributions	2(a)	2,690,890	2,137,567	2,938,278
Fees and charges	2(a)	257,335	242,047	398,736
Interest earnings	2(a)	252,350	233,789	337,268
Other revenue	2(a)	98,911	49,693	28,364
		6,652,113	5,929,469	6,826,153
Expenses				
Employee costs		(1,966,860)	(2,055,237)	(1,687,899)
Materials and contracts		(1,867,224)	(2,129,633)	(1,817,759)
Utility charges		(93,809)	(86,147)	(89,726)
Depreciation on non-current assets	10(b)	(2,242,127)	(1,986,269)	(2,013,495)
Interest expenses	2(b)	(529)	0	0
Insurance expenses		(122,358)	(149,012)	(137,988)
Other expenditure		(278,405)	(436,155)	(301,063)
		(6,571,312)	(6,842,453)	(6,047,930)
		80,801	(912,984)	778,223
Non-operating grants, subsidies and contributions	2(a)	3,564,550	3,374,402	1,279,246
Profit on asset disposals	10(a)	1,417	39,212	18,401
(Loss) on asset disposals	10(a)	(35,329)	(35,336)	(23,859)
(Loss) on revaluation of furniture and equipment	8(a)	0	0	(18,922)
		3,530,638	3,378,278	1,254,866
		3,611,439	2,465,294	2,033,089
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	12	1,883,862	0	639,667
		1,883,862	0	639,667
		5,495,301	2,465,294	2,672,756

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 30 JUNE 2020

NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
Revenue			
2(a)			
Governance	6,634	16,980	7,676
General purpose funding	5,558,933	4,397,124	5,147,821
Law, order, public safety	10,686	6,722	6,554
Health	450	1,300	676
Housing	88,687	100,600	91,051
Community amenities	27,964	17,277	17,997
Recreation and culture	16,730	800	4,703
Transport	643,435	1,133,391	1,120,410
Economic services	246,923	226,292	396,793
Other property and services	51,671	28,983	32,472
	6,652,113	5,929,469	6,826,153
Expenses			
2(b)			
Governance	(881,861)	(903,820)	(813,644)
General purpose funding	(264,419)	(225,840)	(165,567)
Law, order, public safety	(110,478)	(116,855)	(98,801)
Health	(38,541)	(128,587)	(92,394)
Housing	(194,735)	(157,257)	(141,944)
Community amenities	(379,856)	(315,359)	(243,779)
Recreation and culture	(805,794)	(953,595)	(744,806)
Transport	(2,318,875)	(2,317,201)	(2,317,032)
Economic services	(921,397)	(1,317,284)	(1,216,727)
Other property and services	(654,827)	(406,655)	(213,236)
	(6,570,783)	(6,842,453)	(6,047,930)
Finance Costs			
2(b)			
Other property and services	(529)	0	0
	(529)	0	0
	80,801	(912,984)	778,223
Non-operating grants, subsidies and contributions	3,564,550	3,374,402	1,279,246
Profit on disposal of assets	1,417	39,212	18,401
(Loss) on disposal of assets	(35,329)	(35,336)	(23,859)
(Loss) on revaluation of furniture and equipment	0	0	(18,922)
	3,530,638	3,378,278	1,254,866
	3,611,439	2,465,294	2,033,089
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	1,883,862	0	639,667
	1,883,862	0	639,667
Total other comprehensive income for the period			
	5,495,301	2,465,294	2,672,756

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



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

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	3	12,901,851	10,633,767
Trade and other receivables	5	673,083	700,424
Inventories	6	13,623	10,706
Other assets	7	17,642	28,086
TOTAL CURRENT ASSETS		13,606,199	11,372,983
NON-CURRENT ASSETS			
Property, plant and equipment	8	10,565,699	9,380,577
Infrastructure	9	118,875,551	117,269,232
Right of use assets	11(a)	6,340	0
TOTAL NON-CURRENT ASSETS		129,447,590	126,649,809
TOTAL ASSETS		143,053,789	138,022,792
CURRENT LIABILITIES			
Trade and other payables	13	392,694	880,763
Lease liabilities	14(a)	3,985	0
Employee related provisions	16	197,107	140,097
TOTAL CURRENT LIABILITIES		593,786	1,020,860
NON-CURRENT LIABILITIES			
Lease liabilities	14(a)	2,363	0
Employee related provisions	16	41,675	81,268
TOTAL NON-CURRENT LIABILITIES		44,038	81,268
TOTAL LIABILITIES		637,824	1,102,128
NET ASSETS		142,415,965	136,920,664
EQUITY			
Retained surplus		18,733,641	17,138,002
Reserves - cash backed	4	11,856,155	8,497,246
Revaluation surplus	12	111,826,169	111,285,416
TOTAL EQUITY		142,415,965	136,920,664

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



SHIRE OF MENZIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 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	12	0	0	639,667	639,667
Total comprehensive income		2,033,089	0	639,667	2,672,756
Transfers from reserves	4	1,138,021	(1,138,021)	0	0
Transfers to reserves	4	(1,268,636)	1,268,636	0	0
Balance as at 30 June 2019		17,138,002	8,497,246	111,285,416	136,920,664
Change in accounting policy	28(b)	1,343,109	0	(1,343,109)	0
Restated total equity at 1 July 2019		18,481,111	8,497,246	109,942,307	136,920,664
Comprehensive income					
Net result for the period		3,611,439	0	0	3,611,439
Other comprehensive income	12	0	0	1,883,862	1,883,862
Total comprehensive income		3,611,439	0	1,883,862	5,495,301
Transfers from reserves	4	277,292	(277,292)	0	0
Transfers to reserves	4	(3,636,201)	3,636,201	0	0
Balance as at 30 June 2020		18,733,641	11,856,155	111,826,169	142,415,965

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,317,435	3,266,373	3,034,101
Operating grants, subsidies and contributions		2,684,013	2,137,567	2,926,494
Fees and charges		257,335	242,047	398,736
Interest received		252,350	233,789	337,268
Goods and services tax received		552,567	256,579	354,329
Other revenue		98,911	49,693	28,364
		7,162,611	6,186,048	7,079,292
Payments				
Employee costs		(1,973,197)	(2,055,237)	(1,794,834)
Materials and contracts		(2,324,012)	(1,993,257)	(1,732,258)
Utility charges		(93,809)	(86,147)	(89,726)
Interest expenses		(529)	0	0
Insurance paid		(122,358)	(149,012)	(137,988)
Goods and services tax paid		(483,157)	(256,579)	(417,435)
Other expenditure		(278,405)	(436,155)	(301,063)
		(5,275,467)	(4,976,387)	(4,473,304)
Net cash provided by (used in) operating activities	17	1,887,144	1,209,661	2,605,988
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	8(a)	(1,134,117)	(2,612,085)	(832,668)
Payments for construction of infrastructure	9(a)	(2,248,588)	(3,077,088)	(4,980,291)
Non-operating grants, subsidies and contributions	2(a)	3,564,550	3,374,402	1,279,246
Proceeds from sale of property, plant & equipment	10(a)	233,001	250,911	152,842
Net cash provided by (used in) investment activities		414,846	(2,063,860)	(4,380,871)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for principal portion of lease liabilities	14(b)	(33,906)	0	0
Net cash provided by (used in) financing activities		(33,906)	0	0
Net increase (decrease) in cash held		2,268,084	(854,199)	(1,774,883)
Cash at beginning of year		10,633,767	10,632,087	12,408,650
Cash and cash equivalents at the end of the year	17	12,901,851	9,777,888	10,633,767

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

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

	NOTE	2020 Actual \$	2020 Budget \$	2019 Actual \$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	24 (b)	1,994,974	2,262,666	3,731,834
		1,994,974	2,262,666	3,731,834
Revenue from operating activities (excluding rates)				
Governance		6,634	16,980	7,676
General purpose funding		2,206,306	1,130,751	2,024,314
Law, order, public safety		10,686	6,722	6,554
Health		450	1,300	676
Housing		88,687	100,600	91,051
Community amenities		27,964	17,277	17,997
Recreation and culture		16,730	800	4,703
Transport		644,852	1,172,603	1,138,811
Economic services		246,923	226,292	396,793
Other property and services		51,671	28,983	32,472
		3,300,903	2,702,308	3,721,047
Expenditure from operating activities				
Governance		(881,861)	(903,820)	(813,644)
General purpose funding		(264,419)	(225,840)	(173,967)
Law, order, public safety		(110,478)	(116,855)	(98,801)
Health		(38,541)	(128,587)	(92,394)
Housing		(194,735)	(157,257)	(141,944)
Community amenities		(379,856)	(315,359)	(243,779)
Recreation and culture		(805,794)	(953,595)	(744,806)
Transport		(2,354,204)	(2,352,537)	(2,332,491)
Economic services		(921,397)	(1,317,284)	(1,216,727)
Other property and services		(655,356)	(406,655)	(232,158)
		(6,606,641)	(6,877,789)	(6,090,711)
Non-cash amounts excluded from operating activities	24(a)	2,293,455	1,982,393	2,020,783
Amount attributable to operating activities		982,691	69,578	3,382,953
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	2(a)	3,564,550	3,374,402	1,279,246
Proceeds from disposal of assets	10(a)	233,001	250,911	152,842
Purchase of property, plant and equipment	8(a)	(1,134,117)	(2,612,085)	(832,668)
Purchase and construction of infrastructure	9(a)	(2,248,588)	(3,077,088)	(4,980,291)
Amount attributable to investing activities		414,846	(2,063,860)	(4,380,871)
FINANCING ACTIVITIES				
Payments for principal portion of lease liabilities	14(b)	(33,906)	0	0
Transfers to reserves (restricted assets)	4	(3,636,201)	(4,658,077)	(1,268,636)
Transfers from reserves (restricted assets)	4	277,292	3,377,435	1,138,021
Amount attributable to financing activities		(3,392,815)	(1,280,642)	(130,615)
Surplus/(deficit) before imposition of general rates		(1,995,278)	(3,274,924)	(1,128,533)
Total amount raised from general rates	23(a)	3,352,627	3,266,373	3,123,507
Surplus/(deficit) after imposition of general rates	24(b)	1,357,349	(8,551)	1,994,974

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

SHIRE OF MENZIES
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FOR THE YEAR ENDED 30 JUNE 2020

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

1. BASIS OF PREPARATION

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

AMENDMENTS TO LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

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

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

The comparative year amounts have been retained as AASB 16 does not require comparatives to be restated in the year of transition.

Therefore the departure from AASB 1051 and AASB 16 in respect of the comparatives for the year ended 30 June 2019 remains.

The Local Government (Financial Management) Regulations amendments had immaterial impact on the Shire as the Shire does not have a golf course, showground, race-course or recreations facility of State or regional significance.

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

NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE YEARS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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

All monies held in the Trust Fund are excluded from the financial statements.

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

2. REVENUE AND EXPENSES

REVENUE RECOGNITION POLICY

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

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

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

2. REVENUE AND EXPENSES

(a) Grant revenue

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Operating grants, subsidies and contributions			
General purpose funding	1,943,165	886,654	1,677,990
Law, order, public safety	5,406	6,522	6,522
Recreation and culture	0	0	909
Transport	621,410	1,132,391	1,120,291
Economic services	120,909	112,000	122,793
Other property and services	0	0	9,773
	2,690,890	2,137,567	2,938,278
Non-operating grants, subsidies and contributions			
Recreation and culture	20,242	25,570	47,301
Transport	3,423,720	2,962,832	1,121,945
Economic services	120,588	386,000	110,000
	3,564,550	3,374,402	1,279,246
	6,255,440	5,511,969	4,217,524
Fees and charges			
General purpose funding	13,810	10,040	8,792
Law, order, public safety	710	200	32
Health	450	1,300	676
Housing	81,098	100,600	90,982
Community amenities	27,964	15,215	17,997
Recreation and culture	0	800	3,794
Economic services	126,537	113,892	273,684
Other property and services	6,766	0	2,779
	257,335	242,047	398,736

SIGNIFICANT ACCOUNTING POLICIES

Grants, subsidies and contributions

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

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

Fees and Charges

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

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

**Contracts with customers and transfers
for recognisable non-financial assets**

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire was recognised during the year for the following nature or types of goods or services:

Non-operating grants, subsidies and contributions

2020 Actual \$	2020 Budget \$	2019 Actual \$
3,564,550	3,374,402	1,279,246
3,564,550	3,374,402	1,279,246

Revenue from contracts with customers and transfers to enable the acquisition or construction of recognisable non-financial assets to be controlled by the Shire is comprised of:

Other revenue from performance obligations satisfied during the year

2020 Actual \$	2020 Budget \$	2019 Actual \$
3,564,550	3,374,402	1,279,246
3,564,550	3,374,402	1,279,246

Information about receivables, contract assets and contract liabilities from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Trade and other receivables from contracts with customers

30,803	0	23,926
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SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Revenue from statutory requirements

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

General rates

	2020 Actual \$	2020 Budget \$	2019 Actual \$
General rates	3,352,627	3,266,373	3,123,507
	<u>3,352,627</u>	<u>3,266,373</u>	<u>3,123,507</u>
Other revenue			
Reimbursements and recoveries	50,160	49,693	10,109
Other	48,751	0	18,255
	<u>98,911</u>	<u>49,693</u>	<u>28,364</u>
Interest earnings			
Interest on reserve funds	132,870	125,000	208,232
Rates instalment and penalty interest (refer Note 23(b))	99,706	107,289	105,392
Other interest earnings	19,774	1,500	23,644
	<u>252,350</u>	<u>233,789</u>	<u>337,268</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

Auditors remuneration

- Audit of the Annual Financial Report

Interest expenses (finance costs)

Lease liabilities

Other expenditure

Sundry expenses

Note	2020 Actual \$	2020 Budget \$	2019 Actual \$
	74,000	45,000	32,469
	<u>74,000</u>	<u>45,000</u>	<u>32,469</u>
14(b)	(529)	0	0
	<u>(529)</u>	<u>0</u>	<u>0</u>
	278,405	436,155	301,063
	<u>278,405</u>	<u>436,155</u>	<u>301,063</u>

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

3. CASH AND CASH EQUIVALENTS

	NOTE	2020 \$	2019 \$
Cash at bank and on hand		9,647,641	10,633,767
Term deposits		3,254,210	0
Total cash and cash equivalents		12,901,851	10,633,767
Restrictions			
The following classes of assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents		11,856,155	8,497,246
		11,856,155	8,497,246
The restricted assets are a result of the following specific purposes to which the assets may be used:			
Reserves - cash backed	4	11,856,155	8,497,246
Total restricted assets		11,856,155	8,497,246

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted assets

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

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

4. RESERVES - CASH BACKED

	2020 Actual Opening Balance	2020 Actual Transfer to	2020 Actual Transfer (from)	2020 Actual Closing Balance	2020 Budget Opening Balance	2020 Budget Transfer to	2020 Budget Transfer (from)	2020 Budget Closing Balance	2019 Actual Opening Balance	2019 Actual Transfer to	2019 Actual Transfer (from)	2019 Actual Closing Balance
(a) Leave reserve	201,642	3,432	0	205,074	201,643	2,966	0	204,609	197,364	4,278	0	201,642
(b) Building reserve	2,298,078	599,304	(102,292)	2,795,090	2,298,078	980,179	(1,782,000)	1,496,257	2,003,260	405,161	(110,343)	2,298,078
(c) Plant reserve	1,395,073	551,320	0	1,946,393	1,395,073	557,229	(435,785)	1,516,517	1,427,758	353,315	(386,000)	1,395,073
(d) Road reserves	1,529,390	1,228,035	0	2,755,425	1,529,390	1,222,487	(300,000)	2,451,887	1,730,661	37,729	(239,000)	1,529,390
(e) Main Street reserve	138,105	2,351	0	140,456	138,105	2,032	(10,000)	130,137	135,175	2,930	0	138,105
(f) Staff Amenities reserve	74,299	501,265	0	575,564	74,299	1,151,093	(650,000)	575,392	72,722	1,577	0	74,299
(g) TV reserve	17,590	299	0	17,889	17,589	259	0	17,848	17,216	374	0	17,590
(h) Caravan Park reserve	434,027	7,389	(10,000)	431,416	434,027	6,385	(20,660)	419,762	424,818	9,209	0	434,027
(i) Bitumen reserve	397,087	206,760	0	603,847	397,088	205,841	0	602,929	388,662	8,425	0	397,087
(j) Rates creditors reserve	50,119	1,025	0	51,144	50,118	737	0	50,855	48,788	1,331	0	50,119
(k) Niagara Dam reserve	1,349,520	22,973	(120,000)	1,252,493	1,349,520	19,851	(84,000)	1,285,371	1,320,884	28,636	0	1,349,520
(l) Water reserve	98,143	201,670	0	299,813	98,142	201,444	0	299,586	96,059	2,084	0	98,143
(m) Economic Development reserve	0	0	0	0	0	0	0	0	402,678	0	(402,678)	0
(n) Waste Management reserve	102,766	1,749	(45,000)	59,515	102,766	1,512	(45,000)	59,278	100,586	2,180	0	102,766
(o) Former Post Office reserve	411,407	6,999	0	418,406	411,408	6,052	(50,000)	367,460	0	411,407	0	411,407
(p) Commercial Enterprise reserve	0	101,210	0	101,210	0	100,000	0	100,000	0	0	0	0
(q) Land Purchase reserve	0	202,420	0	202,420	0	200,000	0	200,000	0	0	0	0
	8,497,246	3,636,201	(277,292)	11,856,155	8,497,246	4,658,077	(3,377,435)	9,777,888	8,366,631	1,268,636	(1,138,021)	8,497,246

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

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

Name of Reserve	Anticipated date of use	Purpose of the reserve
(a) Leave reserve	Perpetual	To be used to fund annual and long service leave requirements.
(b) Building reserve	Perpetual	To be used for the acquisition of future building and renovation of existing buildings.
(c) Plant reserve	Perpetual	To be used for the purchase of major plant.
(d) Road reserves	Perpetual	To be used to fund major road works.
(e) Main Street reserve	Perpetual	Established for the beautification of the main street.
(f) Staff Amenities reserve	Perpetual	Established for the purpose of providing staff housing and amenities.
(g) TV reserve	Perpetual	To be used to fund upgrades to the rebroadcasting equipment.
(h) Caravan Park reserve	Perpetual	Established for the purpose of upgrading the caravan park.
(i) Bitumen reserve	Perpetual	Established to fund future resealing of roads.
(j) Rates creditors reserve	Perpetual	Established for future rates claims.
(k) Niagara Dam reserve	Perpetual	Established for ongoing upgrade of Niagara Dam valve workings and other maintenance.
(l) Water reserve	Perpetual	Established to provide a water park.
(m) Economic Development reserve	30/06/2019	To provide for new or additional services in the Shire in partnership with Not for Profit organisations.
(n) Waste Management reserve	Perpetual	To provide for the statutory reinstatement and development of the reserve.
(o) Former Post Office reserve	Perpetual	To provide for the restoration and maintenance of the Former Post Office
(p) Commercial Enterprise reserve	Perpetual	To fund an activity or purchase with a view to producing a profit.
(q) Land Purchase reserve	Perpetual	To be used for purchase of selective properties with development potential.

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

5. TRADE AND OTHER RECEIVABLES

Current

Rates receivable	
Trade and other receivables	
GST receivable	
Allowance for impairment of receivables	

2020	2019
\$	\$
863,375	828,183
30,803	23,926
192,081	261,491
<u>(413,176)</u>	<u>(413,176)</u>
673,083	700,424

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 25.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

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

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

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

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

6. INVENTORIES

Current

Fuel and materials

	2020	2019
	\$	\$
	13,623	10,706
	<u>13,623</u>	<u>10,706</u>
	10,706	16,255
	(107,117)	(117,900)
	110,034	112,351
	<u>13,623</u>	<u>10,706</u>

The following movements in inventories occurred during the year:

Carrying amount at beginning of period

Inventories expensed during the year

Additions to inventory

Carrying amount at end of period

SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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

7. OTHER ASSETS

Other assets - current

Accrued income

	2020	2019
	\$	\$
	17,642	28,086
	17,642	28,086

SIGNIFICANT ACCOUNTING POLICIES

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

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

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Carrying Amounts

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

	Land - freehold land	Total land	Buildings - non- specialised	Buildings - specialised	Total buildings	Total land and buildings	Furniture and equipment	Plant and equipment	Work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	684,000	684,000	1,874,514	4,771,154	6,645,668	7,329,668	86,054	1,331,713	0	8,747,435
Additions	0	0	49,590	265,537	315,127	315,127	41,103	476,438	0	832,668
(Disposals)	0	0	0	0	0	0	(8,400)	(149,900)	0	(158,300)
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	0	0	0	0	0	639,667	0	639,667
Revaluation (loss) / reversals transferred to profit or loss	0	0	0	0	0	0	0	0	0	(18,922)
Depreciation (expense)	0	0	(120,051)	(260,347)	(380,398)	(380,398)	(12,565)	(318,816)	0	(711,779)
Transfers	0	0	300,000	(254,990)	45,010	45,010	0	4,798	0	49,808
Carrying amount at 30 June 2019	684,000	684,000	2,104,053	4,521,354	6,625,407	7,309,407	87,270	1,983,900	0	9,380,577
Comprises:										
Gross carrying amount at 30 June 2019	684,000	684,000	2,342,481	5,022,501	7,364,982	8,048,982	87,270	1,978,829	0	10,115,081
Accumulated depreciation at 30 June 2019	0	0	(238,428)	(501,147)	(739,575)	(739,575)	0	5,071	0	(734,504)
Carrying amount at 30 June 2019	684,000	684,000	2,104,053	4,521,354	6,625,407	7,309,407	87,270	1,983,900	0	9,380,577
Additions	0	0	0	23,698	23,698	23,698	0	746,688	363,731	1,134,117
(Disposals)	0	0	0	0	0	0	0	(266,913)	0	(266,913)
Revaluation increments / (decrements) transferred to revaluation surplus	(127,500)	(127,500)	168,477	1,169,547	1,338,024	1,210,524	0	0	0	1,210,524
Depreciation (expense)	0	0	(122,530)	(273,599)	(396,129)	(396,129)	(16,082)	(504,755)	0	(916,966)
Transfers*	0	0	0	0	0	0	0	24,360	0	24,360
Carrying amount at 30 June 2020	556,500	556,500	2,150,000	5,441,000	7,591,000	8,147,500	71,188	1,983,280	363,731	10,565,699
Comprises:										
Gross carrying amount at 30 June 2020	556,500	556,500	2,150,000	5,441,000	7,591,000	8,147,500	87,270	2,449,949	363,731	11,048,450
Accumulated depreciation at 30 June 2020	0	0	0	0	0	0	(16,082)	(466,669)	0	(482,751)
Carrying amount at 30 June 2020	556,500	556,500	2,150,000	5,441,000	7,591,000	8,147,500	71,188	1,983,280	363,731	10,565,699

* The transfer of plant and equipment relates to the transfer of a right of use asset on early settlement of the lease.

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Land and buildings					
Land - freehold land	2	Market approach using recent market data for similar properties	Independent Registered Valuer	June 2020	Price per hectare
Buildings - non-specialised	2 & 3	Market approach using recent market data for similar properties	Independent Registered Valuer and Management Valuation	June 2020	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 2020	Improvements to land using construction 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.

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

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

9. INFRASTRUCTURE

(a) Movements in Carrying Amounts

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

	Infrastructure - Roads	Infrastructure - Other	Infrastructure - Footpaths	Infrastructure - Parks and Ovals	Work in progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	109,742,712	3,464,964	122,871	260,110	0	113,590,657
Additions	4,386,393	586,350	0	7,548	0	4,980,291
Depreciation (expense)	(1,141,737)	(145,358)	(7,753)	(6,868)	0	(1,301,716)
Carrying amount at 30 June 2019	112,987,368	3,905,956	115,118	260,790	0	117,269,232
Comprises:						
Gross carrying amount at 30 June 2019	114,129,105	4,047,798	230,583	267,658	0	118,675,144
Accumulated depreciation at 30 June 2019	(1,141,737)	(141,842)	(115,465)	(6,868)	0	(1,405,912)
Carrying amount at 30 June 2019	112,987,368	3,905,956	115,118	260,790	0	117,269,232
Additions	2,099,900	127,328	0	16,815	4,545	2,248,588
Revaluation increments / (decrements) transferred to revaluation surplus	0	0	673,338	0	0	673,338
Depreciation (expense)	(1,143,735)	(156,642)	(8,363)	(6,867)	0	(1,315,607)
Carrying amount at 30 June 2020	113,943,533	3,876,642	780,093	270,738	4,545	118,875,551
Comprises:						
Gross carrying amount at 30 June 2020	116,229,005	4,178,642	893,336	284,473	4,545	121,590,001
Accumulated depreciation at 30 June 2020	(2,285,472)	(302,000)	(113,243)	(13,735)	0	(2,714,450)
Carrying amount at 30 June 2020	113,943,533	3,876,642	780,093	270,738	4,545	118,875,551

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

9. INFRASTRUCTURE (Continued)

(b) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
Infrastructure - Roads	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.
Infrastructure - Other	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.
Infrastructure - Footpaths	2 & 3	Cost approach using depreciated replacement cost	Independent valuation	June 2020	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - 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.

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

10. FIXED ASSETS

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement between mandatory revaluation dates

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

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

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Revaluation

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

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

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

AUSTRALIAN ACCOUNTING STANDARDS - INCONSISTENCY

Land under control prior to 1 July 2019

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

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

Land under roads prior to 1 July 2019

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

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

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

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

Land under roads from 1 July 2019

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

Vested improvements from 1 July 2019

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

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

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

10. FIXED ASSETS

(a) Disposals of Assets

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss	2020 Budget Net Book Value	2020 Budget Sale Proceeds	2020 Budget Profit	2020 Budget Loss	2019 Actual Net Book Value	2019 Actual Sale Proceeds	2019 Actual Profit	2019 Actual Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Furniture and equipment	0	0	0	0	0	0	0	0	8,400	0	0	(8,400)
Plant and equipment	266,913	233,001	1,417	(35,329)	247,035	250,911	39,212	(35,336)	149,900	152,842	18,401	(15,459)
	266,913	233,001	1,417	(35,329)	247,035	250,911	39,212	(35,336)	158,300	152,842	18,401	(23,859)

The following assets were disposed of during the year.

	2020 Actual Net Book Value	2020 Actual Sale Proceeds	2020 Actual Profit	2020 Actual Loss
Plant and Equipment				
Transport				
233 P0105 2008 Caterpillar 120M Grader MN980	116,430	83,601	0	(32,829)
29 Nissan Xtrail ST-L 4WD CVT AUTO	13,515	14,345	830	0
34 Toyota Landcruiser LC200 4.5L	67,755	65,255	0	(2,500)
517 P213 Toyota Landcruiser Dual Cab Ute	57,013	57,073	60	0
1 P0198 VW AMAROK single cab Ute	12,200	12,727	527	0
	266,913	233,001	1,417	(35,329)
	266,913	233,001	1,417	(35,329)

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

10. FIXED ASSETS

(b) Depreciation

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Buildings - non-specialised	122,530	249,253	120,051
Buildings - specialised	273,599	121,253	260,347
Furniture and equipment	16,082	48,133	12,565
Plant and equipment	504,755	349,567	318,816
Infrastructure - Roads	1,143,735	1,091,120	1,141,737
Infrastructure - Other	156,642	79,175	145,358
Infrastructure - Footpaths	8,363	7,024	7,753
Infrastructure - Parks and Ovals	6,867	40,744	6,868
Right of use assets - plant and equipment	5,644	0	0
Right of use assets - furniture and equipment	3,910	0	0
	2,242,127	1,986,269	2,013,495

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 on revaluation

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

- (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.

Amortisation

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

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

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

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

11. LEASES

(a) Right of Use Assets

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

	Right of use assets - plant and equipment \$	Right of use assets - furniture and equipment \$	Right of use assets Total
Carrying amount at 30 June 2019	0	0	0
Recognised on initial application of AASB 16	30,004	10,250	40,254
Restated total equity at the beginning of the financial year	30,004	10,250	40,254
Transfer of right of use asset to plant and equipment	(24,360)	0	(24,360)
Depreciation (expense)	(5,644)	(3,910)	(9,554)
Carrying amount at 30 June 2020	0	6,340	6,340
(b) Cash outflow from leases			
Interest expense on lease liabilities	(351)	(178)	(529)
Lease principal expense	(24,360)	(4,080)	(28,440)
Total cash outflow from leases	(24,711)	(4,258)	(28,969)

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Leases for right of use assets are secured over the asset being leased.

Right of use assets - valuation

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

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

Right of use assets - depreciation

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

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

12. REVALUATION SURPLUS

	2020 Opening Balance	2020 Change in Accounting Policy	2020 Revaluation Increment	2020 Revaluation (Decrement)	2020 Total Movement on Revaluation	2020 Closing Balance	2019 Opening Balance	2019 Revaluation Increment	2019 Revaluation (Decrement)	2019 Total Movement on Revaluation	2019 Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	680,443	0	0	(127,500)	(127,500)	552,943	680,443	0	0	0	680,443
Revaluation surplus - Buildings - non-specialised	3,250,986	0	168,477	0	168,477	3,419,463	3,250,986	0	0	0	3,250,986
Revaluation surplus - Buildings - specialised	217,456	0	1,169,547	0	1,169,547	1,387,003	217,456	0	0	0	217,456
Revaluation surplus - Plant and equipment	1,343,109	(1,343,109)	0	0	0	0	703,442	639,667	0	639,667	1,343,109
Revaluation surplus - Roads	105,024,948	0	0	0	0	105,024,948	105,024,948	0	0	0	105,024,948
Revaluation surplus - Infrastructure - Other	768,474	0	0	0	0	768,474	768,474	0	0	0	768,474
Revaluation surplus - Infrastructure - Footpaths	0	0	673,338	0	673,338	673,338	0	0	0	0	0
	111,285,416	(1,343,109)	2,011,362	(127,500)	1,883,862	111,826,169	110,645,749	639,667	0	639,667	111,285,416

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. Vested land is no longer required to be recognised at fair value. Land under golf courses, show grounds, race courses or any other sporting or recreational facility of state or regional significance should be recognised at zero cost.

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

13. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued salaries and wages
Other payables

2020	2019
\$	\$
311,055	618,919
26,321	26,321
22,709	46,463
32,609	189,060
<u>392,694</u>	<u>880,763</u>

SIGNIFICANT ACCOUNTING POLICIES

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition

Prepaid rates

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

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

14. LEASE LIABILITIES

	2020	2019
(a) Lease Liabilities	\$	\$
Current	3,985	0
Non-current	2,353	0
	6,348	0

(b) Movements in Carrying Amounts

Purpose	Lease Number	Institution	Lease Interest Rate	Lease Term	30 June 2019			30 June 2020			30 June 2020			30 June 2020			30 June 2020		
					Actual Lease Principal 1 July 2019	Budget Lease Principal 1 July 2019	Repayments	Actual Lease Principal 30 June 2020	Budget Lease Principal 30 June 2020	Repayments	Actual Lease Principal 30 June 2020	Budget Lease Principal 30 June 2020	Repayments	Actual Lease Principal 30 June 2020	Budget Lease Principal 30 June 2020	Repayments	Actual Lease Interest 30 June 2020	Budget Lease Interest 30 June 2020	Repayments
Other property and services																			
Smart Board	6224285	Fleet Management	2.40%	60 months	30,004	30,004	3,902	30,004	30,004	3,902	33,906	0	354	0	0	0	0	0	
	IE1338	Your payment solution	2.10%	48 months	10,250	10,250	3,802	6,348	6,348	6,348	6,348	178	178	0	0	0	0	0	
					40,254	40,254	33,906	36,352	36,352	33,906	40,254	36,352	36,352	36,352	36,352	36,352	36,352	36,352	

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

15. INFORMATION ON BORROWINGS

	2020	2019
	\$	\$
(a) Undrawn Borrowing Facilities		
Credit Standby Arrangements		
Credit card limit	25,000	25,000
Credit card balance at balance date	(1,174)	(7,772)
Total amount of credit unused	23,826	17,228
Loan facilities		
Lease liabilities - current	3,985	0
Lease liabilities - non-current	2,363	0
Total facilities in use at balance date	6,348	0
Unused loan facilities at balance date	NIL	NIL

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 25.

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

16. EMPLOYEE RELATED PROVISIONS

(a) Employee Related Provisions

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2019			
Current provisions	118,191	21,906	140,097
Non-current provisions	0	81,268	81,268
	118,191	103,174	221,365
Additional provision	2,207	15,210	17,417
Balance at 30 June 2020	120,398	118,384	238,782
Comprises			
Current	120,398	76,709	197,107
Non-current	0	41,675	41,675
	120,398	118,384	238,782
Amounts are expected to be settled on the following basis:	2020 \$	2019 \$	
Less than 12 months after the reporting date	197,107	140,097	
More than 12 months from reporting date	48,354	87,947	
Expected reimbursements from other WA local governments	(6,679)	(6,679)	
	238,782	221,365	

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.

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

17. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of Cash

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

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Cash and cash equivalents	12,901,851	9,777,888	10,633,767
Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net result	3,611,439	2,465,294	2,033,089
Non-cash flows in Net result:			
Depreciation on non-current assets	2,242,127	1,986,269	2,013,495
(Profit)/loss on sale of asset	33,912	(3,876)	5,458
Loss on revaluation of fixed assets	0	0	18,922
Changes in assets and liabilities:			
(Increase)/decrease in receivables	27,341	0	(164,296)
(Increase)/decrease in other assets	10,444	0	0
(Increase)/decrease in inventories	(2,917)	0	(5,549)
Increase/(decrease) in payables	(488,069)	136,376	1,209
Increase/(decrease) in provisions	17,417	0	(17,094)
Non-operating grants, subsidies and contributions	(3,564,550)	(3,374,402)	(1,279,246)
Net cash from operating activities	1,887,144	1,209,661	2,605,988

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

18. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2020	2019
	\$	\$
Governance	8,140	5,100
General purpose funding	501,408	2,917,456
Law, order, public safety	86,455	175,145
Education and welfare	300,000	0
Housing	2,867,925	2,247,252
Community amenities	866,992	3,297,165
Recreation and culture	4,399,256	5,024,438
Transport	121,072,992	118,404,566
Economic services	5,408,693	3,776,317
Other property and services	6,913,673	2,175,353
Unallocated	628,255	0
	<u>143,053,789</u>	<u>138,022,792</u>

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

19. 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.

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

20. LEASING COMMITMENTS

(a) Lease Commitments

Non-cancellable leases contracted for but not capitalised in the accounts (short term and low value leases).

Payable:

- not later than one year
- later than one year but not later than five years

	2020	2019
	\$	\$
	23,282	41,607
	0	66,774
	<u>23,282</u>	<u>108,381</u>

SIGNIFICANT ACCOUNTING POLICIES

Leases

The Shire adopted AASB 16 para 5 whereby all contracts that are classified as short term (i.e. lease with a remaining term of 12 months or less) and leases of low value (assets of \$10,000 or less) are recognised as an operating expense on a straight line basis over the term of the lease.

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

21. RELATED PARTY TRANSACTIONS

Elected Members Remuneration

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

	2020 Actual	2020 Budget	2019 Actual
	\$	\$	\$
Meeting fees	72,825	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	27,937	37,000	34,938
Telecommunications allowance	7,241	7,700	7,699
	<u>132,833</u>	<u>145,400</u>	<u>143,337</u>

Key Management Personnel (KMP) Compensation Disclosure

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

	2020 Actual	2019 Actual
	\$	\$
Short-term employee benefits	560,388	377,093
Post-employment benefits	100,187	69,938
Other long-term benefits	29,194	44,387
Termination benefits	0	52,015
	<u>689,769</u>	<u>543,433</u>

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

These amounts represent long service benefits accruing during the year.

Termination benefits

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

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

21. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related parties

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

The following transactions occurred with related parties:	2020 Actual \$	2019 Actual \$
Sale of goods and services	7,398	6,818
Purchase of goods and services	39	0

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.

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

22. JOINT ARRANGEMENTS

Share of joint operations

The Shire together with the City of Kalgoorlie Boulder, Shires of Coolgardie, Dundas, Esperance, Laverton, Leonora, Ngaanyatjaraku, Ravensthorpe and Wiluna have a joint arrangement, classified as a joint operation with regards to the provision of a Regional Records Service. Management have determined this as a joint operation.

The assets included in the joint venture are one tenth share as follows:-

	2020	2019
	\$	\$
Current assets	7,445	0
Non current assets	75,118	82,936
	<u>82,563</u>	<u>82,936</u>
Net assets	(373)	0
Net increase/(decrease) in share of associate entity's net assets	(373)	(1,812)
- Share of associates profit/(loss) from ordinary activities	11,680	4,994
- Share of associates total comprehensive income arising during the period	11,680	4,994
Carrying amount at beginning of period	1,783	(3,211)
- Share of associates total comprehensive income arising during the period	11,680	4,994
Carrying amount at end of period	<u>13,463</u>	<u>1,783</u>

SIGNIFICANT ACCOUNTING POLICIES

Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint arrangements providing joint ventures with an interest to net assets are classified as a joint venture and accounted for using the equity method. The equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

Interests in joint arrangements (Continued)

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

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

23. RATING INFORMATION

(a) Rates

RATE TYPE
Differential general rate / general rate

Rate in \$	Number of Properties	2019/20 Actual		2019/20 Actual		2019/20 Actual		2019/20 Budget		2019/20 Budget		2018/19 Actual	
		Value	Rateable	Revenue	Interim Rates	Back Rates	Revenue	Interim Rates	Back Rate	Revenue	Interim Rate	Rate	Revenue
Gross rental valuations													
Vacant	4	20,956	2,490,652	1,811	0	0	0	0	0	0	0	1,811	1,779
Residential	29	2,490,652	2,490,652	2,146,94	0	0	0	0	0	0	0	2,146,94	2,10,958
Unimproved valuations													
Mining lease	219	14,444,502	2,390,135	40,481	0	0	0	0	0	0	0	2,349,951	2,231,689
Exploration lease	274	2,806,556	420,983	0	0	0	0	0	0	0	0	412,726	395,990
Prospecting lease	152	364,806	53,882	0	0	0	0	0	0	0	0	56,148	50,521
Pastoral lease	19	734,152	60,861	0	0	0	0	0	0	0	0	60,861	59,760
Other	61	301,300	24,978	0	0	0	0	0	0	0	0	24,948	24,526
Sub-Total	758	21,162,924	3,167,344	40,481	0	0	0	0	0	0	0	3,163,368	2,975,223
Minimum payment													
Gross rental valuations													
Vacant	200	41,081	40,000	0	0	0	0	0	0	0	0	40,000	40,200
Residential	317	15,313	3,487	0	0	0	0	0	0	0	0	3,487	3,487
Unimproved valuations													
Mining lease	317	48,129	19,020	0	0	0	0	0	0	0	0	19,020	19,654
Exploration lease	280	185,464	53,760	0	0	0	0	0	0	0	0	53,200	48,720
Prospecting lease	248	91,454	25,048	0	0	0	0	0	0	0	0	26,040	32,736
Pastoral lease	317	16,843	2,536	0	0	0	0	0	0	0	0	2,536	2,536
Other	317	6,700	951	0	0	0	0	0	0	0	0	951	951
Sub-Total	575	404,984	144,802	0	0	0	0	0	0	0	0	145,234	148,284
Total amount raised from general rate	1,333	21,567,908	3,312,146	40,481	0	0	0	0	0	0	0	3,308,602	3,123,507
													3,123,507

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

23. RATING INFORMATION (Continued)

(b) Interest Charges & Instalments

Instalment Options	Date Due	Instalment Plan Admin Charge \$	Instalment Plan Interest Rate %	Unpaid Rates Interest Rate %
Option One				
Single full payment	17/10/2019	0.00	0.00%	11.00%
Option Two				
First instalment	17/10/2019	0.00	0.00%	11.00%
Second instalment	19/12/2019	10.00	5.50%	11.00%
Third instalment	20/02/2020	10.00	5.50%	11.00%
Fourth instalment	22/04/2020	10.00	5.50%	11.00%

	2020 Actual \$	2020 Budget \$	2019 Actual \$
Interest on unpaid rates	94,733	98,622	96,879
Interest on instalment plan	4,973	8,667	8,513
Charges on instalment plan	4,795	10,040	8,792
	104,501	117,329	114,184

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

24. RATE SETTING STATEMENT INFORMATION

Note	2019/20	2019/20	2019/20	2018/19		
	(30 June 2020 Carried Forward)	Budget (30 June 2020 Carried Forward)	(1 July 2019 Brought Forward)	(30 June 2019 Carried Forward)		
	\$	\$	\$	\$		
(a) Non-cash amounts excluded from operating activities						
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> .						
Adjustments to operating activities						
	Less: Profit on asset disposals	10(a)	(1,417)	(39,212)	(18,401)	(18,401)
	Movement in employee benefit provisions		17,416	0	(17,092)	(17,092)
	Add: Loss on disposal of assets	10(a)	35,329	35,336	23,859	23,859
	Add: Loss on revaluation of fixed assets	8(a)	0	0	18,922	18,922
	Add: Depreciation on non-current assets	10(b)	2,242,127	1,986,269	2,013,495	2,013,495
	Non cash amounts excluded from operating activities		2,293,455	1,982,393	2,020,783	2,020,783
(b) Surplus/(deficit) after imposition of general rates						
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.						
Adjustments to net current assets						
	Less: Reserves - cash backed	4	(11,856,155)	(9,777,888)	(8,497,246)	(8,497,246)
	Add: Current liabilities not expected to be cleared at end of year					
	- Current portion of lease liabilities		3,985	0	0	0
	- Employee benefit provisions		197,106	0	140,097	140,097
	Total adjustments to net current assets		(11,655,064)	(9,777,888)	(8,357,149)	(8,357,149)
Net current assets used in the Rate Setting Statement						
	Total current assets		13,606,199	10,599,866	11,372,983	11,372,983
	Less: Total current liabilities		(593,786)	(830,529)	(1,020,860)	(1,020,860)
	Less: Total adjustments to net current assets		(11,655,064)	(9,777,888)	(8,357,149)	(8,357,149)
	Net current assets used in the Rate Setting Statement		1,357,349	(8,551)	1,994,974	1,994,974

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

25. 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
	%	\$	\$	\$	\$
2020					
Cash and cash equivalents	1.22%	12,901,851	3,254,210	9,646,321	1,320
2019					
Cash and cash equivalents	1.79%	10,633,767	8,497,246	2,135,766	755

Sensitivity

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

	2020	2019
	\$	\$
Impact of a 1% movement in interest rates on profit and loss and equity*	96,463	21,358

* 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 14(a).

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

25. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Trade and Other 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 2019 or 1 July 2020 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors 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 2020 and 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 2020					
Rates receivable					
Expected credit loss	0.00%	5.70%	100.00%	100.00%	
Gross carrying amount	340,758	116,059	75,063	331,493	863,373
Loss allowance	0	6,620	75,063	331,493	413,176
30 June 2019					
Rates receivable					
Expected credit loss	0.27%	83.02%	111.15%	66.99%	
Gross carrying amount	294,341	105,667	85,605	342,570	828,183
Loss allowance	799	87,728	95,153	229,496	413,176

No loss allowance was provided for trade and other receivables at 30 June 2020 and 30 June 2019 as it was determined to be immaterial.

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

25. 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 15(a).

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 \$
2020					
Payables	377,519	0	0	377,519	392,694
Lease liabilities	3,985	2,363	0	6,348	6,348
	<u>381,504</u>	<u>2,363</u>	<u>0</u>	<u>383,867</u>	<u>399,042</u>
2019					
Payables	855,371	0	0	855,371	855,371
	<u>855,371</u>	<u>0</u>	<u>0</u>	<u>855,371</u>	<u>855,371</u>

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

26. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Council did not have any events occurring after the end of the reporting period of consequence.

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

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.

(a) AASB 15: Revenue from Contracts with Customers

The Shire adopted AASB 15 Revenue from Contracts with Customers (issued December 2014) on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition 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 no adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019)

(b) AASB 1058: 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 adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods was not restated in accordance with AASB 1058 transition requirements.

In summary no adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019)

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 gave rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were 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 occurred, the financial liability was extinguished and the Shire recognised 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
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27. INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS (Continued)

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

		2020 \$		2020 \$
	Note	As reported under AASB 15 and AASB 1058	Adjustment due to application of AASB 15 and AASB 1058	Compared to AASB 118 and AASB 1004
Statement of Comprehensive Income				
Revenue				
Rates	23(a)	3,352,627	0	3,352,627
Operating grants, subsidies and contributions	2(a)	2,690,890	0	2,690,890
Fees and charges	2(a)	257,335	0	257,335
Non-operating grants, subsidies and contributions	2(a)	3,564,550	0	3,564,550
Net result		3,611,439	0	3,611,439
Statement of Financial Position				
Trade and other payables	13	392,694	0	392,694
Net assets		142,415,965	0	142,415,965
Statement of Changes in Equity				
Net result		3,611,439	0	3,611,439
Retained surplus		18,733,641	0	18,733,641

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

(c) AASB 16: Leases

The Shire adopted AASB 16 retrospectively from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions of AASB 16, the Shire has applied this Standard to its leases retrospectively, with the cumulative effect of initially applying AASB16 recognised on 1 July 2019. In applying AASB 16, under the specific transition provisions chosen, the Shire will not restate comparatives for prior reporting periods.

	Note	2020 \$
Discount applied using incremental borrowing rate		40,254
Lease liability recognised as 1 July 2019 discounted using the Shire's incremental borrowing rate of 2.10%	14(b)	40,254
Lease liability - current		15,297
Lease liability - non-current		24,957
Right-of-use assets recognised at 1 July 2019		40,254

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.

SHIRE OF MENZIES
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28. CHANGE IN ACCOUNTING POLICIES

(a) Change in Accounting Policies due to regulation changes

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

In accordance with the changes, the Shire was required to remove the values attributable to certain crown land assets previously required to be recognised, as well as the associated revaluation surplus at 1 July 2019. These assets have been measured as concessionary lease right-of-use assets at zero cost in accordance with AASB16.

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

		Carrying amount		Carrying amount
	Note	30 June 2019	Reclassification	01 July 2019
		\$	\$	\$
Revaluation surplus	12	111,285,416	(1,343,109)	109,942,307
Retained surplus		17,138,002	1,343,109	18,481,111

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

(b) Changes in equity due to change in accounting policies

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

The impact on the Shire's opening revaluation surplus resulting from *Local Government (Financial Management)* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019

	Note	Adjustments	2019
		\$	\$
Revaluation surplus - 30 June 2019			111,285,416
Adjustment to revaluation surplus from amended	12	(1,343,109)	(1,343,109)
Revaluation surplus - 1 July 2019		(1,343,109)	109,942,307

In summary the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 July 2019):

	Carrying amount 30 June 2019	Reclassification	Carrying amount 01 July 2019
	\$	\$	\$
Revaluation surplus	111,285,416	(1,343,109)	109,942,307
Retained surplus	17,138,002	1,343,109	18,481,111

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

(b) Changes in equity due to change in accounting policies

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

The impact on the Shire's opening revaluation surplus resulting from *Local Government (Financial Management)* being deleted and the amendments to *Local Government (Financial Management) Regulation 17A* as at 1 July 2019

	Note	Adjustments	2019
		\$	\$
Revaluation surplus - 30 June 2019			111,285,416
Adjustment to revaluation surplus from amended	12	(1,343,109)	(1,343,109)
Revaluation surplus - 1 July 2019		(1,343,109)	109,942,307

SHIRE OF MENZIES
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FOR THE YEAR ENDED 30 JUNE 2020

29. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

i) Impairment of assets

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

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

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

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

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

30. ACTIVITIES/PROGRAMS

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

PROGRAM NAME AND OBJECTIVES	ACTIVITIES
<p>GOVERNANCE To provide a decision making process for the efficient allocation of scarce resources.</p>	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.
<p>GENERAL PURPOSE FUNDING To collect revenue to allow for the provision of services.</p>	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.
<p>LAW, ORDER, PUBLIC SAFETY To provide services to help ensure a safer and environmentally conscious community.</p>	Supervision and enforcement of various local laws relating to fire prevention, animal control and other aspects of public safety including emergency services.
<p>HEALTH To provide an operational framework for environmental and community health.</p>	Inspection of food outlets and their control, provision of meat inspection services, noise control and waste disposal compliance.
<p>EDUCATION AND WELFARE To provide services to disadvantaged persons, the elderly, children and youth.</p>	Expenditure to assist in the education of the children and youth within the Shire.
<p>HOUSING To provide and maintain housing.</p>	Income and expenditure associated with the provision of housing to staff and others.
<p>COMMUNITY AMENITIES To provide services required by the community.</p>	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.
<p>RECREATION AND CULTURE To establish and effectively manage infrastructure and resources which will help the social well being of the community.</p>	The reporting of income and expenditure associated with the Town Hall, library and recreation area, oval and reserves operated by Council.
<p>TRANSPORT To provide safe, effective and efficient transport services to the community.</p>	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.
<p>ECONOMIC SERVICES To help promote the Shire and its economic well being.</p>	The reporting of income and expenditure including the operation of Council's caravan park and administration of the Building Code of Australia.
<p>OTHER PROPERTY AND SERVICES To monitor and control Shire's overheads operating accounts.</p>	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.

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

31. FINANCIAL RATIOS

	2020 Actual	2019 Actual	2018 Actual
Current ratio	4.41	3.26	5.24
Asset consumption ratio	0.98	0.98	0.99
Asset renewal funding ratio	2.78	N/A	N/A
Asset sustainability ratio	1.41	2.79	1.49
Debt service cover ratio	N/A	N/A	N/A
Operating surplus ratio	0.01	0.19	0.21
Own source revenue coverage ratio	0.59	0.64	0.61

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

SHIRE OF MENZIES

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

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

In my opinion the annual financial report of the Shire:

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

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

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

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

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

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

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

- (i) 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's tender register did not include details each tenderer and the names of the successful tenderers as required by regulation 17 of the Local Government (Function and General) Regulations 1996.
 - b. The Shire has not reported the Asset Renewal Funding Ratio for 2018 or 2019 in its annual financial report, as required by section 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 management plan respectively.
The financial ratios are reported in Note 31 of the annual financial report.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

ATTACHMENT

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.

ATTACHMENT

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

ATTACHMENT

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

ATTACHMENT

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

ATTACHMENT

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

ATTACHMENT

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

ATTACHMENT

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

ATTACHMENT

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

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



KELLIE TONICH
SENIOR DIRECTOR, FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
31 May 2021



Our Ref: 7944

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

Mr Brian Joiner
Chief Executive Officer
Shire of Menzies
PO Box 4
MENZIES WA 6436

Mail to: Perth BC
PO Box 8489
PERTH WA 6849
Tel: 08 6557 7500
Fax: 08 6557 7600
Email: info@audit.wa.gov.au

Dear Mr Joiner

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

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

Matters of regulatory non-compliance are reported on page 2 of the auditor's report.

Management Control Issues

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

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

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

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

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

Feel free to contact me on 6557 7544 if you would like to discuss these matters further.

Yours faithfully

PUNITHA PERUMAL
ASSISTANT DIRECTOR
FINANCIAL AUDIT
31 May 2021

Attach

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Completeness of tender register	✓		
Prior Year Issue			
2. Non-compliance with Local Government Regulations		✓	

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.

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Completeness of tender register

Finding

During our review of the Shire's Tenders Register, we noted a failure to record the tenderer's details and the successful tenderer. This information is required to be recorded in accordance with the Shire's purchasing policy and in order to comply with regulation 17 of the Local Government (Functions and General) Regulations 1996.

**Rating: Significant
Implication**

Non-compliance with the Shire's purchasing policy to maintain a complete tender register increases the risk of breaching regulation 17 of the Local Government (Functions and General) Regulations 1996.

Furthermore, without a complete tender register, there is an increased risk that the Shire's 'Value for Money' objectives are not achieved and potential for bias in the supplier selection process.

Recommendation

The requirement for full compliance with the Shire's purchasing policy and proper record keeping must be communicated to all staff and be closely monitored by the Shire's administration. In this way the risk of non-compliance with Local Government (Functions and General) Regulations 1996 can be reduced to an acceptable level.

Management Comment

The Shire carried out a review of the Tender Register from 1 July 2019 to 30 June 2020 and confirmed that the relevant details were not being recorded correctly. This has been rectified and records are now kept in accordance with the required regulations. Please see the extract of the new Tender Register.

Responsible Person: Brian Joiner, Chief Executive Officer
Completion Date: 17 May 2021

ATTACHMENT

SHIRE OF MENZIES
PERIOD OF AUDIT: 1 JULY 2019 TO 30 JUNE 2020
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Prior Year Issue

2. Review of Open Purchase Orders

Findings
2019-20

Prior year issue is not resolved as we still noted long outstanding open purchase orders (POs).

2018-19

During our audit, we noted there is no evidence of review of open 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

Open purchase orders to be reviewed on a quarterly basis as a task for the quarterly internal compliance review. Responsible officers are to ensure that their purchase orders are reviewed on monthly basis.

As previously advised, standing orders are raised for expenses where no purchase order can be raised in advance. This is common practice in all Councils however the Shire is open to other ways to manage these expenses.

Responsible Person: Brian Joiner, Chief Executive Officer
Completion Date: 17 May 2021

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END OF REPORT

5 OTHER BUSINESS

6 CLOSURE OF MEETING