

SHIRE OF MENZIES
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

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The Shire of Menzies conducts the operations of a local government with the following community vision:

An inclusive and welcoming community, celebrating our heritage and place.

Principal place of business:
124 Shenton Street
Menzies WA 6435

**SHIRE OF MENZIES
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

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

STATEMENT BY CEO

The accompanying financial report of the Shire of Menzies has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the 8 day of December 2023



Chief Executive Officer

Glenda Teede

Name of Chief Executive Officer

**SHIRE OF MENZIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual	2023 Budget	2022 Actual
		\$	\$	\$
Revenue				
Rates	2(a),24	4,179,686	4,100,270	3,631,717
Grants, subsidies and contributions	2(a)	4,056,177	3,406,392	3,170,973
Fees and charges	2(a)	319,830	242,085	288,111
Interest revenue	2(a)	336,207	101,500	51,552
Other revenue	2(a)	24,859	30,451	105,459
		<u>8,916,759</u>	<u>7,880,698</u>	<u>7,247,812</u>
Expenses				
Employee costs	2(b)	(2,261,701)	(2,562,797)	(2,119,726)
Materials and contracts		(2,222,229)	(2,770,434)	(2,074,282)
Utility charges		(101,665)	(114,910)	(103,461)
Depreciation		(2,260,053)	(1,961,063)	(2,130,098)
Finance costs	2(b)	0	0	(17)
Insurance		(115,163)	(135,278)	(173,088)
Other expenditure	2(b)	(164,331)	(454,410)	(199,375)
		<u>(7,125,142)</u>	<u>(7,998,892)</u>	<u>(6,800,047)</u>
		<u>1,791,617</u>	<u>(118,194)</u>	<u>447,765</u>
Capital grants, subsidies and contributions	2(a)	1,941,477	3,648,940	2,094,381
Profit on asset disposals		0	4,231	2,031
Loss on asset disposals		(92,083)	(20,827)	(835)
Fair value adjustments to financial assets at fair value through profit or loss	4	0	0	999
Loss on revaluation of Infrastructure - parks and ovals	9(a)	(31,053)	0	0
		<u>1,818,341</u>	<u>3,632,344</u>	<u>2,096,576</u>
Net result for the period		3,609,958	3,514,150	2,544,341
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	15	52,954,252	0	0
Total other comprehensive income for the period		52,954,252	0	0
Total comprehensive income for the period		56,564,210	3,514,150	2,544,341

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



**SHIRE OF MENZIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	NOTE	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	3	17,795,819	15,460,254
Trade and other receivables	5	434,055	774,304
Inventories	6	17,234	16,438
Other assets	7	813,398	273,723
TOTAL CURRENT ASSETS		19,060,506	16,524,719
NON-CURRENT ASSETS			
Trade and other receivables	5	506	0
Other financial assets	4	19,451	19,451
Property, plant and equipment	8	12,032,928	10,572,491
Infrastructure	9	173,846,812	121,430,134
TOTAL NON-CURRENT ASSETS		185,899,697	132,022,076
TOTAL ASSETS		204,960,203	148,546,795
CURRENT LIABILITIES			
Trade and other payables	12	237,659	378,682
Other liabilities	13	868,495	858,257
Employee related provisions	14	161,180	207,824
TOTAL CURRENT LIABILITIES		1,267,334	1,444,763
NON-CURRENT LIABILITIES			
Employee related provisions	14	50,641	24,014
TOTAL NON-CURRENT LIABILITIES		50,641	24,014
TOTAL LIABILITIES		1,317,975	1,468,777
NET ASSETS		203,642,228	147,078,018
EQUITY			
Retained surplus		27,086,972	23,916,004
Reserve accounts	27	11,774,835	11,335,845
Revaluation surplus	15	164,780,421	111,826,169
TOTAL EQUITY		203,642,228	147,078,018

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 2023

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2021		20,404,265	12,303,243	111,826,169	144,533,677
Comprehensive income for the period					
Net result for the period		2,544,341	0	0	2,544,341
Total comprehensive income for the period		2,544,341	0	0	2,544,341
Transfers from reserve accounts	27	969,767	(969,767)	0	0
Transfers to reserve accounts	27	(2,369)	2,369	0	0
Balance as at 30 June 2022		23,916,004	11,335,845	111,826,169	147,078,018
Comprehensive income for the period					
Net result for the period		3,609,958	0	0	3,609,958
Other comprehensive income for the period	15	0	0	52,954,252	52,954,252
Total comprehensive income for the period		3,609,958	0	52,954,252	56,564,210
Transfers from reserve accounts	27	108,230	(108,230)	0	0
Transfers to reserve accounts	27	(547,220)	547,220	0	0
Balance as at 30 June 2023		27,086,972	11,774,835	164,780,421	203,642,228

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 2023**

	NOTE	2023 Actual \$	2022 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		4,237,113	3,718,437
Grants, subsidies and contributions		4,072,466	2,982,549
Fees and charges		319,830	344,361
Interest revenue		336,207	51,552
Goods and services tax received		651,002	691,586
Other revenue		24,859	105,459
		<u>9,641,477</u>	<u>7,893,944</u>
Payments			
Employee costs		(2,268,614)	(2,046,520)
Materials and contracts		(2,899,301)	(2,927,427)
Utility charges		(101,665)	(103,461)
Finance costs		0	(17)
Insurance paid		(115,163)	(173,088)
Goods and services tax paid		(617,965)	(138,359)
Other expenditure		(164,331)	(199,375)
		<u>(6,167,039)</u>	<u>(5,588,247)</u>
Net cash provided by operating activities		<u>3,474,438</u>	<u>2,305,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a)	(387,494)	(1,204,792)
Payments for construction of infrastructure	9(a)	(2,937,648)	(3,732,436)
Capital grants, subsidies and contributions		2,167,179	2,198,407
Proceeds from sale of property, plant & equipment		19,090	57,274
Net cash (used in) investing activities		<u>(1,138,873)</u>	<u>(2,681,547)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for principal portion of lease liabilities	26	0	(2,363)
Net cash (used in) financing activities		<u>0</u>	<u>(2,363)</u>
Net increase (decrease) in cash held		2,335,565	(378,213)
Cash at beginning of year		<u>15,460,254</u>	<u>15,838,467</u>
Cash and cash equivalents at the end of the year		<u>17,795,819</u>	<u>15,460,254</u>

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



SHIRE OF MENZIES
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2023

	NOTE	2023 Actual \$	2023 Budget \$	2022 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	24	4,179,686	4,100,270	3,631,717
Grants, subsidies and contributions		4,056,177	3,406,392	3,170,973
Fees and charges		319,830	242,085	288,111
Interest revenue		336,207	101,500	51,552
Other revenue		24,859	30,451	105,459
Profit on asset disposals		0	4,231	2,031
Fair value adjustments to financial assets at fair value through profit or loss	4	0	0	999
		<u>8,916,759</u>	<u>7,884,929</u>	<u>7,250,842</u>
Expenditure from operating activities				
Employee costs		(2,261,701)	(2,562,797)	(2,119,726)
Materials and contracts		(2,222,229)	(2,770,434)	(2,074,282)
Utility charges		(101,665)	(114,910)	(103,461)
Depreciation		(2,260,053)	(1,961,063)	(2,130,098)
Finance costs		0	0	(17)
Insurance		(115,163)	(135,278)	(173,088)
Other expenditure		(164,331)	(454,410)	(199,375)
Loss on asset disposals		(92,083)	(20,827)	(835)
Loss on revaluation of non-current assets		(31,053)	0	0
		<u>(7,248,278)</u>	<u>(8,019,719)</u>	<u>(6,800,882)</u>
Non-cash amounts excluded from operating activities	25(a)	2,364,383	1,977,659	2,151,424
Amount attributable to operating activities		<u>4,032,864</u>	<u>1,842,869</u>	<u>2,601,384</u>
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		1,941,477	3,648,940	2,094,381
Proceeds from disposal of assets		19,090	40,000	57,274
		<u>1,960,567</u>	<u>3,688,940</u>	<u>2,151,655</u>
Outflows from investing activities				
Purchase of property, plant and equipment	8(a)	(387,494)	(5,433,021)	(1,204,792)
Purchase and construction of infrastructure	9(a)	(2,937,648)	(7,136,954)	(3,732,436)
		<u>(3,325,142)</u>	<u>(12,569,975)</u>	<u>(4,937,228)</u>
Amount attributable to investing activities		<u>(1,364,575)</u>	<u>(8,881,035)</u>	<u>(2,785,573)</u>
FINANCING ACTIVITIES				
Inflows from financing activities				
Transfers from reserve accounts	27	108,230	4,294,927	969,767
		<u>108,230</u>	<u>4,294,927</u>	<u>969,767</u>
Outflows from financing activities				
Payments for principal portion of lease liabilities	26	0	0	(2,363)
Transfers to reserve accounts	27	(547,220)	(1,315,921)	(2,369)
		<u>(547,220)</u>	<u>(1,315,921)</u>	<u>(4,732)</u>
Amount attributable to financing activities		<u>(438,990)</u>	<u>2,979,006</u>	<u>965,035</u>
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	25(b)	3,950,218	4,059,160	3,169,372
Amount attributable to operating activities		4,032,864	1,842,869	2,601,384
Amount attributable to investing activities		(1,364,575)	(8,881,035)	(2,785,573)
Amount attributable to financing activities		(438,990)	2,979,006	965,035
Surplus or deficit after imposition of general rates	25(b)	<u>6,179,517</u>	<u>0</u>	<u>3,950,218</u>

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



SHIRE OF MENZIES
FOR THE YEAR ENDED 30 JUNE 2023
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**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

1. BASIS OF PREPARATION

The financial report of the Shire of Menzies which is a Class 4 local government comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the *Local Government Act 1995*, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board except for disclosure requirements of:

- AASB 7 *Financial Instruments Disclosures*
- AASB 16 *Leases* paragraph 58
- AASB 101 *Presentation of Financial Statements* paragraph 61
- AASB 107 *Statement of Cash Flows* paragraphs 43 and 45
- AASB 116 *Property, Plant and Equipment* paragraph 79
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* paragraph 85
- AASB 140 *Investment Property* paragraph 75(f)
- AASB 1052 *Disaggregated Disclosures* paragraph 11
- AASB 1054 *Australian Additional Disclosures* paragraph 16

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for 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 *Leases* which would have required the Shire to measure any vested improvements at zero cost.

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 financial 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.

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.

Judgements and 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 balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.

Initial application of accounting standards

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*
 - AASB 2020-6 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date*
 - AASB 2021-7a *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]*
 - AASB 2022-3 *Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15 Revenue from Contracts with Customers*
- These amendments have no material impact on the current annual financial report

New accounting standards for application in future years

The following new accounting standards will have application to local government in future years:

- AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
 - AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
 - AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*
- This standard will result in a terminology change for significant accounting policies
- AASB 2021-7c *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]*
 - AASB 2022-5 *Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback*
 - AASB 2022-6 *Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*
 - AASB 2022-7 *Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*
 - AASB 2022-10 *Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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	Timing of revenue recognition
Grants, subsidies and contributions	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	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management.	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - sale of stock	Community Resource Centre stock	Single point in time	Payment in full on sale	Refund for faulty goods	At point of sale
Other revenue - commission	Commissions on licensing and bus ticket sales	Over time	Payment in full on sale	None	When assets are controlled

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

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

For the year ended 30 June 2023

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	4,179,686	0	4,179,686
Grants, subsidies and contributions	6,904	0	0	4,049,273	4,056,177
Fees and charges	227,194	0	55,128	37,508	319,830
Interest revenue	0	0	48,815	287,392	336,207
Other revenue	4,188	0	0	20,671	24,859
Capital grants, subsidies and contributions	0	1,941,477	0	0	1,941,477
Total	238,286	1,941,477	4,283,629	4,394,844	10,858,236

For the year ended 30 June 2022

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	3,631,717	0	3,631,717
Grants, subsidies and contributions	1,096	0	0	3,169,877	3,170,973
Fees and charges	217,910	0	33,401	36,800	288,111
Interest revenue	0	0	51,552	0	51,552
Other revenue	4,071	0	0	101,388	105,459
Capital grants, subsidies and contributions	0	2,094,381	0	0	2,094,381
Total	223,077	2,094,381	3,716,670	3,308,065	9,342,193

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Note	2023 Actual \$	2022 Actual \$
Interest revenue		
Interest on reserve account funds	234,000	2,369
Trade and other receivables overdue interest	45,268	44,187
Other interest revenue	56,939	4,996
	336,207	51,552

The 2023 original budget estimate in relation to:
Trade and other receivables overdue interest was \$44,000.

Fees and charges relating to rates receivable

Charges on instalment plan	5,890	6,550
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The 2023 original budget estimate in relation to:
Charges on instalment plan was \$7,000.

(b) Expenses

Auditors remuneration		
- Audit of the Annual Financial Report	61,200	46,000
- Other services – grant acquittals	6,500	3,873
	67,700	49,873

Employee Costs		
Employee benefit costs	2,121,348	2,086,455
Other employee costs	140,353	33,271
	2,261,701	2,119,726

Finance costs		
Lease liabilities	0	17
	0	17

Other expenditure		
Impairment losses on rates and statutory receivables	31,091	58,470
Sundry expenses	133,240	140,905
	164,331	199,375

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

3. CASH AND CASH EQUIVALENTS

	Note	2023	2022
		\$	\$
Cash at bank and on hand		17,795,819	15,460,254
Total cash and cash equivalents		17,795,819	15,460,254
Held as			
- Unrestricted cash and cash equivalents		5,152,489	3,266,152
- Restricted cash and cash equivalents	16	12,643,330	12,194,102
		17,795,819	15,460,254

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.

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

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, 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.

4. OTHER FINANCIAL ASSETS

	2023	2022
	\$	\$
Non-current assets		
Financial assets at fair value through profit or loss	19,451	19,451
	19,451	19,451
Financial assets at fair value through profit or loss		
Units in Local Government House Trust - opening balance	19,451	18,452
Movement attributable to fair value increment	0	999
Units in Local Government House Trust - closing balance	19,451	19,451

SIGNIFICANT ACCOUNTING POLICIES

Financial assets at fair value through profit or loss

The Shire has elected to classify the following financial assets at fair value through profit or loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has elected to recognise as fair value gains and losses through profit or loss.

SHIRE OF MENZIES
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2023

5. TRADE AND OTHER RECEIVABLES

Note	2023	2022
	\$	\$
Current		
Rates and statutory receivables	518,992	594,451
Trade receivables	83,187	387,873
GST receivable	113,308	146,345
Receivables for employee related provisions	22,697	22,697
Allowance for credit losses of other receivables	(304,129)	(377,062)
	<u>434,055</u>	<u>774,304</u>
Non-current		
Rates and statutory receivables	506	0
	<u>506</u>	<u>0</u>

SIGNIFICANT ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations or for the construction of recognisable non financial assets as part of the ordinary course of business.

Other receivables

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers and amounts received as grants for the construction of recognisable non financial assets.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Shire 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 2023**

6. INVENTORIES

	Note	2023	2022
Current		\$	\$
Fuel and materials		17,234	16,438
		<u>17,234</u>	<u>16,438</u>

The following movements in inventories occurred during the year:

Balance at beginning of year	16,438	15,211
Inventories expensed during the year	(77,814)	(109,257)
Additions to inventory	<u>78,610</u>	<u>110,484</u>
Balance at end of year	17,234	16,438

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 2023

7. OTHER ASSETS

	<u>2023</u>	<u>2022</u>
	\$	\$
Other assets - current		
Contract assets	813,398	273,723
	<u>813,398</u>	<u>273,723</u>

Disclosure of opening and closing balances related to contracts with customers

Information about receivables 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:

<u>Note</u>	<u>30 June 2023 Actual</u>	<u>30 June 2022 Actual</u>
	\$	\$
Contract assets	813,398	273,723
Total other assets from contracts with customers	<u>813,398</u>	<u>273,723</u>

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.

Contract assets

Contract assets primarily relate to the Shire's right to consideration for work completed but not billed at the end of the period.

Impairment of assets associated with contracts with customers is nil.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

Note	Land	Buildings - non- specialised	Buildings - specialised	Total land and buildings not subject to operating lease	Land and buildings subject to operating lease	Total land and buildings	Furniture and equipment	Plant and equipment	Work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$		\$	\$	\$	\$
Balance at 1 July 2021	556,500	2,391,344	5,193,780	8,141,624	375,250	8,516,874	77,701	1,627,048	1,000	10,222,623
Additions	0	24,424	556,719	581,143	199,082	780,225	0	343,394	81,173	1,204,792
Disposals	(17,200)	0	0	(17,200)	0	(17,200)	0	(38,878)	0	(56,078)
Depreciation	0	(103,890)	(257,600)	(361,490)	(19,750)	(381,240)	0	(417,606)	0	(798,846)
Transfers	0	0	1,000	1,000	0	1,000	(77,701)	77,701	(1,000)	0
Balance at 30 June 2022	539,300	2,311,878	5,493,899	8,345,077	554,582	8,899,659	0	1,591,659	81,173	10,572,491
Comprises:										
Gross balance amount at 30 June 2022	539,300	2,511,417	6,003,797	9,054,514	594,082	9,648,596	0	2,851,661	81,173	12,581,430
Accumulated depreciation at 30 June 2022	0	(199,539)	(509,898)	(709,437)	(39,500)	(748,937)	0	(1,260,002)	0	(2,008,939)
Balance at 30 June 2022	539,300	2,311,878	5,493,899	8,345,077	554,582	8,899,659	0	1,591,659	81,173	10,572,491
Additions	0	41,023	154,180	195,203	16,275	211,478	0	37,748	138,268	387,494
Disposals	(30,000)	0	0	(30,000)	0	(30,000)	0	0	(81,173)	(111,173)
Revaluation increments / (decrements) transferred to revaluation surplus	71,700	684,994	1,275,356	2,032,050	15,174	2,047,224	0	0	0	2,047,224
Depreciation	0	(104,545)	(282,515)	(387,060)	(29,771)	(416,831)	0	(417,325)	0	(834,156)
Transfers to infrastructure	9	0	0	0	0	0	0	(28,952)	0	(28,952)
Balance at 30 June 2023	581,000	2,933,350	6,640,920	10,155,270	556,260	10,711,530	0	1,183,130	138,268	12,032,928
Comprises:										
Gross balance amount at 30 June 2023	581,000	2,933,350	6,640,920	10,155,270	556,260	10,711,530	0	2,860,457	138,268	13,710,255
Accumulated depreciation at 30 June 2023	0	0	0	0	0	0	0	(1,677,327)	0	(1,677,327)
Balance at 30 June 2023	581,000	2,933,350	6,640,920	10,155,270	556,260	10,711,530	0	1,183,130	138,268	12,032,928

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties	Independent Registered Valuer	June 2023	Price per hectare
Buildings - non-specialised	2 & 3	Market approach using recent observable market data for similar properties, cost approach using current replacement cost	Independent Registered Valuer	June 2023	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 observable market data for similar properties, cost approach using current replacement cost	Independent Registered Valuer	June 2023	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.

(ii) Cost					
Furniture and equipment		Cost	Cost		Purchase cost
Plant and equipment		Cost	Cost		Purchase cost

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

9. INFRASTRUCTURE

(a) Movements in Balances

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

	Note	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - parks and ovals	Infrastructure - other	Infrastructure - work in progress	Total Infrastructure
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2021		113,782,413	789,858	263,030	4,165,255	25,964	119,026,520
Additions		3,331,514	0	163,947	236,975	0	3,732,436
Depreciation		(1,156,142)	(22,863)	(9,243)	(140,574)	0	(1,328,822)
Transfers		25,964	0	0	0	(25,964)	0
Balance at 30 June 2022		115,983,749	766,995	417,734	4,261,656	0	121,430,134
Comprises:							
Gross balance at 30 June 2022		120,571,653	924,710	448,420	4,863,402	0	126,808,185
Accumulated depreciation at 30 June 2022		(4,587,904)	(157,715)	(30,686)	(601,746)	0	(5,378,051)
Balance at 30 June 2022		115,983,749	766,995	417,734	4,261,656	0	121,430,134
Additions		2,731,670	0	0	115,218	90,760	2,937,648
Revaluation increments / (decrements) transferred to revaluation surplus		50,807,379	(2,557)	0	102,206	0	50,907,028
Revaluation (loss) / reversals transferred to profit or loss		0	0	(31,053)	0	0	(31,053)
Depreciation		(1,202,626)	(22,863)	(44,885)	(155,523)	0	(1,425,897)
Transfers from plant and equipment	8	21,268	0	31,654	(23,970)	0	28,952
Balance at 30 June 2023		168,341,440	741,575	373,450	4,299,587	90,760	173,846,812
Comprises:							
Gross balance at 30 June 2023		184,987,550	852,150	756,000	6,880,000	90,760	193,566,460
Accumulated depreciation at 30 June 2023		(16,646,110)	(110,575)	(382,550)	(2,580,413)	0	(19,719,648)
Balance at 30 June 2023		168,341,440	741,575	373,450	4,299,587	90,760	173,846,812

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

9. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	2 & 3	Cost approach using depreciated replacement cost	Independent Registered Valuers	June 2023	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 Registered Valuers	June 2023	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	Independent Registered Valuers	June 2023	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	Independent Registered Valuers	June 2023	Construction costs (Level 2) and current conditions, residual values and remaining useful life assessments (Level 3) inputs.
Infrastructure - work in progress		Cost	Cost		Purchase cost

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 2023**

10. FIXED ASSETS

Depreciation

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
Land - freehold land	not depreciated
Buildings - non-specialised	20 to 50 years
Buildings - specialised	20 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	4 to 50 years
Infrastructure - roads	
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
Infrastructure - footpaths	20 years
Infrastructure - other	
Sewerage piping	100 years
Water supply piping and drainage systems	75 years
Infrastructure - parks and ovals	10 to 50 years
Right-of-use (buildings)	Based on the remaining lease term
Right-of-use (plant and equipment)	Based on the remaining lease term

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

10. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost, the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

Initial recognition and measurement between mandatory revaluation dates for assets held at fair value

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

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

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, 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 revaluation consistent with *Financial Management Regulation 17A(4)*.

Revaluation

The fair value of land, buildings and 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 carrying amount for each asset class is reviewed and, where appropriate, the fair value is updated to reflect current market conditions consistent with *Financial Management Regulation 17A(2)* which requires land, buildings infrastructure, investment properties and vested improvements to be shown at fair value.

Revaluation (continued)

For land, buildings and infrastructure increases in the carrying amount arising on revaluation of asset classes 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.

Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, 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.

Depreciation on revaluation

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

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Impairment

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 or losses on disposal

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.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

11. LEASES

(a) Right-of-Use Assets

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the Shire is the lessee:

	2023 Actual	2022 Actual
	\$	\$
Depreciation on right-of-use assets	0	(2,430)
Finance charge on lease liabilities	0	(17)
Total amount recognised in the statement of comprehensive income	0	(2,447)
Total cash outflow from leases	0	(2,380)
	26	0

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

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 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.

Right-of-use assets - measurement

Right-of-use assets are 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 recognised 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 under revaluation 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 shorter. 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 depreciated over the useful life of the underlying asset.

(b) Lessor - Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

	2023 Actual	2022 Actual
	\$	\$
Less than 1 year	28,135	28,135
1 to 2 years	17,902	28,135
2 to 3 years	5,000	17,902
3 to 4 years	1,667	5,000
4 to 5 years	0	1,667
	52,704	80,839

Amounts recognised in profit or loss for Property, Plant and Equipment Subject to Lease

Rental income	24,115	23,198
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SIGNIFICANT ACCOUNTING POLICIES

The Shire as Lessor

Upon entering into each contract as a lessor, the Shire assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the Shire applies AASB 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

12. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Accrued payroll liabilities
ATO liabilities
Bonds and deposits held
Other payables

	2023	2022
	\$	\$
	124,063	79,030
	26,830	44,356
	31,123	15,630
	33,028	35,417
	15,046	9,541
	7,569	194,708
	237,659	378,682

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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 any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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 usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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 income 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 2023

13. OTHER LIABILITIES

	2023	2022
	\$	\$
Current		
Contract liabilities	0	215,464
Capital grant/contributions liabilities	868,495	642,793
	868,495	858,257
Reconciliation of changes in contract liabilities		
Opening balance	215,464	0
Additions	0	215,464
Revenue from contracts with customers included as a contract liability at the start of the period	(215,464)	0
	0	215,464
<p>The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was \$3,000 (2022: \$218,463)</p> <p>The Shire expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months.</p>		
Reconciliation of changes in capital grant/contribution liabilities		
Opening balance	642,793	538,767
Additions	868,495	642,793
Revenue from capital grant/contributions held as a liability at the start of the period	(642,793)	(538,767)
	868,495	642,793
Expected satisfaction of capital grant/contribution liabilities		
Less than 1 year	409,681	642,793
1 to 2 years	458,814	0
	868,495	642,793

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

SIGNIFICANT ACCOUNTING POLICIES

Contract liabilities

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

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 23(i)) due to the unobservable inputs, including own credit risk.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

14. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2023	2022
	\$	\$
Current provisions		
Employee benefit provisions		
Annual leave	124,637	125,744
Long service leave	36,543	82,080
	161,180	207,824
Total current employee related provisions	161,180	207,824
Non-current provisions		
Employee benefit provisions		
Long service leave	50,641	24,014
	50,641	24,014
Total non-current employee related provisions	50,641	24,014
Total employee related provisions	211,821	231,838

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

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

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

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.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

15. REVALUATION SURPLUS

	2023 Opening Balance	Total Movement on Revaluation	2023 Closing Balance	2022 Opening Balance	2022 Closing Balance
	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	552,943	71,700	624,643	552,943	552,943
Revaluation surplus - Buildings - non-specialised	3,419,463	729,383	4,148,846	3,419,463	3,419,463
Revaluation surplus - Buildings - specialised	1,387,003	1,246,141	2,633,144	1,387,003	1,387,003
Revaluation surplus - Infrastructure - roads	105,024,947	50,807,379	155,832,326	105,024,947	105,024,947
Revaluation surplus - Infrastructure - footpaths	673,339	(2,557)	670,782	673,339	673,339
Revaluation surplus - Infrastructure - other	768,474	102,206	870,680	768,474	768,474
	111,826,169	52,954,252	164,780,421	111,826,169	111,826,169

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

16. RESTRICTIONS OVER FINANCIAL ASSETS

	Note	2023 Actual \$	2022 Actual \$
The following classes of financial 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	3	12,643,330	12,194,102
		<u>12,643,330</u>	<u>12,194,102</u>
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	27	11,774,835	11,335,845
Contract liabilities	13	0	215,464
Capital grant liabilities	13	868,495	642,793
Total restricted financial assets		<u>12,643,330</u>	<u>12,194,102</u>

**17. UNDRAWN BORROWING FACILITIES AND CREDIT
STANDBY ARRANGEMENTS**

Bank overdraft limit		0	0
Bank overdraft at balance date		0	0
Credit card limit		37,500	25,000
Credit card balance at balance date		(12,444)	(3,159)
Total amount of credit unused		<u>25,056</u>	<u>21,841</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

18. CONTINGENT LIABILITIES

The Shire of Menzies has in compliance with the Contaminated Sites Act 2003 section 11 listed one site 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. The Shire has commenced 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.

19. CAPITAL COMMITMENTS

	2023	2022
	\$	\$
Contracted for:		
- capital expenditure projects	3,271,452	0
- plant & equipment purchases	53,687	0
	<u>3,325,139</u>	<u>0</u>
Payable:		
- not later than one year	3,325,139	0

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

20. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to elected council members.

Note	2023 Actual \$	2023 Budget \$	2022 Actual \$
President's annual allowance	19,864	19,864	19,826
President's meeting attendance fees	19,410	19,410	19,448
President's other expenses	80	0	0
President's annual allowance for ICT expenses	1,100	1,100	1,100
President's travel and accommodation expenses	3,430	3,574	8,202
	<u>43,884</u>	<u>43,948</u>	<u>48,576</u>
Deputy President's annual allowance	4,966	4,966	4,966
Deputy President's meeting attendance fees	9,410	9,410	9,410
Deputy President's annual allowance for ICT expenses	1,100	1,100	1,100
Deputy President's travel and accommodation expenses	1,411	3,571	945
	<u>16,887</u>	<u>19,047</u>	<u>16,421</u>
All other council member's meeting attendance fees	47,050	47,050	43,913
All other council member's annual allowance for ICT expenses	5,500	5,500	5,133
All other council member's travel and accommodation expenses	9,843	17,855	7,735
	<u>62,393</u>	<u>70,405</u>	<u>56,781</u>
20(b)	<u>123,164</u>	<u>133,400</u>	<u>121,778</u>

(b) Key Management Personnel (KMP) Compensation

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

Short-term employee benefits	577,621	500,998
Post-employment benefits	78,970	53,512
Employee - other long-term benefits	60,077	16,896
Council member costs	123,164	121,778
20(a)	<u>839,832</u>	<u>693,184</u>

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

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

Other long-term benefits

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

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

20. RELATED PARTY TRANSACTIONS

Transactions with related parties

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

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

In addition to KMP compensation above the following transactions occurred with related parties:

	<u>2023</u> <u>Actual</u> \$	<u>2022</u> <u>Actual</u> \$
Sale of goods and services	10,500	1,572
Purchase of goods and services	23,619	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 council member, are considered key management personnel and are detailed in Notes 20(a) and 20(b)

ii. Entities subject to significant influence by the Shire

There were no such entities requiring disclosure during the current or previous year.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

21. JOINT ARRANGEMENTS

Share of joint operations

The Shire ceased joint arrangement with the City of Kalgoorlie Boulder, Shires of Coolgardie, Dundas, Esperance, Laverton, Leonora, Ngaanyatjarraku, Ravensthorpe and Wiluna, as resolved during the Goldfields Voluntary Regional Organisation of Councils (GVROC) meeting on 29 July 2023.

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

Statement of Financial Position

	2023 Actual	2022 Actual
	\$	\$
Current assets	0	76,990
Non current assets	0	67,722
Total assets	0	144,712
Current liabilities	0	76,990
Total equity	0	76,990

SIGNIFICANT ACCOUNTING POLICIES

Joint operations

A joint operation is a joint arrangement where the Shire has joint control with two or more parties to the joint arrangement. All parties to joint arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

Assets, liabilities, revenues and expenses relating to the Shire's interest in the joint operation are accounted for in accordance with the relevant Australian Accounting Standard.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

22. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire had no subsequent events occurring after the end of the reporting period.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

23. 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 report 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) Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost 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).

i) Fair value hierarchy

AASB 13 *Fair Value Measurement* 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.

j) Impairment of assets

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

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

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

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

24. RATING INFORMATION

(a) General Rates

RATE TYPE		2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2021/22	
Rate Description	Basis of valuation	Rate in \$	Number of Properties	Actual Rateable Value*	Actual Rate Revenue	Actual Interim Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Total Revenue	Actual Total Revenue
		\$		\$	\$	\$	\$	\$	\$	\$	\$
Vacant	Gross rental valuation	0.0894	5	10,712	958	192	1,150	958	0	958	1,652
General	Gross rental valuation	0.0892	31	1,696,196	151,301	0	151,301	151,301	0	151,301	215,795
Mining	Unimproved valuation	0.1713	230	17,306,859	2,964,665	(1,367)	2,963,298	2,964,665	0	2,964,665	2,599,477
Exploration Lease	Unimproved valuation	0.1553	394	4,256,136	660,978	57,311	718,289	643,896	0	643,896	557,243
Prospecting	Unimproved valuation	0.1529	233	659,607	100,854	1,757	102,611	96,960	0	96,960	82,738
Pastoral	Unimproved valuation	0.0858	20	665,453	57,096	0	57,096	57,096	0	57,096	44,764
Other	Unimproved valuation	0.0858	68	333,500	28,614	0	28,614	28,614	0	28,614	27,448
Total general rates			981	24,928,463	3,964,466	57,893	4,022,359	3,943,490	0	3,943,490	3,529,117
Minimum payment											
		Minimum Payment \$									
Vacant	Gross rental valuation	200	200	42,323	40,000	0	40,000	40,000	0	40,000	39,600
General	Gross rental valuation	328	11	15,863	3,608	0	3,608	3,608	0	3,608	1,600
Mining	Unimproved valuation	328	60	44,728	19,680	0	19,680	19,680	0	19,680	11,000
Exploration Lease	Unimproved valuation	290	227	647,971	65,830	0	65,830	65,540	0	65,540	31,600
Prospecting	Unimproved valuation	257	97	55,877	24,929	0	24,929	24,672	0	24,672	17,800
Pastoral	Unimproved valuation	328	7	12,265	2,296	0	2,296	2,296	0	2,296	800
Other	Unimproved valuation	328	3	6,700	984	0	984	984	0	984	200
Total minimum payments			605	825,727	157,327	0	157,327	156,780	0	156,780	102,600
Total general rates and minimum payments			1,586	25,754,190	4,121,793	57,893	4,179,686	4,100,270	0	4,100,270	3,631,717
Total Rates							4,179,686			4,100,270	3,631,717
Rate instalment interest							8,875			7,000	7,020
Rate overdue interest							39,393			44,000	45,526

The rate revenue was recognised from the rate record as soon as practicable after the Shire resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

*Rateable Value at time of raising of rate.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

25. DETERMINATION OF SURPLUS OR DEFICIT

Note	2022/23	2022/23	2021/22
	(30 June 2023 Carried Forward)	Budget (30 June 2023 Carried Forward)	(30 June 2022 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 Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
	0	(4,231)	(2,031)
Less: Profit on asset disposals	(44,927)	0	13,869
Less: Movement in liabilities associated with restricted cash	0	0	(999)
Less: Fair value adjustments to financial assets at fair value through profit or loss	92,083	20,827	835
Add: Loss on disposal of assets	9(a) 31,053	0	0
Add: Loss on revaluation of infrastructure	10 2,260,053	1,961,063	2,130,098
Add: Depreciation			
Non-cash movements in non-current assets and liabilities:			
Pensioner deferred rates	(506)	0	0
Employee benefit provisions	26,627	0	9,652
Non-cash amounts excluded from operating activities	2,364,383	1,977,659	2,151,424
(b) Surplus or deficit after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity 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: Reserve accounts	27 (11,774,835)	(8,356,840)	(11,335,845)
Add: Current liabilities not expected to be cleared at end of year			
- Employee benefit provisions	161,180	192,238	206,107
Total adjustments to net current assets	(11,613,655)	(8,164,602)	(11,129,738)
Net current assets used in the Statement of Financial Activity			
Total current assets	19,060,506	9,031,134	16,524,719
Less: Total current liabilities	(1,267,334)	(866,532)	(1,444,763)
Less: Total adjustments to net current assets	(11,613,655)	(8,164,602)	(11,129,738)
Surplus or deficit after imposition of general rates	6,179,517	0	3,950,218

SHIRE OF MENZIES
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2023

26. BORROWING AND LEASE LIABILITIES

Lease Liabilities

Purpose	Note	Actual							Budget			
		Principal			Principal				Principal			
		Principal at 1 July 2021	New Leases During 2021-22	Repayments During 2021-22	Principal at 30 June 2022	New Leases During 2022-23	Repayments During 2022-23	Principal at 30 June 2023	Principal at 1 July 2022	New Leases During 2022-23	Repayments During 2022-23	Principal at 30 June 2023
Smart Board		2,363	0	(2,363)	0	0	0	0	0	0	0	0
Total Lease Liabilities	11(a)	2,363	0	(2,363)	0	0	0	0	0	0	0	0

Lease Finance Cost Payments

Purpose	Note	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022	Lease Term
Smart Board		IE1338	Your payment solution	2.10%	22/01/2022	\$ 0	\$ 0	\$ (17)	48 months
Total Finance Cost Payments						0	0	(17)	

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

27. RESERVE ACCOUNTS	2023	2023	2023	2023	2023	2023	2023	2023	2022	2022	2022	2022
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Actual	Actual	Actual	Actual
	Opening	Transfer to	Transfer (from)	Closing	Opening	Transfer to	Transfer (from)	Closing	Opening	Transfer to	Transfer (from)	Closing
	Balance			Balance	Balance			Balance	Balance			Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Leave reserve	206,107	4,261	0	210,368	206,107	822	0	206,929	206,067	40	0	206,107
(b) Building reserve	3,192,928	65,892	(24,418)	3,234,402	3,192,928	12,735	(1,945,241)	1,260,422	3,462,259	669	(270,000)	3,192,928
(c) Plant reserve	1,765,297	36,433	0	1,801,730	1,765,297	7,041	(320,000)	1,452,338	1,922,975	371	(158,049)	1,765,297
(d) Road reserves	2,293,174	47,340	0	2,340,514	2,293,174	9,146	(383,312)	1,919,008	2,732,648	526	(440,000)	2,293,174
(e) Main Street reserve	141,160	2,926	0	144,086	141,160	563	0	141,723	141,133	27	0	141,160
(f) Staff Amenities reserve	397,322	8,213	0	405,535	397,322	1,585	0	398,907	397,246	76	0	397,322
(g) TV reserve	17,979	375	0	18,354	17,979	72	0	18,051	17,976	3	0	17,979
(h) Caravan Park reserve	429,588	8,867	0	438,455	429,588	1,713	(300,000)	131,301	429,505	83	0	429,588
(i) Bitumen reserve	606,885	12,519	0	619,404	606,885	2,421	0	609,306	606,768	117	0	606,885
(j) Rates creditors reserve	51,400	1,054	0	52,454	51,400	205	0	51,606	51,391	9	0	51,400
(k) Niagara Dam reserve	1,248,915	25,787	0	1,274,702	1,248,915	4,981	(936,374)	317,522	1,248,675	240	0	1,248,915
(l) Water reserve	301,323	6,222	(83,812)	223,733	301,323	1,202	0	302,525	301,266	57	0	301,323
(m) Waste Management reserve	59,814	301,240	0	361,054	59,814	300,239	0	360,053	59,802	12	0	59,814
(n) Former Post Office reserve	420,512	8,681	0	429,193	420,512	1,677	(410,000)	12,189	420,432	80	0	420,512
(o) Commercial Enterprise reserve	0	13,221	0	13,221	0	970,708	0	970,708	101,698	20	(101,718)	0
(p) Land Purchase reserve	203,441	4,189	0	207,630	203,441	811	0	204,252	203,402	39	0	203,441
	11,335,845	547,220	(108,230)	11,774,835	11,335,846	1,315,921	(4,294,927)	8,356,840	12,303,243	2,369	(969,767)	11,335,845

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

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 account	Purpose of the reserve account
Restricted by council	
(a) Leave reserve	To be used to fund annual and long service leave requirements
(b) Building reserve	To be used for the acquisition of future buildings and renovation of existing building
(c) Plant reserve	To be used for the purchase of major plant.
(d) Road reserves	To be use to fund major road works
(e) Main Street reserve	Established for the beautification of the main street
(f) Staff Amenities reserve	Established for the purpose of providing staff housing and amenities
(g) TV reserve	To be used to fund upgrades to the rebroadcasting equipment.
(h) Caravan Park reserve	Established for the purpose of providing upgrades to the caravan park.
(i) Bitumen reserve	Established to fund resealing of roads
(j) Rates creditors reserve	Established for future rates claims
(k) Niagara Dam reserve	Established for ongoing upgrade of Niagara Dam valve workings and other maintenance
(l) Water reserve	To assist the Tjuntjunjarra community to achieve funding for a swimming pool
(m) Waste Management reserve	Provide for the statutory reinstatement and development of the reserve.
(n) Former Post Office reserve	For restoration and maintenance of the Former Post Office
(o) Commercial Enterprise reserve	To fund an activity or purchase with a view to producing a profit.
(p) Land Purchase reserve	To be used for purchase of selective properties with developmental potential.

ATTACHMENT

SHIRE OF MENZIES

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Purchase Recommendation Reports or conflict of interest forms not completed	No		✓		Yes
2. Inadequate reconciliation of payroll report to trial balance	No			✓	
3. Review of credit card policy	No			✓	Yes

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. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF MENZIES

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Purchase Recommendation Reports or conflict of interest forms not completed**Finding**

In accordance with Shire Policy 4.2 Purchasing and Tenders, purchasing decisions for all purchases above \$5,000 (excluding GST) are to be evidenced using Assessment Forms, and are authorised by the CEO or CFO per the delegation of authority.

RSM selected 20 samples, noting that 18 samples required a Recommendation Report and Conflict of Interest to be completed. Of the 18 samples, six (33%) did not have a Recommendation Report and the Conflict of Interest completed. The suppliers for whom this procedure was not completed are Eagle Petroleum (fuel), IT Vision (IT Consulting services), Netlogic Information Technology (general adhoc IT support) and 3E Advantage (printer usage service). Management have advised that these suppliers are long-term provider of services to the Shire and hence these procedures were not conducted.

This finding was first raised in 2022. We acknowledge the improvement in the completion of the Recommendation Reports. In FY22 testing, 100% of the samples selected did not have a Recommendation Report or Conflict of Interest form completed.

Rating: Moderate (2022: Moderate)

Implication

Purchases made without an appropriately completed Assessment Form and Conflict of Interest Form may increase the risk of conflicts of interest occurring and going undetected. Additionally, 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 Shire should ensure that all purchase orders above \$5,000 have a corresponding Recommendation Report and a Conflict of Interest Form completed in accordance with the policy even if these are long-term vendors.

Management comment

In order to complete Conflict of Interest Form, management amended to include "Conflict of Interest" section in the current purchase order recommendation form. The update was effective from January 2023 onwards. All staff are continuing this current practice of completing purchase order form for any goods and services purchased above \$5,000.

Responsible person: Kristy Van Kuyl, Chief Financial Officer
Completion date: January 2023

SHIRE OF MENZIES

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Inadequate reconciliation of payroll report to trial balance

Finding

As part of our payroll testing, we identified a \$24,000 variance between the payroll report and trial balance as at 30 June 2023. The Shire was unable to identify the cause and subsequently was unable to resolve the variance.

Rating: Minor

Implication

There is a risk that the payroll expenses are not recorded correctly.

Recommendation

The Shire should implement measures that allow for the payroll report to be reconciled to the Trial Balance on a regular basis, to ensure there are no variances.

Management comment

The Shire is progressing on reviewing and updating the payroll reconciliation worksheet to ensure all amounts reconciles to the trial balance moving forward. Monthly payroll reconciliation will still be part of month end process and will be continued to be reviewed by Chief Financial Officer.

Responsible person: Kristy Van Kuyl, Chief Financial Officer
Completion date: June 2024

SHIRE OF MENZIES

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. Review of credit card policy**Finding**

We noted that the review of the credit card policy that was due on February 2021 is still not complete.

This finding was first raised in 2022

Rating: Minor (2022: Minor)

Implication

An outdated credit card policy could increase risk of unauthorised expenditure occurring and going undetected and the policy may not be fit for purpose for Shire's current circumstance.

Recommendation

The Shire should ensure all policies are reviewed and updated in timely manner.

Management comment

The credit card policy was reviewed with the resolution at the Ordinary Council Meeting on 28 July 2022. Due to the movement of Senior Staff, the policy wasn't updated on the Shire's website. This task has been completed now by Executive Officer. The Shire is continuing its review of all other policies from May 2023 to current date and updated policies will be available to be extracted from Shire website.

Responsible person:

Kristy Van Kuyl, Chief Financial Officer

Completion date:

Credit Card Policy completed , Other policies ongoing