



SHIRE OF MENZIES

MINUTES

ANNUAL GENERAL MEETING OF ELECTORS

Held in the Council Chambers
Shenton Street, Menzies
on
Thursday, 4 February 2016
commencing at 4:15pm

SHIRE OF MENZIES ANNUAL GENERAL MEETING OF ELECTORS

Minutes of the Annual General Meeting of Electors of the Shire of
Menzies held in the Council Chambers on Thursday
4 February 2016, commencing at 4:15pm.

1.	Declaration of Opening	
2.	Record of Attendance	
3.	Confirmation of the Minutes of the previous Annual Electors' Meeting held on 18 December 2014 (Attachment #1)	
4.	Receiving of Annual Financial Statements for the year ending 30 June 2015 (Attachment #2)	
5.	Receiving of the President's Report for the year ended 30 June 2015 (Attachment #3)	
6.	Receiving the Chief Executive Officer's Report for the year ended 30 June 2015 (Attachment #4)	
7.	General Business (as deemed relevant to the Meeting by the Presiding Member)	
8.	Closure of the Meeting	

1. DECLARATION OF OPENING

The Shire President, Cr Jill Dwyer, declared the meeting open at 4:15pm, welcomed attendees and visitors and proceeded with the Agenda as planned.

2. ATTENDANCE AND APOLOGIES

Councillors: Jill Dwyer, Shire President
Ian Baird, Deputy President (by telephone)
Ian Tucker

Justin Lee
Debbie Hansen (by telephone)
Staff: Pascoe Durtanovich, Acting CEO
Leanne Downie (Minutes)

Visitors: 17 community members
Pip McCahon, GEDC
Dennis Kennedy, Menzies Community School

3. CONFIRMATION OF MINUTES OF PREVIOUS ANNUAL ELECTORS MEETING HELD ON 18 DECEMBER 2014 (Attachment 1)

OFFICER'S RECOMMENDATION & ELECTORS' DECISION

ITEM 3

Moved: Cr Tucker

Seconded: Cr Lee

That the Minutes of the Annual Electors' Meeting held on 18 December 2014 be confirmed as a true record of proceedings.

CARRIED 5/0

4. RECEIVING OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2015 (Attachment 2)

OFFICER'S RECOMMENDATION & ELECTORS' DECISION

ITEM 4

Moved: Cr Lee

Seconded: Cr Tucker

That the Annual Financial Statement for the year ending 30 June 2015, as presented, be received.

CARRIED 5/0

2014-2015

[SHIRE OF MENZIES ANNUAL REPORT]

**SHIRE OF MENZIES
FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

**LOCAL GOVERNMENT ACT 1995
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

STATEMENT BY CHIEF EXECUTIVE OFFICER

The attached financial report of the Shire of Menzies being the annual financial report and other information for the financial year ended 30 June 2015 are in my opinion properly drawn up to present fairly the financial position of the Shire of Menzies at 30th June 2015 and the results of the operations for the financial year then ended in accordance with the Australian Accounting Standards and comply with the provisions of the Local Government Act 1995 and the regulations under that Act.

Signed as authorisation of issue on the 27 day of November 2015



**Pascoe Durtanovich
Acting Chief Executive Officer**

**SHIRE OF MENZIES
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Rates	22	2,850,046	2,680,707	2,397,940
Operating Grants, Subsidies and Contributions	28	4,365,790	4,046,280	1,936,865
Fees and Charges	27	129,937	215,078	212,055
Service Charges	24	0	0	0
Interest Earnings	2(a)	210,908	173,150	252,254
Other Revenue	2(a)	88,335	28,350	456,222
		<u>7,645,016</u>	<u>7,143,565</u>	<u>5,255,336</u>
Expenses				
Employee Costs		(1,780,854)	(2,161,913)	(1,506,137)
Materials and Contracts		(1,720,168)	(2,834,204)	(1,574,622)
Utility Charges		(103,392)	(34,500)	(60,369)
Depreciation on Non-Current Assets	2(a)	(2,706,544)	(2,104,121)	(2,146,039)
Interest Expenses	2(a)	0	0	(1,461)
Insurance Expenses		(128,956)	(148,200)	(156,130)
Other Expenditure		(147,643)	(241,300)	(156,993)
		<u>(6,587,557)</u>	<u>(7,524,238)</u>	<u>(5,601,751)</u>
Non-Operating Grants, Subsidies and Contributions	28	1,688,986	1,539,501	1,581,219
Loss on Revaluation of Fixed Assets		0	0	(11,614)
Profit on Asset Disposals	20	0	15,200	15,003
Loss on Asset Disposals	20	(44,451)	(13,000)	(98,898)
NET RESULT		2,701,994	1,161,028	1,139,295
Other Comprehensive Income				
Changes on Revaluation of Non-Current Assets	12	46,391,051	0	4,668,354
Total Other Comprehensive Income		<u>46,391,051</u>	<u>0</u>	<u>4,668,354</u>
Total Comprehensive Income		<u><u>49,093,045</u></u>	<u><u>1,161,028</u></u>	<u><u>5,807,649</u></u>

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

**SHIRE OF MENZIES
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
Revenue				
Governance		3,424	3,000	5,933
General Purpose Funding		6,819,123	4,569,522	4,276,560
Law, Order, Public Safety		11,045	6,450	9,428
Health		0	500	393
Housing		539,689	62,500	60,725
Community Amenities		6,345	6,350	87,352
Recreation and Culture		669	50,475	42,419
Transport		957	2,168,865	542,236
Economic Services		223,850	214,403	144,844
Other Property and Services		39,913	61,500	85,446
		<u>7,645,015</u>	<u>7,143,565</u>	<u>5,255,336</u>
Expenses				
Governance		(605,124)	(651,632)	(359,541)
General Purpose Funding		(191,872)	(218,920)	(183,490)
Law, Order, Public Safety		(125,663)	(90,786)	(68,569)
Health		(26,149)	(182,254)	(28,202)
Education and Welfare		0	(9,500)	0
Housing		(96,972)	(20,000)	(27,692)
Community Amenities		(134,824)	(163,196)	(124,831)
Recreation & Culture		(300,111)	(474,023)	(374,870)
Transport		(3,731,699)	(4,556,111)	(3,331,666)
Economic Services		(1,210,316)	(1,152,816)	(1,139,547)
Other Property and Services		(164,826)	(5,000)	26,504
		<u>(6,587,556)</u>	<u>(7,524,238)</u>	<u>(5,611,904)</u>
Financial Costs				
Housing		0	0	(1,451)
Other Property and Services		0	0	(10)
		<u>0</u>	<u>0</u>	<u>(1,461)</u>
Non-Operating Grants, Subsidies and Contributions				
Law, Order, Public Safety		0	0	184,621
Housing		0	0	499,108
Recreation & Culture		277,583	270,000	0
Transport		1,411,403	1,269,501	897,490
Economic Services		0	0	0
		<u>1,688,986</u>	<u>1,539,501</u>	<u>1,581,219</u>
Profit/(Loss) on Disposal of Assets				
Law, Order, Public Safety		0	0	(25,000)
Housing		0	0	(1,365)
Community Amenities		0	0	(13,000)
Recreation & Culture		0	0	(899)
Transport		(44,451)	2,200	(5,286)
Economic Services		0	0	(14,394)
Other Property and Services		0	0	(23,951)
		<u>(44,451)</u>	<u>2,200</u>	<u>(83,895)</u>
Net Result		<u>2,701,994</u>	<u>1,161,028</u>	<u>1,139,295</u>
Other Comprehensive Income				
Changes on revaluation of non-current assets	12	46,391,051	0	4,668,354
Total Other Comprehensive Income		<u>46,391,051</u>	<u>0</u>	<u>4,668,354</u>
Total Comprehensive Income		<u>49,093,045</u>	<u>1,161,028</u>	<u>5,807,649</u>
This statement is to be read in conjunction with the accompanying notes.				

**SHIRE OF MENZIES
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015**

	NOTE	2015 \$	2014 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	5,887,882	3,696,285
Trade and Other Receivables	4	1,193,754	733,899
Inventories	5	3,364	4,587
TOTAL CURRENT ASSETS		7,085,000	4,434,771
NON-CURRENT ASSETS			
Property, Plant and Equipment	6	9,568,956	9,458,053
Infrastructure	7	116,997,931	70,632,207
TOTAL NON-CURRENT ASSETS		126,566,887	80,090,260
TOTAL ASSETS		133,651,887	84,525,031
CURRENT LIABILITIES			
Trade and Other Payables	8	506,452	549,725
Long Term Borrowings	9	0	0
Provisions	10	166,957	89,873
TOTAL CURRENT LIABILITIES		673,409	639,598
NON-CURRENT LIABILITIES			
Provisions	10	39,568	39,568
TOTAL NON-CURRENT LIABILITIES		39,568	39,568
TOTAL LIABILITIES		712,977	679,166
		132,938,910	83,845,865
EQUITY			
Retained Surplus		14,514,015	11,846,765
Reserves - Cash Backed	11	2,590,906	2,556,162
Revaluation Surplus	12	115,833,989	69,442,938
TOTAL EQUITY		132,938,910	83,845,865

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

2014-2015

[SHIRE OF MENZIES ANNUAL REPORT]

SHIRE OF MENZIES
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2015

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 30 June 2013		10,732,660	2,530,972	64,774,584	78,038,216
Comprehensive Income					
Net Result		1,139,295	0	0	1,139,295
Changes on Revaluation of Non-Current Assets	12	0	0	4,668,354	4,668,354
Total Comprehensive Income		1,139,295	0	4,668,354	5,807,649
Transfers from/(to) Reserves		(25,190)	25,190	0	0
Balance as at 30 June 2014		11,846,765	2,556,162	69,442,938	83,845,865
Comprehensive Income					
Net Result		2,701,994	0	0	2,701,994
Changes on Revaluation of Non-Current Assets	12	0	0	46,391,051	46,391,051
Total Comprehensive Income		2,701,994	0	46,391,051	49,093,045
Transfers from/(to) Reserves		(34,744)	34,744	0	0
Balance as at 30 June 2015		14,514,015	2,590,906	115,833,989	132,938,910

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

**SHIRE OF MENZIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 \$	2015 Budget \$	2014 \$
Cash Flows From Operating Activities				
Receipts				
Rates		2,589,826	2,680,707	2,539,941
Operating Grants, Subsidies and Contributions		4,213,417	4,174,443	1,636,530
Fees and Charges		129,937	215,078	212,055
Interest Earnings		215,296	173,150	252,254
Goods and Services Tax		431,232	708,900	341,064
Other Revenue		88,335	28,350	457,618
		<u>7,668,044</u>	<u>7,980,628</u>	<u>5,439,462</u>
Payments				
Employee Costs		(1,733,060)	(2,161,913)	(1,421,690)
Materials and Contracts		(1,866,660)	(2,529,099)	(1,722,897)
Utility Charges		(103,392)	(34,500)	(60,369)
Interest Expenses		0	0	(1,461)
Insurance Expenses		(128,956)	(148,200)	(156,130)
Goods and Services Tax		(349,522)	(708,900)	(450,157)
Other Expenditure		(147,643)	(241,300)	(156,993)
		<u>(4,329,233)</u>	<u>(5,823,912)</u>	<u>(3,969,697)</u>
Net Cash Provided By (Used In) Operating Activities	13(b)	<u>3,338,811</u>	<u>2,156,716</u>	<u>1,469,765</u>
Cash Flows from Investing Activities				
Payments for Purchase of Property, Plant & Equipment		(854,750)	(2,069,475)	(1,747,585)
Payments for Construction of Infrastructure		(2,043,700)	(3,192,087)	(2,755,712)
Non-Operating Grants, Subsidies and Contributions		1,688,986	1,539,501	1,581,219
Proceeds from Sale of Fixed Assets		62,250	80,000	130,909
Net Cash Provided by (Used in) Investment Activities		<u>(1,147,214)</u>	<u>(3,642,061)</u>	<u>(2,791,169)</u>
Cash Flows from Financing Activities				
Repayment of Debentures		0	0	(32,141)
Net Cash Provided By (Used In) Financing Activities		<u>0</u>	<u>0</u>	<u>(32,141)</u>
Net Increase (Decrease) in Cash Held		2,191,597	(1,485,345)	(1,353,545)
Cash at Beginning of Year		3,696,285	3,696,266	5,049,830
Cash and Cash Equivalents at the End of the Year	13(a)	<u>5,887,882</u>	<u>2,210,921</u>	<u>3,696,285</u>

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

**SHIRE OF MENZIES
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2015**

	NOTE	2015 Actual \$	2015 Budget \$	2014 Actual \$
Revenue				
Governance		3,424	3,000	5,933
General Purpose Funding		3,969,077	1,888,815	1,878,620
Law, Order, Public Safety		11,045	6,450	194,049
Health		0	500	393
Housing		539,689	62,500	559,833
Community Amenities		6,345	6,350	87,352
Recreation and Culture		278,252	320,475	42,419
Transport		1,412,360	3,440,566	1,439,726
Economic Services		223,850	214,403	144,844
Other Property and Services		39,913	61,500	100,449
		<u>6,483,955</u>	<u>6,004,559</u>	<u>4,453,618</u>
Expenses				
Governance		(605,124)	(651,632)	(359,541)
General Purpose Funding		(191,872)	(218,920)	(183,490)
Law, Order, Public Safety		(125,663)	(90,786)	(93,569)
Health		(26,149)	(182,254)	(28,202)
Education and Welfare		0	(9,500)	0
Housing		(96,972)	(20,000)	(30,508)
Community Amenities		(134,824)	(163,196)	(137,831)
Recreation and Culture		(300,111)	(474,023)	(375,769)
Transport		(3,776,150)	(4,556,111)	(3,336,952)
Economic Services		(1,210,316)	(1,152,816)	(1,153,941)
Other Property and Services		(164,826)	(5,000)	(12,460)
		<u>(6,632,007)</u>	<u>(7,524,238)</u>	<u>(5,712,263)</u>
Net Result Excluding Rates		(148,052)	(1,519,679)	(1,258,645)
Adjustments for Cash Budget Requirements:				
Loss on Revaluation of Fixed Assets	7(a)	0	0	11,614
(Profit)/Loss on Asset Disposals	20	44,451	(2,200)	83,895
Movement in Employee Benefit Provisions		(83,938)	0	24,183
Depreciation and Amortisation on Assets	2(a)	2,706,544	2,104,121	2,146,039
Capital Expenditure and Revenue				
Purchase Land and Buildings	6(a)	(586,591)	(1,231,175)	(1,130,124)
Purchase Furniture and Equipment	6(a)	(13,099)	(28,000)	(10,435)
Purchase Plant and Equipment	6(a)	(255,060)	(810,300)	(607,026)
Purchase Roads	7(a)	(1,523,398)	(2,792,087)	(2,683,212)
Purchase Other Infrastructure	7(a)	(520,302)	(400,000)	(72,500)
Proceeds from Disposal of Fixed Assets	20	62,250	80,000	130,909
Repayment of Debentures	21(a)	0	0	(32,141)
Transfers to Reserves (Restricted Assets)	11	(399,383)	(92,759)	(1,263,931)
Transfers from Reserves (Restricted Assets)	11	364,639	438,000	1,238,741
ADD Estimated Surplus/(Deficit) July 1 B/Fwd	22(b)	1,328,885	1,573,372	2,353,578
LESS Estimated Surplus/(Deficit) June 30 C/Fwd	22(b)	3,826,991	0	1,328,885
Total Amount Raised from General Rate	22(a)	<u>(2,850,046)</u>	<u>(2,680,707)</u>	<u>(2,397,940)</u>

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1995 and accompanying regulations. Material accounting policies which have been adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

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

Critical Accounting Estimates

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

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

Provision for Impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent revenue experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for Impairment of Inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent revenue experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Council determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and infrastructure. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

The Local Government Reporting Entity

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

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 19. to these financial statements.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

(b) 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.

(c) 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 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.

(d) 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.

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

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

(e) Inventories

General

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

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

Land Held for Sale

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

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

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) 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, where applicable, any accumulated depreciation and impairment losses.

Mandatory Requirement to Revalue Non-Current Assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory.

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
- (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government -
 - (i) that are plant and equipment; and
 - (ii) that are -
 - (I) land and buildings; or-
 - (II) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years.

In 2013, Council commenced the process of adopting Fair Value in accordance with the Regulations.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Land Under Control

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

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

Whilst they were initially recorded at cost, fair value at the date of acquisition was deemed cost as per AASB 116.

Consequently, these assets were initially recognised at cost but revalued along with other items of Land and Buildings at 30 June 2014.

Initial Recognition and Measurement between Mandatory Revaluation Dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

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

Individual assets acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework detailed above, are carried at cost less accumulated depreciation as management believes this approximates fair value. They will be subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework detailed above.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed Assets (Continued)

Revaluation

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 asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land Under Roads

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

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

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

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

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

Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold 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.

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) Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
- b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Major depreciation periods used for each class of depreciable asset are:

Buildings	5%
Furniture and Equipment	10%
Plant and Equipment - Heavy	15%
Plant and Equipment - Sundry	25%
Electronic Equipment	25%
Tools	20%
Infrastructure - Roads	4%
Infrastructure - Flood ways	6%
Infrastructure - Other	2%
Infrastructure - Grids	4%

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.

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

Capitalisation Threshold

Expenditure on items of equipment under \$5,000 is not capitalised. Rather, it is recorded on an asset inventory listing.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Fair Value of Assets and Liabilities

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

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

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. 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 (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

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

Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Market approach

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income approach

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

Cost approach

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

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

As detailed above, the mandatory measurement framework imposed by the Local Government (Financial Management) Regulations requires, as a minimum, all assets carried at a revalued amount to be revalued at least every 3 years.

(h) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or at cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Council has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as non-current.

(v) Financial liabilities

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial Instruments (Continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which will have an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Council no longer has any significant continual involvement in the risks and benefits associated with the asset.

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.

(i) Impairment of Assets

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

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

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

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

(j) Trade and Other Payables

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Employee Benefits

Short-Term Employee Benefits

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

The Council's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current liabilities in the statement of financial position. The Council's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other Long-Term Employee Benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined with reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the term 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 Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(l) 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.

(m) Provisions

Provisions are recognised when the Council 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.

(n) Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses over the periods in which they are incurred.

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

(o) Investment in Associates

An associate is an entity over which the Council has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Council's share of net assets of the associate. In addition, the Council's share of the profit or loss of the associate is included in the Council's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition of an associate whereby the Council's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss over the period in which the investment is acquired.

Profits and losses resulting from transactions between the Council and the associate are eliminated to the extent of the Council's interest in the associate.

When the Council's share of losses in an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses unless it has incurred legal or constructive obligations to the associate, the Council will resume recognising its share of profits once its share of the profits equals the share of the losses not recognised.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Council's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 16.

(q) Revenue

Rates, Grants, Donations and Other Contributions

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

Control of non operating grants arises when the Shire can benefit from funds transferred to it and deny or regulate the access of others to those benefits. Therefore, control arises when the Shire can use funds granted or transferred to purchase goods and services or retain those funds for future purchases.

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

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to 'those undischarged conditions are disclosed in Note 2(c). That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operations for the current reporting period.

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.

Service Charges

Service charges imposed under Division 6 of Part 6 of the Local Government Act 1995. Regulation 54 of the Local Government (Financial Management) Regulations identifies the charges which can be raised. These are television and radio rebroadcasting, underground electricity, property surveillance and security and water services. Excludes rubbish removal and charges for the provision of waste services.

Interest Earnings

Interest and other items of a similar nature received from bank and investment accounts, interest on rate instalments, interest on rate arrears and interest on debtors

Other Revenue

Other revenue, which cannot be classified under the above headings, includes dividends, discounts, rebates, etc.

(r) Superannuation

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

(s) Current and Non-Current Classification

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

(t) Rounding Off Figures

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Comparative Figures

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

When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statement, 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.

(v) Budget Comparative Figures

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Title	Issued / Compiled	Applicable ⁽ⁱ⁾	Impact
(i) AASB 9 – Financial Instruments	December 2013	1 January 2018	Nil – The objective of this Standard is to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Given the nature of the financial assets of the Council, it is not anticipated the standard will have any material effect.
(ii) AASB 2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	December 2013	1 January 2018	Nil - The revisions embodied in this standard give effect to the consequential changes arising from the issuance of AASB 9 which is not anticipated to have any material effect on the Council (refer (i) above).
(iii) AASB 15 Revenue from Contracts with Customers	December 2014	1 January 2017	This Standard establishes principles for entities to apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The effect of this Standard will depend upon the nature of future transactions the Shire has with those third parties it has dealings with. It may or may not be significant.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled December 2013	Applicable ⁽¹⁾ Refer title column	Impact
(iv) AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments			Part C of this Standard makes consequential amendments to AASB 9 and numerous other Standards and amends the permissions around certain applications relating to financial liabilities reissued at fair value.
[Operative date: Part C Financial Instruments - 1 January 2015]			As the bulk of changes relate either to editorial or reference changes it is not expected to have a significant impact on the Shire.
(v) AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations	August 2014	1 January 2016	This Standard amends AASB 11: <i>Joint Arrangements</i> to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: <i>Business Combinations</i> , to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.
[AASB 1 & AASB 11]			Since adoption of this Standard would impact only acquisitions of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Shire's financial statements.
(vi) AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation	August 2014	1 January 2016	This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It also clarifies the use of revenue-based methods to calculate the depreciation of an asset is not appropriate nor is revenue generally an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
[AASB 116 & 138]			Given the Shire currently uses the expected pattern of consumption of the future economic benefits of an asset as the basis of calculation of depreciation, it is not expected to have a significant impact.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled December 2014	Applicable ⁽¹⁾ 1 January 2017	Impact
(vii) AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15			Consequential changes to various Standards arising from the issuance of AASB 15. It will require changes to reflect the impact of AASB 15.
(viii) AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]	January 2015	1 January 2016	This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. This Standard also makes editorial and consequential amendments as a result of amendments to the Standards listed in the title column.
(ix) AASB 2015-3 Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality	January 2015	1 July 2015	It is not anticipated it will have any significant impact on disclosures. This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing it to be completely withdrawn. It is not anticipated it will have a significant impact as the principles of materiality remain largely unchanged.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Title	Issued / Compiled	Applicable ⁽¹⁾	Impact
(x) AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]	March 2015	1 July 2016	The objective of this Standard is to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not-for-profit sector entities. The Standard is expected to have a significant disclosure impact on the financial report of the Shire as both Elected Members and Senior Management will be deemed to be Key Management Personnel and resultant disclosures will be necessary.

Notes:

⁽¹⁾ Applicable to reporting periods commencing on or after the given date.

(x) Adoption of New and Revised 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.

These new and revised Standards were:

AASB 2011-7
AASB 2012-3
AASB 2013-3
AASB 2013-8
AASB 2013-9 Parts A & B

Most of the Standards adopted had a minimal effect on the accounting and reporting practices of the Shire as they did not have a significant impact on the accounting or reporting practices or were either not applicable, largely editorial in nature, were revisions to help ensure consistency with presentation, recognition and measurement criteria of IFRSs or related to topics not relevant to operations.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2. REVENUE AND EXPENSES		2015	2014
		\$	\$
(a) Net Result			
The Net Result includes:			
(i) Charging as an Expense:			
Auditors Remuneration			
- Audit of the annual financial report		36,557	41,910
Depreciation			
Buildings		239,119	180,001
Furniture and Equipment		4,716	11,403
Plant and Equipment		393,682	316,897
Roads		2,009,834	1,636,115
Parks & Ovals		4,445	0
Other Infrastructure		54,748	1,623
		<u>2,706,544</u>	<u>2,146,039</u>
Interest Expenses (Finance Costs)			
Debentures (refer Note 21.(a))		0	1,451
Interest - ATO		0	10
		<u>0</u>	<u>1,461</u>
Rental Charges			
- Operating Leases		25,422	44,494
For further information see Note 15(a)		<u>25,422</u>	<u>44,494</u>
(ii) Crediting as Revenue:			
Other Revenue			
Reimbursements and Recoveries		36,240	63,625
Other		52,095	392,597
		<u>88,335</u>	<u>456,222</u>
	2015	2015	2014
	Actual	Budget	Actual
	\$	\$	\$
Interest Earnings			
- Reserve Funds	99,383	87,500	99,119
- Other Funds	45,919	55,000	60,663
Other Interest Revenue (refer note 26)	65,606	30,650	92,472
	<u>210,908</u>	<u>173,150</u>	<u>252,254</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective

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

COMMUNITY VISION

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

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

GOVERNANCE

Objective:

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

Activities:

Administration and operation of facilities and services to members of council. Other costs that relate to the task of assisting elected members and electors on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

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

LAW, ORDER, PUBLIC SAFETY

Objective:

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

Activities:

The reporting of income and expenditure involved in the supervision of fire prevention and animal control.

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

The reporting of income and expenditure involved in the administration of the Health Act.

EDUCATION AND WELFARE

Objective:

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

Activities:

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

HOUSING

Objective:

To provide and maintain elderly residents housing.

Activities:

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

2. REVENUE AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide services required by the community.

Activities:

Reporting of expenditure involved in the provision of rubbish depot sites. This activity also includes expenditure on cemeteries.

RECREATION AND CULTURE

Objective:

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

Activities:

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

TRANSPORT

Objective:

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

Activities:

The reporting of income and expenditure associated with the construction and maintenance of roads, grids and traffic signs together with the maintenance of the Council's airstrips.

ECONOMIC SERVICES

Objective:

To help promote the shire and its economic wellbeing.

Activities:

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

OTHER PROPERTY AND SERVICES

Objective:

To monitor and control council's overheads operating accounts.

Activities:

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 expenditures not included elsewhere.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

2 REVENUE AND EXPENSES (Continued)

(c) Conditions Over Grants/Contributions		Opening Balance ⁽¹⁾ 01/07/13 \$	Received ⁽²⁾ 2013/14 \$	Expended ⁽³⁾ 2013/14 \$	Closing Balance ⁽¹⁾ 30/06/14 \$	Received ⁽²⁾ 2014/2015 \$	Expended ⁽³⁾ 2014/2015 \$	Closing Balance 30/06/15 \$
Grant/Contribution	Function/ Activity							
Office of Premier & Cabinet	Community Amenities	10,000	0	0	10,000	0	0	10,000
Anzac Memorial	DS&R	0	0	0	0	276,783	(276,783)	0
Menzies Water Park & Lights	Transport	0	0	0	0	186,446	(186,446)	0
Main Roads WA - Evanstone	Transport	0	0	0	0	0	0	0
Menzies Regional Road Group	Transport	0	0	0	0	0	0	0
Roads to Recovery	Transport	60,758	875,307	(936,065)	0	379,500	(228,849)	150,651
Country Local Government	Housing	0	499,108	(499,108)	0	482,615	(482,615)	0
Fund	Housing	0	0	0	0	0	0	0
Department of Regional	Community Amenities	0	80,670	(80,670)	0	0	0	0
Development	Community Amenities	0	0	0	0	0	0	0
Main Roads WA - WANDRRA Flc Transport	Transport	0	0	0	0	331,390	(331,390)	0
Main Roads WA - Direct Grants	Transport	0	136,935	(136,935)	0	190,000	(190,000)	0
Main Roads WA - Black Spot	Transport	0	149,333	(149,333)	0	0	0	0
Main Roads WA - Yarri	Transport	0	86,667	(86,667)	0	86,667	(86,667)	0
Regional Road Group	Transport	0	0	0	0	0	0	0
Main Roads WA - Menzies	Transport	0	86,667	(86,667)	0	86,667	(86,667)	0
North West Regional Road	Transport	0	86,667	(86,667)	0	86,667	(86,667)	0
Group	Transport	0	0	0	0	0	0	0
Main Roads WA - Commodity Rou	Transport	0	80,567	(80,567)	0	0	0	0
Footpaths	Transport	0	22,183	(22,183)	0	0	0	0
Lake Ballard Mkt Plan	Economic Services	0	50,000	(50,000)	0	0	0	0
Total		70,758	2,067,437	(2,128,195)	10,000	2,020,068	(1,899,417)	160,651

Notes:

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

	Note	2015 \$	2014 \$
3. CASH AND CASH EQUIVALENTS			
Unrestricted		3,136,325	1,130,123
Restricted		<u>2,751,557</u>	<u>2,566,162</u>
		<u>5,887,882</u>	<u>3,696,285</u>

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

Leave Reserve	11	182,552	175,720
Plant Reserve	11	665,689	521,122
Building Reserve	11	541,383	702,996
TV Reserve	11	14,911	14,354
Road Reserve	11	160,395	180,828
Main Street Reserve	11	187,859	64,748
Staff Amenities Reserve	11	67,264	154,392
Caravan Park Reserve	11	300,436	289,192
Rates Future Claims Reserve	11	43,916	42,272
Bitumen Resealing Reserve	11	199,054	191,605
Niagara Dam Reserve	11	119,577	115,102
Waterpark Reserve	11	107,870	103,831
Unspent Grants	2(c)	<u>160,651</u>	<u>10,000</u>
		<u>2,751,557</u>	<u>2,566,162</u>

4. TRADE AND OTHER RECEIVABLES

Current			
Rates Outstanding		925,281	628,463
Sundry Debtors		333,554	181,181
ATO Receivable		134,919	119,867
Provision for Doubtful Debts		(200,000)	(200,000)
Accrued Income		<u>0</u>	<u>4,388</u>
		<u>1,193,754</u>	<u>733,899</u>

The ageing of the past due but not impaired receivable (Rates Outstanding and Sundry Debtors) are as follows:

0 to 3 months overdue	1,928	181,181
3 to 6 months overdue	0	0
Over 6 months overdue	<u>725,281</u>	<u>428,463</u>
	<u>727,209</u>	<u>609,644</u>

5. INVENTORIES

Current			
Fuel and Materials		<u>3,364</u>	<u>4,587</u>
		<u>3,364</u>	<u>4,587</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

6 (a). PROPERTY, PLANT AND EQUIPMENT	2015 \$	2014 \$
Land and Buildings		
Freehold Land at:		
Independent Valuation 2014	660,200	660,200
	<u>660,200</u>	<u>660,200</u>
 Total Land	 <u>660,200</u>	 <u>660,200</u>
 Buildings at:		
- Independent Valuation 2014	6,680,872	6,680,872
- Additions after valuation - cost	586,591	0
Less: Accumulated Depreciation	<u>(239,119)</u>	<u>0</u>
	7,028,344	6,680,872
 Total Buildings	 <u>7,028,344</u>	 <u>6,680,872</u>
 Total Land and Buildings	 <u>7,688,544</u>	 <u>7,341,072</u>
 Furniture and Equipment at:		
- Independent Valuation 2014	29,000	29,000
- Additions after valuation - cost	13,099	0
Less: Accumulated Depreciation	<u>(4,716)</u>	<u>0</u>
	37,383	29,000
 Plant and Equipment at:		
- Independent Valuation 2014	1,881,150	1,994,150
- Management Valuation 2014	93,831	93,831
- Additions after valuation - cost	255,060	0
Less: Accumulated Depreciation	<u>(387,012)</u>	<u>0</u>
	1,843,029	2,087,981
	 <u>9,568,956</u>	 <u>9,458,053</u>

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

The Shire's property, plant and equipment valuation was performed by Griffin Valuation Advisory.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Movements In Carrying Amounts

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

	Balance at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Transfers \$	Depreciation (Expense) \$	Carrying Amount at the End of Year \$
Freehold Land (including reclassification from Current Asset Inventories)	660,200	0	0	0	0	0	660,200
Total Land	660,200	0	0	0	0	0	660,200
Buildings (Level 2 and 3)	6,680,872	586,591	0	0	0	(239,119)	7,028,344
Total Buildings	6,680,872	586,591	0	0	0	(239,119)	7,028,344
Total Land and Buildings	7,341,072	586,591	0	0	0	(239,119)	7,688,544
Furniture and Equipment (Level 3)	29,000	13,099	0	0	0	(4,716)	37,383
Plant and Equipment (Level 2 and 3)	2,087,981	255,060	(106,330)	0	0	(393,682)	1,843,029
Total Property, Plant and Equipment	9,458,053	854,750	(106,330)	0	0	(637,517)	9,569,956

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Land and buildings					
Freehold land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2014	Price per hectare
Non-specialised buildings	2	Market approach using recent observable market data for similar properties (Net valuation method)	Independent registered valuers	June 2014	Price per square metre
Specialised buildings	3	Improvements to land valued using cost approach using depreciated replacement cost (Net valuation method)	Independent valuers and Management valuation	June 2014	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) Inputs
Furniture and Equipment	3	Cost approach using depreciated replacement cost (Net Valuation method)	Management valuation	June 2014	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) Inputs
Plant and Equipment					
- Independent valuation 2014	2	Market approach using recent observable market data for similar items (Net Valuation method)	Independent registered valuers	June 2014	Price per item
- Independent valuation 2014	3	Cost approach using depreciated replacement cost (Net Valuation method)	Independent registered valuers	June 2014	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) Inputs
- Management valuation 2014	3	Cost approach using depreciated replacement cost (Net Valuation method)	Management valuation	June 2014	Purchase costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) Inputs

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

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2014 \$
7 (a). INFRASTRUCTURE		
Roads		
- Independent Valuation 2015	144,065,666	0
- Independent Valuation 2009	0	73,842,876
- Additions after valuation - Cost	0	8,055,035
Less Accumulated Depreciation	<u>(30,075,135)</u>	<u>(13,811,995)</u>
	113,990,531	68,085,916
Parks & Ovals		
- Independent Valuation 2014	222,000	222,000
Less Accumulated Depreciation	<u>(4,445)</u>	<u>0</u>
	217,555	222,000
Other Infrastructure		
- Independent Valuation 2014	1,795,100	1,795,100
- Management Valuation 2014	389,203	389,203
- Additions after valuation - Cost	660,290	0
Less Accumulated Depreciation	<u>(54,748)</u>	<u>0</u>
	2,789,845	2,184,303
Work in Progress Infrastructure		
- Cost	<u>0</u>	<u>139,988</u>
	0	139,988
	<u>116,997,931</u>	<u>70,632,207</u>

Road Infrastructure

The Shire's Road Infrastructure was revalued at 30 June 2015 by independent valuer, Talis Consultants. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Level 3 inputs in the fair value hierarchy).

The revaluation resulted in an overall increment of \$46,391,051 in the net value of the Shire's Road infrastructure. All of this increase was credited to a new revaluation surpluses in the Shire's equity (refer Note 12(c) for further details) and was recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

7. INFRASTRUCTURE (Continued)

(b) Movements In Carrying Amounts

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

		Balance as at the Beginning of the Year \$	Additions \$	(Disposals) \$	Revaluation Increments/ (Decrements) \$	Transfers \$	Depreciation (Expense) \$	Carrying Amount at the End of the Year \$
Roads	(Level 3)	68,085,916	1,523,398	0	46,391,051	0	(2,009,834)	113,990,531
Parks & Ovals	(Level 3)	222,000	0	0	0	0	(4,445)	217,555
Other Infrastructure	(Level 3)	2,184,303	520,302	0	0	139,988	(54,748)	2,789,845
Work in Progress Infrastructure		139,988	0	0	0	(139,988)	0	0
Total		70,632,207	2,043,700	0	46,391,051	0	(2,069,027)	116,997,931

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

7. INFRASTRUCTURE (Continued)

(c) Fair Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of valuation	Date of last Valuation	Inputs used
Roads	3	Cost approach using depreciated replacement cost (Gross revaluation method)	Management valuation	June 2015	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Parts & Ovals	3	Cost approach using depreciated replacement cost (Net valuation method)	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Other	3	Cost approach using depreciated replacement cost (Net valuation method)	Management valuation	June 2014	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

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

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2014 \$
8. TRADE AND OTHER PAYABLES		
Current		
Sundry Creditors	0	146,492
Accrued Salaries and Wages	57,259	23,234
ATO Liabilities	55,487	37,031
Other Payables	252,748	238,978
Rates Paid in Advance	140,958	103,990
	<u>506,452</u>	<u>549,725</u>

9. LONG-TERM BORROWINGS

The Shire did not have any long term borrowings at the reporting date.

10. PROVISIONS

Analysis of Total Provisions

Current	166,957	89,873
Non-Current	39,568	39,568
	<u>206,525</u>	<u>129,441</u>

	Provision for Annual Leave \$	Provision for Long Service Leave \$	Total \$
Opening balance at 1 July 2014	76,123	53,318	129,441
Additional provision	53,031	24,053	77,084
Balance at 30 June 2015	<u>129,154</u>	<u>77,371</u>	<u>206,525</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2015 Budget \$	2014 \$
11. RESERVES - CASH BACKED			
(a) Leave Reserve			
Opening Balance	175,720	175,720	163,214
Amount Set Aside / Transfer to Reserve	6,832	6,015	12,506
Amount Used / Transfer from Reserve	0	0	0
	<u>182,552</u>	<u>181,735</u>	<u>175,720</u>
(b) Plant Reserve			
Opening Balance	521,122	521,122	361,429
Amount Set Aside / Transfer to Reserve	320,261	17,839	159,693
Amount Used / Transfer from Reserve	(364,639)	(438,000)	0
	<u>476,744</u>	<u>100,961</u>	<u>521,122</u>
(c) Building Reserve			
Opening Balance	702,996	702,996	503,192
Amount Set Aside / Transfer to Reserve	27,332	24,064	638,545
Amount Used / Transfer from Reserve	0	0	(438,741)
	<u>730,328</u>	<u>727,060</u>	<u>702,996</u>
(d) TV Reserve			
Opening Balance	14,354	14,354	8,688
Amount Set Aside / Transfer to Reserve	558	491	5,666
Amount Used / Transfer from Reserve	0	0	0
	<u>14,912</u>	<u>14,845</u>	<u>14,354</u>
(e) Main Street Reserve			
Opening Balance	180,828	180,828	376,946
Amount Set Aside / Transfer to Reserve	7,031	11,449	53,882
Amount Used / Transfer from Reserve	0	0	(250,000)
	<u>187,859</u>	<u>192,277</u>	<u>180,828</u>
(f) Staff Amenities Reserve			
Opening Balance	64,748	64,748	381,980
Amount Set Aside / Transfer to Reserve	2,517	2,216	32,768
Amount Used / Transfer from Reserve	0	0	(350,000)
	<u>67,265</u>	<u>66,964</u>	<u>64,748</u>
(g) Roads Reserve			
Opening Balance	154,392	154,392	285,167
Amount Set Aside / Transfer to Reserve	6,003	5,285	69,225
Amount Used / Transfer from Reserve	0	0	(200,000)
	<u>160,395</u>	<u>159,677</u>	<u>154,392</u>
(h) Caravan Park Reserve			
Opening Balance	289,192	289,192	189,568
Amount Set Aside / Transfer to Reserve	11,244	9,899	99,624
Amount Used / Transfer from Reserve	0	0	0
	<u>300,436</u>	<u>299,091</u>	<u>289,192</u>
(i) Rates Future Claims Reserve			
Opening Balance	42,272	42,272	34,619
Amount Set Aside / Transfer to Reserve	1,644	1,447	7,653
Amount Used / Transfer from Reserve	0	0	0
	<u>43,916</u>	<u>43,719</u>	<u>42,272</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

	2015 \$	2015 Budget \$	2014 \$
11. RESERVES - CASH BACKED (Continued)			
(j) Bitumen Resealing Reserve			
Opening Balance	191,605	191,605	131,527
Amount Set Aside / Transfer to Reserve	7,450	6,559	60,078
Amount Used / Transfer from Reserve	0	0	0
	<u>199,055</u>	<u>198,164</u>	<u>191,605</u>
(k) Niagara Dam Reserve			
Opening Balance	115,102	115,102	44,642
Amount Set Aside / Transfer to Reserve	4,475	3,940	70,460
Amount Used / Transfer from Reserve	0	0	0
	<u>119,577</u>	<u>119,042</u>	<u>115,102</u>
(l) Waterpark Reserve			
Opening Balance	103,831	103,831	50,000
Amount Set Aside / Transfer to Reserve	4,036	3,555	53,831
Amount Used / Transfer from Reserve	0	0	0
	<u>107,867</u>	<u>107,386</u>	<u>103,831</u>
TOTAL RESERVES	<u>2,590,906</u>	<u>2,210,921</u>	<u>2,556,162</u>
Total Opening Balance	2,556,162	2,556,162	2,530,972
Total Amount Set Aside / Transfer to Reserve	399,383	92,759	1,263,931
Total Amount Used / Transfer from Reserve	(364,639)	(438,000)	(1,238,741)
TOTAL RESERVES	<u>2,590,906</u>	<u>2,210,921</u>	<u>2,556,162</u>

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

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

11. RESERVES - CASH BACKED (continued)

In accordance with council resolutions in relation to each reserve account, the purpose for which the funds are set aside are as follows:

- (a) Leave Reserve**
 - to be used to fund annual and long service leave requirements.
- (b) Plant Reserve**
 - to be used for the purchase of major plant.
- (c) Building Reserve**
 - to be used for the acquisition of future buildings and renovation of existing buildings.
- (d) TV Reserve**
 - to be used to fund upgrades to the rebroadcasting equipment.
- (e) Road Reserve**
 - to be used to fund major road works.
- (f) Main Street Reserve**
 - established for the beautification of the main street.
- (g) Staff Amenities Reserve**
 - established for the purpose of providing staff housing and amenities.
- (h) Caravan Park Reserve**
 - established for the purpose of upgrading the caravan park.
- (i) Rates Future Claims Reserve**
 - established for future rates claims.
- (j) Bitumen Resealing Reserve**
 - established to fund future resealing of roads.
- (k) Niagara Dam Reserve**
 - established for ongoing upgrade of Niagara Dam valve workings and other maintenance.
- (l) Waterpark Reserve**
 - established to provide a waterpark.

The Main Street, Niagara Dam and Waterpark Reserves are expected to be utilised on completion of the respective projects.

All other Reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

12. REVALUATION SURPLUS

Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:

(a) Land

Opening Balance	668,704	292,000
Revaluation Increment	0	376,704
Revaluation Decrement	0	0
	<u>668,704</u>	<u>668,704</u>

(b) Plant & Equipment

Opening Balance	750,763	295,036
Revaluation Increment	0	455,727
Revaluation Decrement	0	0
	<u>750,763</u>	<u>750,763</u>

(c) Roads

Opening Balance	64,187,548	64,187,548
Revaluation Increment	46,391,051	0
Revaluation Decrement	0	0
	<u>110,578,599</u>	<u>64,187,548</u>

(d) Other Infrastructure

Opening Balance	183,927	0
Revaluation Increment	0	183,927
Revaluation Decrement	0	0
	<u>183,927</u>	<u>183,927</u>

(e) Furniture & Equipment

Opening Balance	1,467	0
Revaluation Increment	0	1,467
Revaluation Decrement	0	0
	<u>1,467</u>	<u>1,467</u>

(f) Buildings

Opening Balance	3,650,529	0
Revaluation Increment	0	3,650,529
Revaluation Decrement	0	0
	<u>3,650,529</u>	<u>3,650,529</u>

TOTAL ASSET REVALUATION SURPLUS

<u>115,833,989</u>	<u>69,442,938</u>
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Opening balance	69,442,938	64,774,584
Revaluation Increment	46,391,051	4,668,354
Revaluation Decrement	0	0
Closing Balance	<u>115,833,989</u>	<u>69,442,938</u>

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

13. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

	2015 \$	2015 Budget \$	2014 \$
Cash and Cash Equivalents	<u>5,887,882</u>	<u>2,210,921</u>	<u>3,696,285</u>
(b) Reconciliation of Net Cash Provided By Operating Activities to Net Result			
Net Result	2,701,994	1,161,028	1,139,295
Depreciation	2,706,544	2,104,121	2,146,039
(Profit)/Loss on Sale of Asset	44,451	(2,200)	83,895
(Increase)/Decrease in Receivables	(460,224)	128,163	(267,427)
(Increase)/Decrease in Inventories	1,223	(4,943)	6,049
Increase/(Decrease) in Payables	(43,274)	310,048	(92,663)
Increase/(Decrease) in Employee Provisions	77,084	0	24,182
Grants Contributions for the Development of Assets	(1,688,986)	(1,539,501)	(1,581,219)
Movement on Revaluation of Fixed Assets	0	0	11,614
Net Cash from Operating Activities	<u>3,338,811</u>	<u>2,156,716</u>	<u>1,469,765</u>
(c) Undrawn Borrowing Facilities			
Credit Standby Arrangements	2015 \$		2014 \$
Bank Overdraft limit	0		0
Bank Overdraft at Balance Date	0		0
Credit Card limit	35,000		35,000
Credit Card Balance at Balance Date	(972)		(999)
Total Amount of Credit Unused	<u>34,028</u>		<u>34,001</u>
Loan Facilities			
Loan Facilities - Current	0		0
Loan Facilities - Non-Current	0		0
Total Facilities In Use at Balance Date	<u>0</u>		<u>0</u>
Unused Loan Facilities at Balance Date	<u>NIL</u>		<u>NIL</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

14. 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 on certificate of title 1096/558 known as 50 Shenton St, Menzies WA 6436

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk and agree with the DER 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 DER guidelines.

15. CAPITAL AND LEASING COMMITMENTS	2015	2014
	\$	\$
(a) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	32,183	17,722
- later than one year but not later than five years	2,976	27,508
- later than five years	0	0
	<u>35,159</u>	<u>45,230</u>

The operating leases relate to the lease of the Golden Quest Vehicle.

Council has a number of leases for staff housing, but these are cancellable and can be terminated by either party. Note 2(b)(i) also includes the expenditure for the housing leases.

(b) Capital Expenditure Commitments

Contracted for:		
- capital expenditure projects	548,345	65,670
Payable:		
- not later than one year	0	0

The capital expenditure project outstanding at the end of the current reporting period represents represents the construction of public toilets near the basketball courts, Menzies.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

16. JOINT VENTURE ARRANGEMENTS

The Shire together with the Shires of Coolgardie, Dundas, Esperance, Laverton, Menzies, Ngaanyatjaraku, Ravensthorpe, Wiluna and the City of Kalgoorlie Boulder have a joint venture arrangement with regard to the provision of a Regional Records Service. The assets included in the joint venture recorded in Council's one-tenth share are as follows:

	2015	2014
	\$	\$
Non-Current Assets		
Land & Buildings	74,688	74,688
Less: Accumulated Depreciation	<u>(7,293)</u>	<u>(3,740)</u>
	<u>67,395</u>	<u>70,948</u>
 Plant & Machinery	 8,247	 8,247
Less: Accumulated Depreciation	<u>(2,968)</u>	<u>(1,649)</u>
	<u>5,279</u>	<u>6,598</u>
 Furniture & Equipment	 12,109	 12,109
Less: Accumulated Depreciation	<u>(2,517)</u>	<u>(1,332)</u>
	<u>9,592</u>	<u>10,777</u>
 Light Vehicles	 3,549	 3,549
Less: Accumulated Depreciation	<u>(1,084)</u>	<u>(591)</u>
	<u>2,465</u>	<u>2,958</u>

17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY

	2015	2014
	\$	\$
Governance	13,099	0
General Purpose Funding	7,085,000	4,569,430
Law, Order, Public Safety	217,555	243,200
Housing	3,166,983	2,725,322
Community Amenities	508,733	728,200
Recreation and Culture	4,532,000	2,381,535
Transport	113,990,531	68,882,246
Economic Services	2,269,543	3,021,253
Other Property and Services	<u>1,868,443</u>	<u>1,973,845</u>
	<u>133,651,887</u>	<u>84,525,031</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

	2015	2014	2013
18. FINANCIAL RATIOS			
Current Ratio	8.83	3.66	4.42
Asset Sustainability Ratio	1.05	0.32	1.93
Debt Service Cover Ratio	n/a	50.76	75.18
Operating Surplus Ratio	0.31	(0.15)	0.17
Own Source Revenue Coverage Ratio	0.49	0.52	0.53

The above ratios are calculated as follows:

Current Ratio	$\frac{\text{current assets minus restricted assets}}{\text{current liabilities minus liabilities associated with restricted assets}}$
Asset Sustainability Ratio	$\frac{\text{capital renewal and replacement expenditure}}{\text{Depreciation expenses}}$
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	$\frac{\text{own source operating revenue}}{\text{operating expenses}}$

Notes:

Information relating to the **Asset Consumption Ratio** and the **Asset Renewal Funding Ratio** can be found at Supplementary Ratio Information on Page 57 of this document.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

19. TRUST FUNDS

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

	Balance 01-Jul-14	Amounts Received	Amounts Paid	Balance 30-Jun-15
	\$	\$	(\$)	\$
Housing Bonds	3,400	0	(300)	3,100
Pet Bonds	1,600	0	(300)	1,300
	<u>5,000</u>			<u>4,400</u>

20. DISPOSALS OF ASSETS - 2014/15 FINANCIAL YEAR

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Transport						
MWS - P0174	48,333	50,000	35,000	46,000	(13,333)	(4,000)
Crew Cab - P0130	33,917	37,000	19,500	28,000	(14,417)	(9,000)
Utility P0154	13,166	14,000	5,750	21,600	(7,416)	7,600
Utility P0133	11,285	12,000	2,000	19,600	(9,285)	7,600
	<u>106,701</u>	<u>113,000</u>	<u>62,250</u>	<u>115,200</u>	<u>(44,451)</u>	<u>2,200</u>
					Profit	0
					Loss	15,200
					<u>(44,451)</u>	<u>(13,000)</u>
					<u>(44,451)</u>	<u>2,200</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

21. INFORMATION ON BORROWINGS

(a) Repayments - Debentures

Particulars	Principal 30-Jun-14		Principal Repayments		Principal 30-Jun-15		Interest Repayments	
	\$		\$		\$		\$	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
NIL	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0

(b) All loan repayments were financed by general purpose revenue.

(c) There were no new debentures drawn down in 2014/15 financial year.

(d) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2015.

(e) Overdraft

Council has not utilised an overdraft facility during the financial year 2014/15.

2014-2015

[SHIRE OF MENZIES ANNUAL REPORT]

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

22. RATING INFORMATION - 2014/15 FINANCIAL YEAR

(a) Rates

RATE TYPE	Rate In \$	Number of Properties	Rateable Value \$	Rate Revenue \$	Interim Rates \$	Back Rates \$	Total Revenue \$	Budget Rate Revenue \$	Budget Interim Rate \$	Budget Back Rate \$	Budget Total Revenue \$
Differential General Rate											
GRV	0.07172	25	198,494	14,236	0	0	14,236	14,235	(2,000)	0	12,235
UV - Pastoral	0.03690	19	1,083,529	39,982	0	0	39,982	39,589	0	0	39,589
UV - Other	0.02480	0	0	0	0	0	0	0	0	0	0
UV - Mining	0.13990	595	18,156,746	2,540,129	47,619	0	2,587,748	2,399,633	35,000	0	2,434,633
Sub-Totals		639	19,438,769	2,594,347	47,619	0	2,641,966	2,453,457	33,000	0	2,486,457
Minimum Payment	Minimum \$										
GRV	200	235	35,852	47,000	0	0	47,000	47,000	(15,000)	0	32,000
UV - Pastoral	200	7	19,574	1,400	0	0	1,400	1,400	0	0	1,400
UV - Other	200	123	343,880	24,600	0	0	24,600	24,600	0	0	24,600
UV - Mining	220	614	331,568	135,080	0	0	135,080	136,250	0	0	136,250
Sub-Totals		979	730,874	208,080	0	0	208,080	209,250	(15,000)	0	194,250
Discounts (refer note 25.)							2,850,046				2,880,707
Total Amount Raised From General Rate							2,850,046				2,880,707
Write offs							0				0
Totals							2,850,046				2,880,707

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

22. RATING INFORMATION - 2014/15 FINANCIAL YEAR (Continued)

(b) Information on Surplus/(Deficit) Brought Forward

	2015 (30 June 2015 Carried Forward) \$	2015 (1 July 2014 Brought Forward) \$	2014 (30 June 2014 Carried Forward) \$
Surplus/(Deficit) - Rate Setting Statement	<u>3,826,991</u>	<u>1,328,885</u>	<u>1,328,885</u>
<u>Comprises:</u>			
Cash and Cash Equivalents			
Unrestricted	3,136,325	1,130,123	1,130,123
Restricted	2,751,557	2,566,162	2,566,162
Receivables			
Rates Outstanding	925,281	628,463	628,463
Sundry Debtors	333,554	181,181	181,181
ATO Receivable	134,919	119,867	119,867
Provision for Doubtful Debts	(200,000)	(200,000)	(200,000)
Accrued Income	0	4,388	4,388
Inventories			
Fuel and Materials	3,364	4,587	4,587
<u>Less:</u>			
Trade and other Payables			
Sundry Creditors	0	(146,492)	(146,492)
Accrued Salaries and Wages	(57,259)	(23,234)	(23,234)
ATO Liabilities	(55,487)	(37,031)	(37,031)
Other Payables	(252,748)	(238,978)	(238,978)
Rates Paid in Advance	(140,958)	(103,990)	(103,990)
Provisions			
Provision for Annual Leave	(129,154)	(76,123)	(76,123)
Provision for Long Service Leave	(37,803)	(13,750)	(13,750)
<u>Net Current Assets</u>	<u>6,411,591</u>	<u>3,795,173</u>	<u>3,795,173</u>
<u>Less:</u>			
Reserves - Restricted Cash	(2,751,557)	(2,556,161)	(2,556,161)
<u>Add:</u>			
Cash Backed Provision for Leave	166,957	89,873	89,873
Surplus/(Deficit)	<u>3,826,991</u>	<u>1,328,885</u>	<u>1,328,885</u>

Difference

There was no difference between the Surplus 1 July 2014 Brought Forward position used in the 2015 audited financial report and the Surplus Carried Forward position as disclosed in the 2014 audited financial report.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

23. SPECIFIED AREA RATE - 2014/15 FINANCIAL YEAR

The Shire did not impose any Specified Area Rates.

24. SERVICE CHARGES - 2014/15 FINANCIAL YEAR

The Shire did not impose any service charges.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS
- 2014/15 FINANCIAL YEAR**

No discount on rates is available.

26. INTEREST, CHARGES AND INSTALMENTS - 2014/15 FINANCIAL YEAR

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		63,919	40,000
Charges on Instalments Plan	5.50%		0	1,048
Interest on Unpaid ESL Charges	11.00%		1,687	30,000
			65,606	75,048

Ratepayers had the option of paying rates in four equal instalments, due on 4 October 2014, 6 December 2014, 7 February 2015 and 11 April 2015. Administration charges and interest applied for the final three instalments.

27. FEES & CHARGES	2015 \$	2014 \$
Governance	0	5,193
General Purpose Funding	5,771	13,476
Law, Order, Public Safety	7,333	4,499
Health	0	393
Housing	57,074	60,606
Community Amenities	0	6,682
Recreation and Culture	669	13,579
Transport	0	178
Economic Services	58,807	90,835
Other Property and Services	283	16,614
	129,937	212,055

There were no changes during the year to the amount of the fees or charges detailed in the original budget.

SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015

28. GRANT REVENUE

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

	2015	2014
By Nature or Type:	\$	\$
Operating Grants, Subsidies and Contributions	4,365,790	1,936,865
Non-Operating Grants, Subsidies and Contributions	1,688,986	1,581,219
	<u>6,054,776</u>	<u>3,518,084</u>
By Program:		
General Purpose Funding	3,753,230	1,232,255
Governance	2,593	0
Law, Order, Public Safety	3,712	189,551
Housing	482,615	499,108
Community Amenities	0	80,670
Recreation and Culture	277,583	28,841
Transport	1,411,404	1,437,659
Economic Services	120,250	0
Other Property and Services	3,389	50,000
	<u>6,054,776</u>	<u>3,518,084</u>

29. EMPLOYEE NUMBERS

The number of full-time equivalent employees at balance date

<u>21</u>	<u>21</u>
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30. ELECTED MEMBERS REMUNERATION

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

	2015	2015	2014
	\$	Budget	\$
		\$	
Meeting Fees	59,233	80,000	75,158
President's Allowance	15,918	12,000	10,542
Deputy President's Allowance	3,081	3,000	2,854
Travelling Expenses	37,143	25,000	31,819
Telecommunications Allowance	6,500	5,000	3,403
	<u>121,875</u>	<u>125,000</u>	<u>123,776</u>

31. MAJOR LAND TRANSACTIONS

Council did not participate in any major land transactions during the 2014/15 financial year.

32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

Council did not participate in any trading undertakings or major trading undertakings during the 2014/15 financial year.

33. EVENTS OCCURRING AFTER REPORTING DATE

Events that occur between the end of the reporting period (ending 30 June 2015 and the date when the financial statements are "authorised for issue") have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' report as the applicable "authorised for issue" relating to these General Purpose Financial Statements.

Events that occurred after the reporting date represents in two types:

- i. Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and figures therein) incorporates all the "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

- ii. Events that provide evidence of conditions that arose after the Reporting Period

That Council is not aware of any material or significant "non adjusting events" that should be disclosed.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council 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 Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	5,887,882	3,696,285	5,887,882	3,696,285
Receivables	1,193,754	733,899	1,193,754	733,899
	<u>7,081,635</u>	<u>4,430,184</u>	<u>7,081,636</u>	<u>4,430,184</u>
Financial Liabilities				
Payables	506,452	549,725	506,452	549,725
Borrowings	0	0	0	0
	<u>506,452</u>	<u>549,725</u>	<u>506,452</u>	<u>549,725</u>

Fair value is determined as follows:

- Cash and Cash Equivalents, Receivables, Payables - estimated to the carrying value which approximates net market value.
- Borrowings, estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT (Continued)

(a) Cash and Cash Equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance area manages the cash and investments portfolio with the assistance of independent advisers (where applicable). Council has an investment policy and the policy is subject to review by Council. An Investment Report is provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

Cash and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only investing in registered commercial banks. Council also seeks advice from independent advisers (where applicable) before placing any cash and investments.

	2015 \$	2014 \$
Impact of a 1% ⁽¹⁾ movement in interest rates on cash		
- Equity	5,887	3,696
- Statement of Comprehensive Income	5,887	3,696

Notes:

⁽¹⁾ Sensitivity percentages based on management's expectation of future possible market movements.

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT (Continued)

(b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council 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.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms.

The profile of the Council's credit risk at balance date was:

	2015	2014
Percentage of Rates and Annual Charges		
- Current	0%	0%
- Overdue	100%	100%
Percentage of Other Receivables		
- Current	98%	47%
- Overdue	2%	53%

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT (Continued)

(c) Payables

Borrowings

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

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

	<u>2015</u>	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$
Payables		506,452	0	0	506,452	506,452
Borrowings		0	0	0	0	0
		<u>506,452</u>	<u>0</u>	<u>0</u>	<u>506,452</u>	<u>506,452</u>
	<u>2014</u>					
Payables		549,725	0	0	549,725	549,725
Borrowings		0	0	0	0	0
		<u>549,725</u>	<u>0</u>	<u>0</u>	<u>549,725</u>	<u>549,725</u>

**SHIRE OF MENZIES
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2015**

34. FINANCIAL RISK MANAGEMENT (Continued)

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

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation.

As at 30 June 2015, Council has no long term borrowings.

The following tables set out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	<1 year \$	>1<2 years \$	>2<3 years \$	>3<4 years \$	>4<5 years \$	>5 years \$	Total \$	Weighted Average Effective Interest Rate %
Year Ended 30 June 2015								
Borrowings								
Fixed Rate	0	0	0	0	0	0	0	0.00%
Debtentures								
Weighted Average								
Effective Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
Year Ended 30 June 2014								
Borrowings								
Fixed Rate	0	0	0	0	0	0	0	0.00%
Debtentures								
Weighted Average								
Effective Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

Auditor's Report



RSM Australia Pty Ltd

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100

F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE RATEPAYERS OF THE SHIRE OF MENZIES

Report on the Financial Report

We have audited the financial report of the Shire of Menzies, which comprises the statement of financial position as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity, statement of cash flows and rate setting statement for the year ended on that date, the summary of significant accounting policies and other explanatory notes and the statement by the Chief Executive Officer.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our audit has been conducted in accordance with Australian Auditing Standards. Those standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

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We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Local Government Act 1995* Part 6, the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Shire of Menzies's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Auditor's opinion on the Financial Report

In our opinion, the financial report of the Shire of Menzies:

- (i) gives a true and fair view of the financial position of the Shire of Menzies as at 30 June 2015 and of its financial performance for the year ended on that date;
- (ii) complies with the *Local Government Act 1995* Part 6 and the Regulations under that Act and Australian Accounting Standards (including the Australian Accounting Interpretations); and
- (iii) In relation to the Supplementary Ratio Information presented in the financial report, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and reasonable assumptions.

Report on Statutory Compliance

We did not during the course of our audit become aware of any instances where the Shire of Menzies did not comply with the requirements of the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* as they relate to the financial report.

A handwritten signature in black ink, appearing to read 'D Wall'.

RSM AUSTRALIA PTY LTD

A handwritten signature in black ink, appearing to read 'D Wall'.

D WALL
Director

Perth, WA
Dated: 1 December 2015

Ratio Information

SHIRE OF MENZIES SUPPLEMENTARY RATIO INFORMATION FOR THE YEAR ENDED 30TH JUNE 2015

RATIO INFORMATION

The following information relates to those ratios which only require attestation they have been checked and are supported by verifiable information. It does not form part of the audited financial report

	2015	2014	2013
Asset Consumption Ratio	0.99	0.87	0.83
Asset Renewal Funding Ratio	1.00	0.37	0.25

The above ratios are calculated as follows:

Asset Consumption Ratio	$\frac{\text{depreciated replacement costs of assets}}{\text{current replacement cost of depreciable assets}}$
Asset Renewal Funding Ratio	$\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

5. RECEIVING OF THE PRESIDENT'S REPORT FOR THE YEAR ENDED 30 JUNE 2015 (Attachment 3)

OFFICER'S RECOMMENDATION & ELECTORS' DECISION

ITEM 5

Moved: Cr Lee

Seconded: Cr Tucker

That the President's Report for the year ended 30 June 2015, as presented, be received.

CARRIED 5/0

UNCONFIRMED COPY



Cr Jill Dwyer, Shire President

President's Report

In the reporting year 2014/2015 the Shire of Menzies continued to provide good governance to the community.

As the threat of compulsory amalgamations diminished the Shire of Menzies continued to work closely with local governments in the Goldfields Esperance region through the Goldfields Voluntary Regional Organisation of Councils and the Goldfields Esperance Collaborative Group.

During the year Council focused on the completion of infrastructure projects, with particular emphasis on the main street redevelopment, completion of the Menzies Caravan Park, construction of the four staff houses and ongoing upgrading of the Shire's road network, particularly a further five kilometres of seal on the Menzies NW road. This work is part of Council's commitment to provide sealed access to Lake Ballard and the Gormley Statues. Total expenditure on the Shire's road network, including maintenance was \$3.7 million.

Like all Shires in the goldfields region, Menzies is being impacted on by the downturn in mining activity. Whilst gold mining is holding its own, particularly with the Anglo Gold operation at Tropicana, iron ore and other commodity prices are depressed and development of iron ore deposits in the Shire are likely to be a long term option. With the mining industry downturn many mining/exploration tenements are being surrendered, this impacts substantially on the Shire's rate revenue as some 90% of rate revenue is derived from the mining sector. Council will have to monitor this situation closely over the next few years and make financial adjustments accordingly.

Council has continued to work closely with the Tjuntjuntjara community to deliver a number of community programs and infrastructure development in liaison with and direction of General Manager, Fiona Pemberton.

The Goldfields Cyclclassic was again held over the long weekend in June. With increased activities in Menzies, as part of the event, the opportunity for Menzies to be identified with this growing event is welcoming.

Staff turnover during the 2014/2015 financial year was minimal resulting in consistent service delivery. The retirement of CEO Peter Crawford ends a long relationship Peter and his wife, Daphne, have had with the Shire of Menzies. I would like to express my appreciation to Peter for the contribution he has made to the Shire and wish him and Daphne well in their retirement.

I would like to take this opportunity to acknowledge the contribution made by Cr Greg Dwyer, as Shire President over the past six years and thank all Councillors, Staff and Community Volunteers for their contribution to the well-being of our community.

Cr Jill Dwyer
Shire President

**6. RECEIVING OF THE CHIEF EXECUTIVE OFFICER'S REPORT FOR THE
YEAR ENDED 30 JUNE 2015 (Attachment 4)**

OFFICER'S RECOMMENDATION & ELECTORS' DECISION

ITEM 6

Moved: Cr Tucker

Seconded: Cr Lee

That the Chief Executive Officer's Report for the period ended 30 June 2015, as presented, be received.

CARRIED 5/0

UNCONFIRMED COPY



Pascoe Durtanovich
A/Chief Executive Officer

Chief Executive Officer's Report

In my role as Acting Chief Executive Officer I am pleased to report on the achievements of Council and staff during the financial year ending 30 June 2015.

As reflected in the 2014/2015 Audit Report the Shire of Menzies has successfully met its obligations under the Local Government Act, 1995 and Accounting Standards.

The Shire of Menzies Strategic Community Plan 2013-2023 contains four main strategies, prioritised by the community of the Shire of Menzies, these are:

- ✚ Sustainable local economy encouraged
- ✚ Strong sense of community maintained
- ✚ Active civic leadership achieved
- ✚ Heritage and natural assets conserved

The Strategic Community Plan is a ten year plan so many of the community's aspirations will take a number of years to achieve, however, when formulating the annual budget Council is mindful of the priorities in the Strategic Plan and sets programs accordingly.

In the reporting year the main street project was progressed, maintenance and upgrading of the Shire's road network continued with the construction program for the year completed. The Menzies Water Park was completed and opened in December 2014.

Tourism promotion and visitor servicing was also a major focus during the year, including the Caravan Park upgrade, ongoing development of Lake Ballard and promotion and maintenance of other tourism assets such as the Niagara Dam campsite.

Having a stable workforce ensured that consistent service delivery was achieved. I would like to congratulate the staff for their efforts during the year, each employee, in their own area of responsibility, has performed particularly well. I would also like to acknowledge the elected members' contribution and for their support in providing the resources required to enable staff to fulfil their obligations to the community.

In my view 2014/2015 was a successful year for the Shire of Menzies and the community can look forward to a positive future.

Pascoe Durtanovich
Acting Chief Executive Officer

7. GENERAL BUSINESS

The Acting CEO advised the meeting that the following projects were being supported by Council:

- Menzies Youth Centre
- Teacher Housing
- Information Bay

Council has established the Lake Ballard Management Advisory Committee and the Department of Lands has vested the Shire with a Management Order over Reserve 419153.

Flood Damage from the rain event in January 2014 has been repaired at a cost of \$1.9 million.

A permanent, full time nurse generalist has been appointed by the WA Country Health Service for the Menzies Nursing Post. Mark Pinington will commence full time duties on 8 February 2016. The Shire will be contributing 40% of the cost, as well as providing housing and other incentives.

The Shire provides financial support for holiday, educational and sporting programmes at Tjuntjuntjara. The Shire will consider any requests from the Menzies Community for similar support.

Council will consider supporting an application for funding a Heritage Precinct Project in Menzies with a view to increasing tourism and creating local employment opportunities.

8. CLOSURE

There being no further business the Shire President thanked those present for their attendance and participation and closed the meeting at 5:07pm.