



**SHIRE OF MENZIES**

## **MINUTES**

**OF THE AUDIT COMMITTEE MEETING  
HELD**

**Thursday 27 November, 2014**

**Shire of Menzies**

**Commencing at 9:30am**

## **DISCLAIMER**

No responsibility whatsoever is implied or accepted by the Shire of Menzies for any act or omission or statement or intimation occurring during this meeting.

It is strongly advised that persons do not act on what is heard at this meeting and should only rely on written confirmation of Council's decision, which will be provided within fourteen (14) days of this meeting.

## **FINANCIAL INTEREST (EFFECTIVE 1 JULY 1996)**

A financial interest occurs where a Councillor, or person with whom the Councillor is closely associated, has direct or indirect financial interest in the matter. That is, the person stands to make a financial gain or loss from the decision, either now or at some time in the future.

An indirect financial interest includes a reference to a financial relationship between that person and another person who requires a Local Government decision in relation to the matter.

**Councillors should declare an interest:**

- a) **In a written notice given to the CEO before the meeting: or**
- b) **At the meeting immediately before the matter is discussed**

A member who has declared an interest must not:

Preside at the part of the meeting relating to the matter: or  
Participate in, or be present during any discussion or decision making procedure relating to the matter.

Unless the member is allowed to do so under Section 5.68 or 5.69, Local Government Act 1995

Ref: Local Government Act 1995 Division 6 – Disclosure of Financial Interest.  
Specifically Sections 5.60, 5.61, 5.65 and 5.67

## **TERMS OF REFERENCE**

### **Objectives of the Audit Committee**

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Shire's Auditor so that Council can be satisfied with the performance of the Shire in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies and overseeing the allocation of the Shire's finances and resources. The Audit Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems and compliance with legislation.

The Audit Committee is to facilitate:

- The enhancement of the credibility and objectivity of external financial reporting;
- Effective management of financial and other risks and the protection of Shire assets;
- Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- The provision of an effective means of communication between the external auditor, the CEO and the Council.

### **Powers of the Audit Committee**

The Audit Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the Shire that have not been delegated to the CEO.

The Audit Committee is a formally appointed Committee of Council and is responsible to that body. The Audit Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and cannot involve itself in management processes or procedures.

### **Membership**

The Audit Committee will consist of four members with full voting rights and a quorum shall be two members.

The CEO and employees are not members of the Audit Committee.

The CEO and Deputy CEO are to be available to attend meetings to provide advice and guidance to the Audit Committee.

The Shire shall provide secretarial and administrative support to the Audit Committee.

### **Meetings**

The Audit Committee shall meet at least annually. Additional meetings shall be convened at the discretion of the presiding person.

### **Reporting**

Reports and recommendations of each Audit committee meeting shall be presented to the next Ordinary Meeting of Council.

### **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee will be:

- a) Provide guidance and assistance to Council as to the carrying out of the functions of the Shire in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire's Auditor;
- c) Develop and recommend to Council:

- A list of those matters to be audited; and
- The scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as Auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include:
  - The objectives of the audit;
  - The scope of the audit;
  - A plan of the audit;
  - Details of the remuneration and expenses to be paid to the Auditor; and
  - The method to be used by the Shire to communicate with, and supply information to, the Auditor;
- f) Meet with the Auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the Shire does everything in its power to:
  - Assist the Audit to conduct the audit and carry out their other duties under the *Local Government Act 1995*; and
  - Ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the Auditor after receiving a report from the CEO on the matters to:
  - Determine if any matters raised require action to be taken by the Shire; and
  - Ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO any actions taken in respect of any matters raised in the report of the Auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the Auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Audit Committee's Terms of Reference following authorisation from the Council;
- l) Review the annual Compliance Audit Return and report to Council the results of that review; and
- m) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Audit Committee, and report to Council the results of those reviews.

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## AGENDA FOR ORDINARY MEETING OF COUNCIL

### 1. DECLARATION OF OPENING

The Chairperson, Cr Greg Dwyer, declared the meeting open at 9:35am, and proceeded with the Agenda as planned.

### 2. ANNOUNCEMENT OF VISITORS

Nil

### 3. RECORD OF ATTENDANCE

#### 3.1 PRESENT:

<b>Councillors:</b>	Cr G Dwyer	Shire President
	Cr I R Tucker	Councillor
	Cr J Mazza	Councillor
	Cr J Lee	Councillor

<b>Staff:</b>	P Crawford	CEO
	K Oborn	DCEO
	L Downie	Minutes

**Observers:** Nil

#### 3.2 APOLOGIES

**Councillors:** Nil

**Staff:** Nil

### 4. DECLARATIONS OF INTEREST

Nil

### 5. APPLICATIONS FOR LEAVE OF ABSENCE

Nil

### 6. PUBLIC QUESTION TIME

Nil

### 7. CONFIRMATION OF PREVIOUS MINUTES

*Cr Dwyer left the meeting at 9:36am and returned at 9:37am*

#### 7.1 CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON THURSDAY 24 APRIL 2014

**VOTING REQUIREMENTS:**  
Simple Majority Decision required

**Moved:** Cr Mazza

**Seconded:** Cr Lee

<b>AUDIT COMMITTEE RECOMMENDATION:</b>
--

That the Minutes of the Audit Committee Meeting held on 24 April 2014 as presented, be confirmed.

9:39am


**CARRIED 4/0**

Travis Bate, RSM Bird Cameron joined the meeting at 9:43am by telephone. Mr Bate advised the meeting that there were no issues to raise with management this year and it was good to see that systems and processes are in place and functioning well.

Mr Bate left the meeting at 9:45am

## 8. FINANCE & ADMINISTRATION BUSINESS

### 8.1 CONSIDERATION OF AUDIT REPORT 2013-2014

<b>SUBMISSION TO:</b>	Audit Committee Meeting 27 November 2014
<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Shire of Menzies
<b>FILE REF:</b>	ADM073
<b>DISCLOSURE OF INTEREST:</b>	None
<b>DATE:</b>	27 November 2014
<b>AUTHOR:</b>	Karen Oborn, Deputy Chief Executive Officer
<b>SIGNATURE OF AUTHOR:</b>	
<b>SENIOR OFFICER:</b>	Paul Crawford, Chief Executive Officer
<b>SIGNATURE OF SENIOR OFFICER:</b>	
<b>PREVIOUS MEETING REFERENCE:</b>	None

#### ATTACHMENTS:

- 8.1 Attachment #1 Audit Report and Management Letter from RSM Bird Cameron
- 8.1 Attachment #2 Auditor's Governance Letter

#### SUMMARY:

Council's Audit Committee is required to consider the Audit Report and any findings reported by the Auditor and to make recommendations addressing the matters raised.

#### BACKGROUND:

Mr C S Cubitt, RMS Bird Cameron performed the audit for the year ended 30 June 2014 and forwarded his unqualified audit report on 10 November 2014.

#### COMMENT:

The audit for 2013-14 was performed during a site visit to Menzies on 22-23 September 2014 and submission of information to RSM Bird Cameron via email. The Auditors contacted off site accountants, UHY Haines Norton, to obtain supporting schedules and seek evidence of reconciliations and calculations reflected in the Financial Statements.

While the unqualified Audit Report is an indication that the financial records of the Shire are sound and that the Financial Statements represent a true reflection of Council's financial position, the Governance Letter indicates that there is still room for improvement in procedures and practices to further ensure that Council's assets and systems are maintained in a prudent manner.

#### CONSULTATION:

Senior Management Staff

#### STATUTORY ENVIRONMENT:

Local Government (Financial Management Regulations 1996) Regulations 13 and 34

**POLICY IMPLICATIONS:**

Council has no Policies in relation to this matter

**FINANCIAL IMPLICATIONS:**

Nil

**STRATEGIC IMPLICATIONS:**

None

**VOTING REQUIREMENTS:**

Simple Majority Decision required

**Moved: Cr Tucker**

**Seconded: Cr Mazza**

**AUDIT COMMITTEE RECOMMENDATION:**

That the Audit Committee recommends to Council that the Audit Report and Governance Letter for the year ended 30 June 2014, as submitted by Mr C S Cubitt, RSM Bird Cameron, be received and that proposed process improvements be monitored.

9:45am

**CARRIED 4/0**



**SHIRE OF MENZIES**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

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Principal place of business: Address 124 Shenton Street MENZIES WA 6436	

**SHIRE OF MENZIES  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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 2014 are in my opinion properly drawn up to present fairly the financial position of the Shire of Menzies at 30th June 2014 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

10<sup>th</sup>

day of November 2014



\_\_\_\_\_  
Peter Crawford  
Chief Executive Officer

**SHIRE OF MENZIES**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*BY NATURE OR TYPE*  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Rates	22	2,397,940	2,357,689	2,203,767
Operating Grants, Subsidies and Contributions	28	1,936,865	2,093,005	3,015,052
Fees and Charges	27	212,055	176,480	266,468
Service Charges	24	0	0	0
Interest Earnings	2(a)	252,254	170,500	276,017
Other Revenue	2(a)	456,222	32,150	43,135
		<u>5,255,336</u>	<u>4,829,824</u>	<u>5,804,439</u>
<b>Expenses</b>				
Employee Costs		(1,506,137)	(1,718,544)	(996,982)
Materials and Contracts		(1,574,622)	(1,631,951)	(1,973,245)
Utility Charges		(60,369)	(37,889)	(72,993)
Depreciation on Non-Current Assets	2(a)	(2,146,039)	(1,880,945)	(2,040,324)
Interest Expenses	2(a)	(1,461)	(1,750)	(4,739)
Insurance Expenses		(156,130)	(147,000)	(111,233)
Other Expenditure		(156,993)	(308,000)	(139,202)
		<u>(5,601,751)</u>	<u>(5,726,079)</u>	<u>(5,338,718)</u>
		(346,415)	(896,255)	465,721
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Non-Operating Grants, Subsidies and Contributions	28	1,581,219	2,264,598	893,775
Loss on Revaluation of Fixed Assets	2(a)	(11,614)	0	(8,749)
Profit on Asset Disposals	20	15,003	52,306	100,547
Loss on Asset Disposals	20	(98,898)	(45,000)	(77,007)
		<u>1,485,710</u>	<u>2,271,894</u>	<u>908,566</u>
<b>NET RESULT</b>		<b>1,139,295</b>	<b>1,375,649</b>	<b>1,374,287</b>
<b>Other Comprehensive Income</b>				
Changes on Revaluation of Non-Current Assets	12	4,668,354	0	295,036
<b>Total Other Comprehensive Income</b>		<u>4,668,354</u>	<u>0</u>	<u>295,036</u>
<b>Total Comprehensive Income</b>		<u><u>5,807,649</u></u>	<u><u>1,375,649</u></u>	<u><u>1,669,323</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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Revenue</b>				
Governance		5,933	3,400	10,276
General Purpose Funding		4,276,560	3,790,675	4,732,883
Law, Order, Public Safety		9,428	3,200	27,286
Health		393	500	226
Housing		60,725	59,600	58,622
Community Amenities		87,352	95,980	16,842
Recreation and Culture		42,419	17,400	4,851
Transport		542,236	693,269	761,901
Economic Services		144,844	137,300	107,391
Other Property and Services		85,446	28,500	84,161
	<b>2(a)</b>	<u>5,255,336</u>	<u>4,829,824</u>	<u>5,804,439</u>
<b>Expenses</b>				
Governance		(359,541)	(430,992)	(365,789)
General Purpose Funding		(183,490)	(276,854)	(149,262)
Law, Order, Public Safety		(68,569)	(93,529)	(70,063)
Health		(28,202)	(40,689)	(38,886)
Education and Welfare		0	(15,000)	0
Housing		(27,692)	(40,000)	(17,498)
Community Amenities		(124,831)	(249,193)	(91,972)
Recreation & Culture		(374,870)	(387,551)	(320,610)
Transport		(3,331,666)	(2,866,810)	(3,268,072)
Economic Services		(1,139,547)	(1,319,711)	(1,065,363)
Other Property and Services		26,504	(4,000)	44,787
	<b>2(a)</b>	<u>(5,611,904)</u>	<u>(5,724,329)</u>	<u>(5,342,728)</u>
<b>Financial Costs</b>				
Housing		(1,451)	(1,750)	(3,293)
Other Property and Services		(10)	0	(1,446)
	<b>2(a)</b>	<u>(1,461)</u>	<u>(1,750)</u>	<u>(4,739)</u>
<b>Non-Operating Grants, Subsidies and Contributions</b>				
Law, Order, Public Safety		184,621	0	0
Housing		499,108	937,108	0
Community Amenities		0	0	40,000
Recreation & Culture		0	430,000	0
Transport		897,490	897,490	853,775
Economic Services		0	0	0
		<u>1,581,219</u>	<u>2,264,598</u>	<u>893,775</u>
<b>Profit/(Loss) on Disposal of Assets</b>				
Law, Order, Public Safety		(25,000)	0	0
Housing		(1,365)	0	0
Community Amenities		(13,000)	0	0
Recreation & Culture		(899)	0	0
Transport		(5,286)	(45,000)	78,374
Economic Services		(14,394)	0	0
Other Property and Services		(23,951)	52,306	(54,834)
		<u>(83,895)</u>	<u>7,306</u>	<u>23,540</u>
<b>Net Result</b>		<u>1,139,295</u>	<u>1,375,649</u>	<u>1,374,287</u>
<b>Other Comprehensive Income</b>				
Changes on revaluation of non-current assets	12	4,668,354	0	295,036
<b>Total Other Comprehensive Income</b>		<u>4,668,354</u>	<u>0</u>	<u>295,036</u>
<b>Total Comprehensive Income</b>		<u>5,807,649</u>	<u>1,375,649</u>	<u>1,669,323</u>

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

**SHIRE OF MENZIES**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2014**

	NOTE	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	3,696,285	5,049,830
Trade and Other Receivables	4	733,899	466,472
Inventories	5	<u>4,587</u>	<u>10,636</u>
<b>TOTAL CURRENT ASSETS</b>		<u>4,434,771</u>	<u>5,526,938</u>
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	6	9,458,053	5,057,469
Infrastructure	7	<u>70,632,207</u>	<u>68,233,597</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>80,090,260</u>	<u>73,291,066</u>
<b>TOTAL ASSETS</b>		<u>84,525,031</u>	<u>78,818,004</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	8	549,725	642,388
Long Term Borrowings	9	0	32,141
Provisions	10	<u>89,873</u>	<u>92,700</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>639,598</u>	<u>767,229</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	<u>39,568</u>	<u>12,559</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>39,568</u>	<u>12,559</u>
<b>TOTAL LIABILITIES</b>		<u>679,166</u>	<u>779,788</u>
		<u>83,845,865</u>	<u>78,038,216</u>
<b>EQUITY</b>			
Retained Surplus		11,846,765	10,732,660
Reserves - Cash Backed	11	2,556,162	2,530,972
Revaluation Surplus	12	<u>69,442,938</u>	<u>64,774,584</u>
<b>TOTAL EQUITY</b>		<u>83,845,865</u>	<u>78,038,216</u>

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

**SHIRE OF MENZIES  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30TH JUNE 2014**

	NOTE	RETAINED SURPLUS \$	RESERVES CASH BACKED \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2012</b>		9,398,385	2,490,960	64,479,548	76,368,893
Comprehensive Income		1,374,287	0	0	1,374,287
Net Result		<u>1,374,287</u>	<u>0</u>	<u>295,036</u>	<u>295,036</u>
Changes on Revaluation of Non-Current Assets	12	0	0	295,036	295,036
Total Comprehensive Income		<u>(40,012)</u>	<u>40,012</u>	<u>0</u>	<u>0</u>
Transfers from/(to) Reserves					
<b>Balance as at 30 June 2013</b>		<b>10,732,660</b>	<b>2,530,972</b>	<b>64,774,584</b>	<b>78,038,216</b>
Comprehensive Income		1,139,295	0	0	1,139,295
Net Result		<u>1,139,295</u>	<u>0</u>	<u>4,668,354</u>	<u>4,668,354</u>
Changes on Revaluation of Non-Current Assets	12	0	0	4,668,354	4,668,354
Total Comprehensive Income		<u>(25,190)</u>	<u>25,190</u>	<u>0</u>	<u>0</u>
Transfers from/(to) Reserves					
<b>Balance as at 30 June 2014</b>		<b>11,846,765</b>	<b>2,556,162</b>	<b>69,442,938</b>	<b>83,845,865</b>

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 2014**

	NOTE	2014 \$	2014 Budget \$	2013 \$
<b>Cash Flows From Operating Activities</b>				
<b>Receipts</b>				
Rates		2,539,941	2,588,445	2,250,086
Operating Grants, Subsidies and Contributions		1,636,530	2,093,005	3,212,990
Fees and Charges		212,055	97,540	266,468
Interest Earnings		252,254	170,500	294,465
Goods and Services Tax		341,064	450,000	163,602
Other Revenue		457,618	32,150	43,135
		<u>5,439,462</u>	<u>5,431,640</u>	<u>6,230,746</u>
<b>Payments</b>				
Employee Costs		(1,421,690)	(1,718,542)	(1,146,181)
Materials and Contracts		(1,722,897)	(1,620,033)	(1,754,834)
Utility Charges		(60,369)	(37,889)	(72,993)
Interest Expenses		(1,461)	(1,750)	(4,739)
Insurance Expenses		(156,130)	(147,000)	(111,233)
Goods and Services Tax		(450,157)	(450,000)	0
Other Expenditure		(156,993)	(308,000)	(139,202)
		<u>(3,969,697)</u>	<u>(4,283,214)</u>	<u>(3,229,182)</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	13(b)	<u>1,469,765</u>	<u>1,148,426</u>	<u>3,001,564</u>
<b>Cash Flows from Investing Activities</b>				
Payments for Purchase of Property, Plant & Equipment		(1,747,585)	(2,358,500)	(1,166,203)
Payments for Construction of Infrastructure		(2,755,712)	(4,422,793)	(3,275,168)
Non-Operating Grants, Subsidies and Contributions		1,581,219	2,264,598	893,775
Proceeds from Sale of Fixed Assets		130,909	184,000	182,117
<b>Net Cash Provided by (Used In) Investment Activities</b>		<u>(2,791,169)</u>	<u>(4,332,695)</u>	<u>(3,365,479)</u>
<b>Cash Flows from Financing Activities</b>				
Repayment of Debentures		(32,141)	(30,000)	(30,299)
<b>Net Cash Provided By (Used In) Financing Activities</b>		<u>(32,141)</u>	<u>(30,000)</u>	<u>(30,299)</u>
<b>Net Increase (Decrease) in Cash Held</b>		(1,353,545)	(3,214,269)	(394,214)
Cash at Beginning of Year		5,049,830	5,024,195	5,444,044
<b>Cash and Cash Equivalents at the End of the Year</b>	13(a)	<u>3,696,285</u>	<u>1,809,926</u>	<u>5,049,830</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 2014**

	NOTE	2014 Actual \$	2014 Budget \$	2013 Actual \$
<b>Revenue</b>				
Governance		5,933	3,400	10,276
General Purpose Funding		1,878,620	1,532,986	2,529,116
Law, Order, Public Safety		194,049	3,200	27,286
Health		393	500	226
Housing		559,833	996,708	58,622
Community Amenities		87,352	95,980	56,842
Recreation and Culture		42,419	447,400	4,851
Transport		1,439,726	1,590,759	1,716,223
Economic Services		144,844	137,300	107,391
Other Property and Services		100,449	80,806	84,161
		<u>4,453,618</u>	<u>4,889,039</u>	<u>4,594,994</u>
<b>Expenses</b>				
Governance		(359,541)	(430,992)	(365,789)
General Purpose Funding		(183,490)	(276,854)	(149,262)
Law, Order, Public Safety		(93,569)	(93,529)	(70,063)
Health		(28,202)	(40,689)	(38,886)
Education and Welfare		0	(15,000)	0
Housing		(30,508)	(41,750)	(20,791)
Community Amenities		(137,831)	(249,193)	(91,972)
Recreation and Culture		(375,769)	(387,551)	(320,610)
Transport		(3,336,952)	(2,911,810)	(3,290,245)
Economic Services		(1,153,941)	(1,319,711)	(1,065,363)
Other Property and Services		(12,460)	(4,000)	(11,493)
		<u>(5,712,263)</u>	<u>(5,771,079)</u>	<u>(5,424,474)</u>
<b>Net Result Excluding Rates</b>		<b>(1,258,645)</b>	<b>(882,040)</b>	<b>(829,480)</b>
<b>Adjustments for Cash Budget Requirements:</b>				
Loss on Revaluation of Fixed Assets	7(a)	11,614	0	8,749
(Profit)/Loss on Asset Disposals	20	83,895	(7,306)	(23,540)
Movement in Employee Benefit Provisions (Non-current)		24,183	0	30,684
Depreciation and Amortisation on Assets	2(a)	2,146,039	1,880,945	2,040,324
<b>Capital Expenditure and Revenue</b>				
Purchase Land and Buildings	6(a)	(1,130,124)	(1,794,000)	(364,956)
Purchase Furniture and Equipment	6(a)	(10,435)	(43,000)	(48,827)
Purchase Plant and Equipment	6(a)	(607,026)	(521,500)	(752,420)
Purchase Roads	7(a)	(2,683,212)	(3,922,793)	(2,407,030)
Purchase Other Infrastructure	7(a)	(72,500)	(500,000)	(868,138)
Proceeds from Disposal of Fixed Assets	20	130,909	184,000	182,117
Repayment of Debentures	21(a)	(32,141)	(30,000)	(30,299)
Transfers to Reserves (Restricted Assets)	11	(1,263,931)	(245,001)	(440,012)
Transfers from Reserves (Restricted Assets)	11	1,238,741	1,168,000	400,000
<b>ADD Estimated Surplus/(Deficit) July 1 B/Fwd</b>	<b>22(b)</b>	<b>2,353,578</b>	<b>2,455,006</b>	<b>3,252,639</b>
<b>LESS Estimated Surplus/(Deficit) June 30 C/Fwd</b>	<b>22(b)</b>	<b>1,328,885</b>	<b>0</b>	<b>2,353,578</b>
<b>Total Amount Raised from General Rate</b>	<b>22(a)</b>	<b><u>(2,397,940)</u></b>	<b><u>(2,257,689)</u></b>	<b><u>(2,203,767)</u></b>

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 2014**

**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.

**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.

**(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.

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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 2014**

**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.

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***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.

***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.

***Transitional Arrangements***

During the time it takes to transition the carrying value of non-current assets from the cost approach to the fair value approach, the Council may still be utilising both methods across differing asset classes.

Those assets carried at cost will be carried in accordance with the policy detailed in the ***Initial Recognition*** section as detailed above.

Those assets carried at fair value will be carried in accordance with the ***Revaluation Methodology*** section as detailed above.

***Early Adoption of AASB 13 - Fair Value Measurement***

Whilst the new accounting standard in relation to Fair Value, AASB 13 – Fair Value Measurement only become applicable for the year ended 30 June 2014 (in relation to Council), given the legislative need to commence using Fair Value methodology in the previous reporting period (year ended 30 June 2013) the Council chose to early adopt AASB 13

As a consequence, the principles embodied in AASB 13 - Fair Value Measurement have been applied to the previous reporting period (year ended 30 June 2013).

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***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.

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Fixed Assets (Continued)**

***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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014****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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014****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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014

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 2014**

**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 2014**

**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 the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Council's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. 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 or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The 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.

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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 amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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 in 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 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, whereby the Council's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in 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 or made payments on behalf of the associate. When the associate subsequently makes profits, the Council will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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) Rates, Grants, Donations and Other Contributions**

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

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

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

**(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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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 2014**

**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 <sup>(1)</sup>	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)	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).

[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]

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(iii) AASB 2011 - 7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards [Not-For-Profit entities]	December 2012	1 January 2014	Consequential changes to various standards arising from the issuance of AASB 10, 11, 12, 127 and 128.
[AASB 1, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 131, 132, 133, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]			It is not expected to have a significant impact on Council.
(iv) AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	June 2012	1 January 2014	This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
[AASB 132]			This Standard is not expected to significantly impact the Council's financial statements.



1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Title	Issued / Compiled	Applicable <sup>(1)</sup>	Impact
(v) AASB 2013 - 3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	June 2013	1 January 2014	This standard makes amendments to AASB 136 and includes requirements to disclose additional information when present value techniques are used to measure the recoverable amount of impaired assets.
(vi) AASB 2013-8: Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, 12 & 1049]	October 2013	1 January 2014	It is not expected to have a significant impact on Council.  This standard adds Appendix E to AASB 10 to provide implementation guidance for Not-for-Profit entities regarding control criteria from the perspective of not-for-profit entities.  It is not expected to have a significant impact on Council.
(vii) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments  [Operative dates: Part A Conceptual Framework – 20 December 2013; Part B Materiality – 1 January 2014; Part C Financial Instruments – 1 January 2015]	December 2013	Refer Title column	Part A of this standard makes various editorial corrections to Australian Accounting Standards.  Part B of this standard deletes references to AASB 1031 in various Australian Accounting Standards in advance of the withdrawal of AASB 1031.  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.  As the bulk of changes related either to editorial or reference changes it is not expected to have a significant impact on Council.

Notes:

<sup>(1)</sup> Applicable to reporting periods commencing on or after the given date.

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(x) Adoption of New and Revised Accounting Standards**

During the current year, the Council 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 10	AASB 128	AASB 2012 - 2
AASB 11	AASB 2011 - 7	AASB 2012 - 3
AASB 12	AASB 2011 - 9	AASB 2012 - 5
AASB 119	AASB 2011 - 10	AASB 2012 - 10
AASB 127		

Most of the standards adopted had a minimal effect on the accounting and reporting practices of the Council 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

<b>2. REVENUE AND EXPENSES</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Net Result</b>		
The Net Result includes:		
(i) Charging as an Expense:		
<b>Auditors Remuneration</b>		
- Audit of the annual financial report	41,910	20,679
<b>Depreciation</b>		
Non-Specialised Buildings	179,532	178,179
Specialised Buildings	469	0
Furniture and Equipment	11,403	20,948
Plant and Equipment	316,897	251,393
Roads	1,636,115	1,544,967
Other Infrastructure	1,623	44,837
	<u>2,146,039</u>	<u>2,040,324</u>
<b>Interest Expenses (Finance Costs)</b>		
Debentures (refer Note 21.(a))	1,451	3,293
Interest - ATO	10	1,446
	<u>1,461</u>	<u>4,739</u>
<b>Rental Charges</b>		
- Operating Leases	44,494	38,764
For further information see Note 15(a)	<u>44,494</u>	<u>38,764</u>
(ii) Crediting as Revenue:		
<b>Other Revenue</b>		
Reimbursements and Recoveries	63,625	0
Other	392,597	43,135
	<u>456,222</u>	<u>43,135</u>

Other revenue 2013-14 includes an adjustment of provision for doubtful debts of \$381,962.

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest Earnings</b>			
- Reserve Funds	99,119	95,000	140,592
- Other Funds	60,663	40,000	53,158
Other Interest Revenue (refer note 26)	92,472	35,500	82,267
	<u>252,254</u>	<u>170,500</u>	<u>276,017</u>

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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 2014**

**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 2014**

**2. REVENUE AND EXPENSES (Continued)**

<b>(c) Conditions Over Grants/Contributions</b>		<b>Opening</b>	<b>Received<sup>(2)</sup></b>	<b>Expended<sup>(3)</sup></b>	<b>Closing</b>	<b>Received<sup>(2)</sup></b>	<b>Expended<sup>(3)</sup></b>	<b>Closing</b>
<b>Grant/Contribution</b>	<b>Function/ Activity</b>	<b>Balance<sup>(1)</sup> 1/07/12</b>	<b>2012/13</b>	<b>2012/13</b>	<b>Balance<sup>(1)</sup> 30/06/13</b>	<b>2013/14</b>	<b>2013/14</b>	<b>Balance 30/06/14</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Office of Premier & Cabinet	Community Amenities	10,000	0	0	10,000	0	0	10,000
Anzac Memorial	Transport	438,529	0	(438,529)	0	0	0	0
Main Street Upgrade	Economic Services	70,000	0	(70,000)	0	0	0	0
Lake Ballard	Transport	0	619,145	(558,387)	60,758	875,307	(936,065)	0
Roads to Recovery	Housing	0	0	0	0	499,108	(499,108)	0
Country Local Government Fund		0	0	0	0	0	0	0
Department of Regional Development	Community Amenities	0	0	0	0	80,670	(80,670)	0
Main Roads WA - Direct Grants	Transport	0	0	0	0	136,935	(136,935)	0
Main Roads WA - Black Spot	Transport	0	0	0	0	149,333	(149,333)	0
Main Roads WA - Yarri	Transport	0	0	0	0	86,667	(86,667)	0
Regional Road Group								
Main Roads WA - Menzies	Transport	0	0	0	0	86,667	(86,667)	0
North West Regional Road Group								
Main Roads WA -Commodity Rou	Transport	0	0	0	0	80,567	(80,567)	0
Footpaths	Transport	0	0	0	0	22,183	(22,183)	0
Lake Ballard Mkt Plan	Economic Services	0	0	0	0	50,000	(50,000)	0
<b>Total</b>		<b>518,529</b>	<b>619,145</b>	<b>(1,066,916)</b>	<b>70,758</b>	<b>2,067,437</b>	<b>(2,128,195)</b>	<b>10,000</b>

**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.

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

	Note	2014 \$	2013 \$
<b>3. CASH AND CASH EQUIVALENTS</b>			
Unrestricted		1,130,123	2,448,100
Restricted		<u>2,566,162</u>	<u>2,601,730</u>
		<u>3,696,285</u>	<u>5,049,830</u>
The following restrictions have been imposed by regulations or other externally imposed requirements:			
Leave Reserve	11	175,720	163,214
Plant Reserve	11	521,122	361,429
Building Reserve	11	702,996	503,192
TV Reserve	11	14,354	8,688
Road Reserve	11	180,828	376,946
Main Street Reserve	11	64,748	381,980
Staff Amenities Reserve	11	154,392	285,167
Caravan Park Reserve	11	289,192	189,568
Rates Future Claims Reserve	11	42,272	34,619
Bitumen Resealing Reserve	11	191,605	131,527
Niagara Dam Reserve	11	115,102	44,642
Waterpark Reserve	11	103,831	50,000
Unspent Grants	2(c)	10,000	70,758
		<u>2,566,162</u>	<u>2,601,730</u>
<b>4. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Rates Outstanding		628,463	770,464
Sundry Debtors		181,181	256,728
ATO Receivable		119,867	10,774
Provision for Doubtful Debts		(200,000)	(581,962)
Accrued Income		4,388	7,115
Other Receivables		0	3,353
		<u>733,899</u>	<u>466,472</u>
<b>5. INVENTORIES</b>			
<b>Current</b>			
Fuel and Materials		4,587	9,240
Land Held for Resale - Cost			
Cost of Acquisition		0	1,396
		<u>4,587</u>	<u>10,636</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

<b>6. PROPERTY, PLANT AND EQUIPMENT</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Land and Buildings		
Freehold Land at:		
- Management Valuation 2009	0	275,100
- Independent Valuation 2014	<u>660,200</u>	<u>0</u>
	660,200	275,100
Total Land	<u>660,200</u>	<u>275,100</u>
Non-Specialised Buildings at:		
- Independent Valuation 2014	3,847,843	0
- Cost	0	4,827,905
Less: Accumulated Depreciation	<u>0</u>	<u>(1,499,362)</u>
	3,847,843	3,328,543
Specialised Buildings at:		
- Independent Valuation 2014	<u>2,833,029</u>	<u>0</u>
	2,833,029	0
Total Buildings	<u>6,680,872</u>	<u>3,328,543</u>
Total Land and Buildings	<u>7,341,072</u>	<u>3,603,643</u>
Furniture and Equipment at:		
- Management Valuation 2013	0	48,500
- Independent Valuation 2014	<u>29,000</u>	<u>0</u>
	29,000	48,500
Plant and Equipment at:		
- Independent Valuation 2014	1,994,150	1,405,326
- Management Valuation 2014	<u>93,831</u>	<u>0</u>
	2,087,981	1,405,326
	<u>9,458,053</u>	<u>5,057,469</u>



**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30TH JUNE 2014**

**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Land and Buildings:**

The Shire's Buildings and Improvements was revalued at 30 June 2014 by a combination of independent valuers and management. All of the valuations were made on the basis of open market values of similar assets adjusted for condition and comparability (Freehold Land and Non-Specialised Buildings - Level 2 inputs in the fair value hierarchy; Specialised Buildings - Level 3 unputs in the fair value hierarchy).

Buildings and Infrastructure, other than Roads have been reclassified as Buildings and Improvements. The revaluation resulted in an overall increment of \$4,027,234 in the net value of the Shire's Land, Building and Infrastructure Other. All of this increase was credited to a new revaluation surpluses in the Shire's equity (refer Note 12(a) and 12(f) for further details) and was recognised as Changes on Revaluation of non-current assets in the Statement of Comprehensive Income.

**Furniture and Equipment**

The Shire's Furniture and Equipment was revalued at 30 June 2014 by independent valuers. 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 \$1,467 in the net value of the Shire's Furniture and Equipment. 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.

**Plant and Equipment:**

The Shire's Plant and Equipment was revalued at 30 June 2014 by a combination of independent valuer and management. 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 \$ 455,726 in the net value of the Shire's Plant and Equipment. All increase was credited to the revaluation surplus in the Shire's equity (refer Note 12(b) 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 2014**

**6. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**(a) Movements In Carrying Amounts**

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

	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) <b>Total Land</b>	275,100	21,396	(13,000)	376,704	0	0	660,200
Non-Specialised Buildings (Level 2)	3,328,543	1,025,700	(242)	(55,980)	(1,285,460)	(179,532)	2,833,029
Specialised Buildings <b>Total Buildings</b>	0	83,028	0	3,706,510	58,774	(469)	3,847,843
	<u>3,328,543</u>	<u>1,108,728</u>	<u>(242)</u>	<u>3,650,530</u>	<u>(1,226,686)</u>	<u>(180,001)</u>	<u>6,680,872</u>
<b>Total Land and Buildings</b>	<u>3,603,643</u>	<u>1,130,124</u>	<u>(13,242)</u>	<u>4,027,234</u>	<u>(1,226,686)</u>	<u>(180,001)</u>	<u>7,341,072</u>
Furniture and Equipment (Level 3)	48,500	10,435	(25,182)	1,467	5,183	(11,403)	29,000
Plant and Equipment (Level 2 and 3)	1,405,326	607,026	(150,097)	455,726	86,897	(316,897)	2,087,981
<b>Total Property, Plant and Equipment</b>	<u>5,057,469</u>	<u>1,747,585</u>	<u>(188,521)</u>	<u>4,484,427</u>	<u>(1,134,606)</u>	<u>(508,301)</u>	<u>9,459,053</u>

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

	2014	2013
	\$	\$
<b>7. INFRASTRUCTURE</b>		
Roads		
- Independent Valuation 2009	73,750,723	73,750,723
- Cost	8,055,035	3,497,147
Less Accumulated Depreciation	<u>(13,719,842)</u>	<u>(12,083,726)</u>
	68,085,916	65,164,144
Footpaths		
- Cost	92,153	92,153
Less Accumulated Depreciation	<u>(92,153)</u>	<u>(92,153)</u>
	0	0
Parks & Ovals		
- Cost	222,000	0
Less Accumulated Depreciation	<u>0</u>	<u>0</u>
	222,000	0
Other Infrastructure		
- Independent Valuation 2014	1,795,100	0
- Management Valuation 2014	389,203	0
- Cost	0	3,288,713
Less Accumulated Depreciation	<u>0</u>	<u>(219,260)</u>
	2,184,303	3,069,453
Work in Progress Infrastructure		
- Cost	<u>139,988</u>	<u>0</u>
	139,988	0
	<u><u>70,632,207</u></u>	<u><u>68,233,597</u></u>

**Parks and Ovals**

The Shire's Parks and Ovals was revalued at 30 June 2014 by a combination of independent valuers and management. 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 decrement of \$ 11,614 in the net value of the Shire's Parks and Ovals, which was taken against comprehensive income in the current year.

**Other Infrastructure**

Infrastructure, Other than Roads have been reclassified as Buildings and Improvements. The revaluation resulted in an overall increment of \$183,927 in the net value of the Shire's Infrastructure Other. All of this increase was credited to a new revaluation surplus in the Shire's equity (refer Note 12(d) 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 2014**

**7. INFRASTRUCTURE (Continued)**

**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	65,164,144	2,683,212	0	0	1,813,729	(1,636,115)	68,024,970
Footpaths	0	0	0	0	0	0	0
Parks & Ovals	0	0	0	(11,614)	233,614	0	222,000
Other Infrastructure	3,069,453	72,500	(26,283)	183,927	(1,052,725)	(1,623)	2,245,249
Work in Progress Infrastructure	0	0	0	0	139,988	0	139,988
<b>Total</b>	<b>68,233,597</b>	<b>2,755,712</b>	<b>(26,283)</b>	<b>172,313</b>	<b>1,134,606</b>	<b>(1,637,738)</b>	<b>70,632,207</b>

**SHIRE OF MENZIES**  
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	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Sundry Creditors	146,492	631,192
Accrued Salaries and Wages	23,234	0
ATO Liabilities	37,031	0
Other Payables	238,978	11,196
Rates Paid in Advance	103,990	0
	<u>549,725</u>	<u>642,388</u>

**9. LONG-TERM BORROWINGS**

<b>Current</b>		
Secured by Floating Charge		
Debentures	0	32,141
	<u>0</u>	<u>32,141</u>

Additional detail on borrowings is provided in Note 21.

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

**10. PROVISIONS**

Analysis of Total Provisions

Current	89,873	92,700
Non-Current	39,568	12,559
	<u>129,441</u>	<u>105,259</u>

	<b>Provision for Annual Leave \$</b>	<b>Provision for Long Service Leave \$</b>	<b>Total \$</b>
Opening balance at 1 July 2013	72,419	32,840	105,259
Additional provision	3,704	20,478	24,182
Balance at 30 June 2014	<u>76,123</u>	<u>53,318</u>	<u>129,441</u>

**SHIRE OF MENZIES**  
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	2014 \$	2014 Budget \$	2013 \$
<b>11. RESERVES - CASH BACKED</b>			
<b>(a) Leave Reserve</b>			
Opening Balance	163,214	163,215	154,214
Amount Set Aside / Transfer to Reserve	12,506	6,121	9,000
Amount Used / Transfer from Reserve	0	0	0
	<u>175,720</u>	<u>169,336</u>	<u>163,214</u>
<b>(b) Plant Reserve</b>			
Opening Balance	361,429	503,192	341,499
Amount Set Aside / Transfer to Reserve	159,693	113,554	19,930
Amount Used / Transfer from Reserve	0	(368,000)	0
	<u>521,122</u>	<u>248,746</u>	<u>361,429</u>
<b>(c) Building Reserve</b>			
Opening Balance	503,192	361,428	475,445
Amount Set Aside / Transfer to Reserve	638,545	18,860	27,747
Amount Used / Transfer from Reserve	(438,741)	0	0
	<u>702,996</u>	<u>380,288</u>	<u>503,192</u>
<b>(d) TV Reserve</b>			
Opening Balance	8,688	8,688	8,208
Amount Set Aside / Transfer to Reserve	5,666	326	480
Amount Used / Transfer from Reserve	0	0	0
	<u>14,354</u>	<u>9,014</u>	<u>8,688</u>
<b>(e) Road Reserve</b>			
Opening Balance	376,946	376,948	356,162
Amount Set Aside / Transfer to Reserve	53,882	14,135	20,784
Amount Used / Transfer from Reserve	(250,000)	(250,000)	0
	<u>180,828</u>	<u>141,083</u>	<u>376,946</u>
<b>(f) Main Street Reserve</b>			
Opening Balance	381,980	381,980	738,861
Amount Set Aside / Transfer to Reserve	32,768	14,324	43,119
Amount Used / Transfer from Reserve	(350,000)	(350,000)	(400,000)
	<u>64,748</u>	<u>46,304</u>	<u>381,980</u>
<b>(g) Staff Amenities Reserve</b>			
Opening Balance	285,167	285,167	174,957
Amount Set Aside / Transfer to Reserve	69,225	10,694	110,210
Amount Used / Transfer from Reserve	(200,000)	(200,000)	0
	<u>154,392</u>	<u>95,861</u>	<u>285,167</u>
<b>(h) Caravan Park Reserve</b>			
Opening Balance	189,568	189,568	84,629
Amount Set Aside / Transfer to Reserve	99,624	7,208	104,939
Amount Used / Transfer from Reserve	0	0	0
	<u>289,192</u>	<u>196,776</u>	<u>189,568</u>
<b>(i) Rates Future Claims Reserve</b>			
Opening Balance	34,619	34,619	32,710
Amount Set Aside / Transfer to Reserve	7,653	1,298	1,909
Amount Used / Transfer from Reserve	0	0	0
	<u>42,272</u>	<u>35,917</u>	<u>34,619</u>

**SHIRE OF MENZIES**  
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	2014 \$	2014 Budget \$	2013 \$
<b>11. RESERVES - CASH BACKED (Continued)</b>			
<b>(j) Bitumen Resealing Reserve</b>			
Opening Balance	131,527	131,527	124,275
Amount Set Aside / Transfer to Reserve	60,078	4,932	7,252
Amount Used / Transfer from Reserve	0	0	0
	<u>191,605</u>	<u>136,459</u>	<u>131,527</u>
<b>(k) Niagara Dam Reserve</b>			
Opening Balance	44,642	44,642	0
Amount Set Aside / Transfer to Reserve	70,460	51,674	44,642
Amount Used / Transfer from Reserve	0	0	0
	<u>115,102</u>	<u>96,316</u>	<u>44,642</u>
<b>(l) Waterpark Reserve</b>			
Opening Balance	50,000	50,000	0
Amount Set Aside / Transfer to Reserve	53,831	1,875	50,000
Amount Used / Transfer from Reserve	0	0	0
	<u>103,831</u>	<u>51,875</u>	<u>50,000</u>
<b>TOTAL RESERVES</b>	<u><u>2,556,162</u></u>	<u><u>1,607,975</u></u>	<u><u>2,530,972</u></u>
Total Opening Balance	2,530,972	2,530,974	2,490,960
Total Amount Set Aside / Transfer to Reserve	1,263,931	245,001	440,012
Total Amount Used / Transfer from Reserve	(1,238,741)	(1,168,000)	(400,000)
<b>TOTAL RESERVES</b>	<u><u>2,556,162</u></u>	<u><u>1,607,975</u></u>	<u><u>2,530,972</u></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.

**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.



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<b>12. REVALUATION SURPLUS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Revaluation surpluses have arisen on revaluation of the following classes of non-current assets:		
<b>(a) Land</b>		
Opening Balance	292,000	292,000
Revaluation Increment	376,704	0
Revaluation Decrement	0	0
	<u>668,704</u>	<u>292,000</u>
<b>(b) Plant &amp; Equipment</b>		
Opening Balance	295,036	0
Revaluation Increment	455,727	295,036
Revaluation Decrement	0	0
	<u>750,763</u>	<u>295,036</u>
<b>(c) Roads</b>		
Opening Balance	64,187,548	64,187,548
Revaluation Increment	0	0
Revaluation Decrement	0	0
	<u>64,187,548</u>	<u>64,187,548</u>
<b>(d) Other Infrastructure</b>		
Opening Balance	0	0
Revaluation Increment	183,927	0
Revaluation Decrement	0	0
	<u>183,927</u>	<u>0</u>
<b>(e) Furniture &amp; Equipment</b>		
Opening Balance	0	0
Revaluation Increment	1,467	0
Revaluation Decrement	0	0
	<u>1,467</u>	<u>0</u>
<b>(f) Buildings</b>		
Opening Balance	0	0
Revaluation Increment	3,650,529	0
Revaluation Decrement	0	0
	<u>3,650,529</u>	<u>0</u>
<b>TOTAL ASSET REVALUATION SURPLUS</b>	<u><u>69,442,938</u></u>	<u><u>64,774,584</u></u>

**SHIRE OF MENZIES**  
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**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:

	2014 \$	2014 Budget \$	2013 \$
Cash and Cash Equivalents	<u>3,696,285</u>	<u>1,809,926</u>	<u>5,049,830</u>

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

Net Result	1,139,295	1,375,649	1,374,287
Depreciation	2,146,039	1,880,945	2,040,324
(Profit)/Loss on Sale of Asset	83,895	(7,306)	(23,540)
(Increase)/Decrease in Receivables	(267,427)	151,818	426,307
(Increase)/Decrease in Inventories	6,049	0	(608)
Increase/(Decrease) in Payables	(92,663)	11,918	219,019
Increase/(Decrease) in Employee Provisions	24,182	0	(149,199)
Grants Contributions for the Development of Assets	(1,581,219)	(2,264,598)	(893,775)
Movement on Revaluation of Fixed Assets	11,614	0	8,749
Net Cash from Operating Activities	<u>1,469,765</u>	<u>1,148,426</u>	<u>3,001,564</u>

	2014 \$	2013 \$
<b>(c) Undrawn Borrowing Facilities</b>		
<b>Credit Standby Arrangements</b>		
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	(999)	(3,122)
<b>Total Amount of Credit Unused</b>	<u>34,001</u>	<u>31,878</u>
<b>Loan Facilities</b>		
Loan Facilities - Current	0	32,141
Loan Facilities - Non-Current	0	0
<b>Total Facilities in Use at Balance Date</b>	<u>0</u>	<u>32,141</u>
<b>Unused Loan Facilities at Balance Date</b>	<u>NIL</u>	<u>NIL</u>

**SHIRE OF MENZIES  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
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**14. CONTINGENT LIABILITIES**

There were no known contingent liabilities at 30 June 2014.

<b>15. CAPITAL AND LEASING COMMITMENTS</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the accounts.		
Payable:		
- not later than one year	17,722	42,330
- later than one year but not later than five years	27,508	0
- later than five years	0	0
	<u>45,230</u>	<u>42,330</u>

The operating leases relate to the lease of the Konica photocopier and 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	65,670	75,000
Payable:		
- not later than one year	0	0

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

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**16. JOINT VENTURE ARRANGEMENTS**

The Shire together with the Shire of Laverton and Shire of Menzies have a joint venture arrangement with regard to the provision of an Environmental Health and Building Surveying Service. There are no joint assets involved with the arrangement and the Shire of Leonora on charges all of the Shire of Laverton's and Shire of Menzies' share of the cost.

The Shire together with the Shires of Coolgardie, Dundas, Esperance, Laverton, Menzies, Ngaanyatjarraku, Ravensthorpe and Wiluna 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:

	2014	2013
	\$	\$
<b>Non-Current Assets</b>		
Land & Buildings	74,688	74,688
Less: Accumulated Depreciation	<u>(3,740)</u>	<u>(1,873)</u>
	<u>70,948</u>	<u>72,815</u>
Plant & Machinery	8,247	11,393
Less: Accumulated Depreciation	<u>(1,649)</u>	<u>(868)</u>
	<u>6,598</u>	<u>10,525</u>
Furniture & Equipment	12,109	13,455
Less: Accumulated Depreciation	<u>(1,332)</u>	<u>(782)</u>
	<u>10,777</u>	<u>12,673</u>
Light Vehicles	3,549	3,944
Less: Accumulated Depreciation	<u>(591)</u>	<u>(394)</u>
	<u>2,958</u>	<u>3,550</u>

**17. TOTAL ASSETS CLASSIFIED BY FUNCTION AND ACTIVITY**

	2014	2013
	\$	\$
Governance	0	5,579
General Purpose Funding	432,851	195,608
Law, Order, Public Safety	243,200	26,200
Housing	2,725,322	1,137,840
Community Amenities	728,200	30,603
Recreation and Culture	2,381,535	1,685,957
Transport	68,882,246	65,620,444
Economic Services	3,021,253	3,274,598
Other Property and Services	1,973,845	1,693,459
Unallocated	4,136,579	5,147,716
	<u>84,525,031</u>	<u>78,818,004</u>

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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18. FINANCIAL RATIOS	2014	2013	2012
Current Ratio	3.66	4.42	5.36
Asset Sustainability Ratio	0.32	1.93	0.37
Debt Service Cover Ratio	50.76	75.18	37.28
Operating Surplus Ratio	(0.15)	0.17	(0.29)
Own Source Revenue Coverage Ratio	0.52	0.53	0.41

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 59 of this document.

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**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 1 July 2013 \$	Amounts Received \$	Amounts Paid (\$)	Balance 30 June 2014 \$
Housing Bonds	2,600	2,400	(1,600)	3,400
Pet Bonds	0	1,600	0	1,600
	<u>2,600</u>			<u>5,000</u>

**20. DISPOSALS OF ASSETS - 2013/14 FINANCIAL YEAR**

The following assets were disposed of during the year.

	Net Book Value		Sale Price		Profit (Loss)	
	Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
<b>Law, Order, Public Safety</b>						
DFES Fire Truck	25,000	0	0	0	(25,000)	0
<b>Housing</b>						
Write off A446	1,365	0	0	0	(1,365)	0
<b>Recreation &amp; Culture</b>						
Write off A310	149	0	0	0	(149)	0
Write off A215	750	0	0	0	(750)	0
<b>Transport</b>						
Write off A439	2,944	0	0	0	(2,944)	0
Write off A447	2,342	0	0	0	(2,342)	0
<b>Economic Services</b>						
Write off A362	93	0	0	0	(93)	0
Write off A301	3,150	0	0	0	(3,150)	0
Write off A430	4,945	0	0	0	(4,945)	0
Write off A441	6,207	0	0	0	(6,207)	0
<b>Other Property and Services</b>						
Caterpillar Grader	113,737	165,000	104,545	120,000	(9,192)	(45,000)
Ford Territory	4,610	7,394	11,818	15,000	7,208	7,606
Hino Duto	0	0	0	15,000	0	15,000
3-axle Dolly	0	0	0	20,000	0	20,000
Utility	0	0	0	8,000	0	8,000
Utility	6,751	4,300	14,546	6,000	7,795	1,700
Write off A461	2,400	0	0	0	(2,400)	0
Write off A372	2,250	0	0	0	(2,250)	0
Write off A390	3,750	0	0	0	(3,750)	0
Write off A406	6,582	0	0	0	(6,582)	0
Write off A438	1,100	0	0	0	(1,100)	0
Write off A434	6,744	0	0	0	(6,744)	0
Write off A436	635	0	0	0	(635)	0
Write off A174	6,300	0	0	0	(6,300)	0
<b>Land</b>						
Land Written off - disposed in prior period	13,000	0	0	0	(13,000)	0
	<u>214,804</u>	<u>176,694</u>	<u>130,909</u>	<u>184,000</u>	<u>(83,895)</u>	<u>7,306</u>

Profit	15,003	52,306
Loss	(98,898)	(45,000)
	<u>(83,895)</u>	<u>7,306</u>

**SHIRE OF MENZIES  
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**21. INFORMATION ON BORROWINGS**

(a) Repayments - Debentures

Particulars	Principal 1 July 2013 \$	New Loans \$	Principal Repayments		Principal 30 June 2014		Interest Repayments	
			Actual \$	Budget \$	Actual \$	Budget \$	Actual \$	Budget \$
Housing Loan 17 - Teacher's Units	32,141	0	32,141	30,000	0	2,141	1,451	1,750
	32,141	0	32,141	30,000	0	2,141	1,451	1,750

All loan repayments were financed by general purpose revenue.

(b) New Debentures - 2013/14

There were no new debentures drawn down in 2014/15

(c) Unspent Debentures

The Shire did not have any unspent debentures as at 30 June 2014.

(d) Overdraft

Council has not utilised an overdraft facility during the financial year 2013/14.

**SHIRE OF MENZIES**  
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**22. RATING INFORMATION - 2013/14 FINANCIAL YEAR**

<b>(a) Rates</b>		<b>Rate in \$</b>	<b>Number of Properties</b>	<b>Rateable Value \$</b>	<b>Rate Revenue \$</b>	<b>Interim Rates \$</b>	<b>Back Rates \$</b>	<b>Total Revenue \$</b>	<b>Budget Rate Revenue \$</b>	<b>Budget Interim Rate \$</b>	<b>Budget Back Rate \$</b>	<b>Budget Total Revenue \$</b>
<b>Differential General Rate</b>												
GRV		0.0652	30	198,484	12,941	(6,732)	0	6,209	12,334	0	0	12,334
UV - Pastoral		0.0225	18	1,066,172	23,989	1,327	0	25,316	23,989	0	0	23,989
UV - Other		0.0225	0	0	0	0	0	0	0	0	0	0
UV - Mining		0.1268	849	16,963,688	2,150,996	22,974	0	2,173,970	2,114,126	7,540	0	2,121,666
<b>Sub-Totals</b>			897	18,228,344	2,187,926	17,569	0	2,205,495	2,150,449	7,540	0	2,157,989
<b>Minimum Payment</b>												
GRV		200	243	39,796	48,600	0	0	48,600	51,000	0	0	51,000
UV - Pastoral		220	8	26,284	1,760	0	0	1,760	1,760	0	0	1,760
UV - Other		200	122	334,980	24,400	(2,794)	0	21,606	24,400	0	0	24,400
UV - Mining		220	550	419,836	121,000	(521)	0	120,479	122,540	0	0	122,540
<b>Sub-Totals</b>			923	820,896	195,760	(3,315)	0	192,445	199,700	0	0	199,700
<b>Discounts (refer note 25.)</b>												
<b>Total Amount Raised From General Rate</b>												
<b>Write offs</b>												
<b>Totals</b>												
									2,397,940		2,357,689	
									(7,409)		(100,000)	
									2,390,531		2,257,689	



**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
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**22. RATING INFORMATION - 2013/14 FINANCIAL YEAR (Continued)**

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

	2014 (30 June 2014 Carried Forward) \$	2014 (1 July 2013 Brought Forward) \$	2013 (30 June 2013 Carried Forward) \$
<b>Surplus/(Deficit) 1 July 13 Brought Forward</b>	<u>1,328,885</u>	<u>2,353,578</u>	<u>2,353,578</u>
<b>Comprises:</b>			
<b>Cash and Cash Equivalents</b>			
Unrestricted	1,130,123	2,448,100	2,448,100
Restricted	2,566,162	2,601,730	2,601,730
<b>Receivables</b>			
Rates Outstanding	628,463	770,464	770,464
Sundry Debtors	181,181	256,728	256,728
ATO Receivable	119,867	10,774	10,774
Loans - Clubs/Institutions	0	0	0
Provision for Doubtful Debts	(200,000)	(581,962)	(581,962)
Accrued Income	4,388	7,115	7,115
Other Receivables	0	3,353	3,353
<b>Inventories</b>			
Fuel and Materials	4,587	9,240	9,240
Cost of Acquisition	0	1,396	1,396
<b>Less:</b>			
<b>Trade and other Payables</b>			
Sundry Creditors	(146,492)	(631,192)	(631,192)
Accrued Salaries and Wages	(23,234)	0	0
ATO Liabilities	(37,031)	0	0
Other Payables	(238,978)	(11,196)	(11,196)
Rates Paid in Advance	(103,990)	0	0
<b>Provisions</b>			
Provision for Annual Leave	(76,123)	(72,419)	(72,419)
Provision for Long Service Leave	(13,750)	(20,281)	(20,281)
<b>Net Current Assets</b>	<u>3,795,173</u>	<u>4,791,850</u>	<u>4,791,850</u>
<b>Less:</b>			
Reserves - Restricted Cash	(2,556,161)	(2,530,972)	(2,530,972)
<b>Add:</b>			
Secured by Floating Charge	0	0	0
Cash Backed Provision for Leave	89,873	92,700	92,700
<b>Surplus/(Deficit)</b>	<u>1,328,885</u>	<u>2,353,578</u>	<u>2,353,578</u>

**Difference**

There was no difference between the Surplus 1 July 2013 Brought Forward position used in the 2014 audited financial report and the Surplus Carried Forward position as disclosed in the 2013 audited financial report.

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

23. The Shire did not impose any Specified Area Rates.

**24. SERVICE CHARGES - 2013/14 FINANCIAL YEAR**

The Shire did not impose any service charges.

**25. DISCOUNTS, INCENTIVES, CONCESSIONS, & WRITE-OFFS  
 - 2013/14 FINANCIAL YEAR**

No discount on rates is available.

**26. INTEREST CHARGES AND INSTALMENTS - 2013/14 FINANCIAL YEAR**

	Interest Rate %	Admin. Charge \$	Revenue \$	Budgeted Revenue \$
Interest on Unpaid Rates	11.00%		90,425	30,500
Charges on Instalments Plan	5.50%	7	12,903	4,000
Interest on Unpaid ESL Charges	11.00%		2,047	5,000
			105,375	43,500

Ratepayers had the option of paying rates in four equal instalments, due on 4 October 2013, 6 December 2013, 7 February 2014 and 11 April 2014. Administration charges and interest applied for the final three instalments.

<b>27. FEES &amp; CHARGES</b>	<b>2014</b> \$	<b>2013</b> \$
Governance	5,193	3,998
General Purpose Funding	13,476	5,575
Law, Order, Public Safety	4,499	21,411
Health	393	226
Housing	60,606	58,622
Community Amenities	6,682	16,843
Recreation and Culture	13,579	4,851
Transport	178	500
Economic Services	90,835	103,664
Other Property and Services	16,614	50,778
	212,055	266,468

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 2014**

**28. GRANT REVENUE**

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>By Nature or Type:</b>		
Operating Grants, Subsidies and Contributions	1,936,865	3,015,052
Non-Operating Grants, Subsidies and Contributions	1,581,219	893,775
	<u>3,518,084</u>	<u>3,908,827</u>
<b>By Program:</b>		
General Purpose Funding	1,232,255	2,247,776
Law, Order, Public Safety	189,551	5,875
Housing	499,108	0
Community Amenities	80,670	40,000
Recreation and Culture	28,841	0
Transport	1,437,659	1,615,176
Economic Services	50,000	0
	<u>3,518,084</u>	<u>3,908,827</u>

**29. EMPLOYEE NUMBERS**

The number of full-time equivalent employees at balance date

<u>21</u>	<u>17</u>
-----------	-----------

**30. ELECTED MEMBERS REMUNERATION**

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

	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>Budget</b>	<b>\$</b>
		<b>\$</b>	
Meeting Fees	75,158	85,000	32,551
President's Allowance	10,542	12,000	9,000
Deputy President's Allowance	2,854	3,000	1,313
Travelling Expenses	31,819	15,000	13,407
Telecommunications Allowance	3,403	5,000	3,863
	<u>123,776</u>	<u>120,000</u>	<u>60,134</u>

**31. MAJOR LAND TRANSACTIONS**

Council did not participate in any major land transactions during the 2013/14.

**32. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS**

Council did not participate in any trading undertakings or major trading undertakings during the 2013/14 financial year.

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**33. 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	
	2014 \$	2013 \$	2014 \$	2013 \$
<b>Financial Assets</b>				
Cash and cash equivalents	3,696,285	5,049,830	3,696,285	5,049,830
Receivables	733,899	466,472	733,899	466,472
	<u>4,430,184</u>	<u>5,516,302</u>	<u>4,430,184</u>	<u>5,516,302</u>
<b>Financial Liabilities</b>				
Payables	549,725	642,388	549,725	642,388
Borrowings	0	32,141	0	31,103
	<u>549,725</u>	<u>674,529</u>	<u>549,725</u>	<u>673,491</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 2014**

**33. 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.

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash		
- Equity	4,804	4,427
- Statement of Comprehensive Income	4,804	4,427

**Notes:**

<sup>(1)</sup> 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 2014**

**33. 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:

	2014	2013
Percentage of Rates and Annual Charges		
- Current	0%	22%
- Overdue	100%	78%
Percentage of Other Receivables		
- Current	47%	35%
- Overdue	53%	65%

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**33. 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>2014</u>					
	Due within 1 year \$	Due between 1 & 5 years \$	Due after 5 years \$	Total contractual cash flows \$	Carrying values \$	
Payables	549,725	0	0	549,725	549,725	
Borrowings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
	<u>549,725</u>	<u>0</u>	<u>0</u>	<u>549,725</u>	<u>549,725</u>	
Payables	642,388	0	0	642,388	642,388	
Borrowings	<u>33,592</u>	<u>0</u>	<u>0</u>	<u>33,592</u>	<u>32,141</u>	
	<u>675,980</u>	<u>0</u>	<u>0</u>	<u>675,980</u>	<u>674,529</u>	

2013

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2014**

**33. 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 2014, 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 2014	\$	\$	\$	\$	\$	\$	\$	

**Borrowings**

Fixed Rate Debentures	0	0	0	0	0	0	0	0.00%
Weighted Average Effective Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		

**Year Ended 30 June 2013**

**Borrowings**

Fixed Rate Debentures	32,141	0	0	0	0	0	32,141	5.99%
Weighted Average Effective Interest Rate	5.99%	0.00%	0.00%	0.00%	0.00%	0.00%		





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## 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 (the Shire), which comprises the statement of financial position as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and a summary of significant accounting policies and other explanatory notes and the statement by the Chief Executive Officer.

### Shire's Responsibility for the Financial Report

The Shire 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 Council, as well as evaluating the overall presentation of the financial report.

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 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Shire'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 2014 and of its financial performance for the year ended on that date: and
- (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).
- (iii) in relation to the Supplementary Ratio Information presented on page 59 of this report, we have reviewed the calculations as presented and in our opinion these are based on verifiable information and reasonable assumptions.

### Statutory Compliance

We did not during the course of our audit become aware of any instances where the Shire 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.

*RSM Bird Cameron*  
RSM BIRD CAMERON

*SC Cubitt*  
S C CUBITT  
Director

Perth, WA

Dated: *10 November 2014*

**SHIRE OF MENZIES  
SUPPLEMENTARY RATIO INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2014**

**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

	2014	2013	2012
Asset Consumption Ratio	0.87	0.83	N/A
Asset Renewal Funding Ratio	0.37	0.25	N/A

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  $\frac{\text{NPV of planning capital renewal over 10 years}}{\text{NPV of required capital expenditure over 10 years}}$

**N/A - In keeping with amendments to Local Government (Financial Management) Regulations 50, comparatives for the 2012 year have not been reported as financial information is not available.**

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SCC:SET

10 November 2014

**PRIVATE AND CONFIDENTIAL**

Mr Peter Crawford  
Chief Executive Officer  
Shire of Menzies  
P O Box 4  
MENZIES WA 6436

Dear Mr Crawford

**Audit Findings for the Year Ended 30 June 2014**

We have now completed our final audit work subject to normal completion procedures.

This report is part of a continuing dialogue between the Shire and ourselves. This report has been prepared to detail the principal audit and accounting issues of governance interest that have come to our attention as a result of the performance of our final audit for the year ended 30 June 2014. We have prepared this report in accordance with ISA 260 'Communications of audit matters with those charged with governance'.

An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. For this reason the report is intended for the sole use of the Shire and we consider it inappropriate for this report to be made available to third parties, or quoted or referred to, without our written consent. We do not accept responsibility to any other persons or for any reliance that third parties may place on it.

We set out below details of significant matters concerning the Shire of Menzies (the Shire) internal control, accounting practices and other observations which should be considered by management; however an audit is not designed to identify all matters relevant to governance.

**Auditor's Independence**

We are not aware of any other relationships between member firms of RSM Bird Cameron and the Council that, in our professional judgement, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgement, RSM Bird Cameron is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.



**1. Matters Identified:**

No matters have been identified during the course of the audit.

**2. Internal Financial Controls**

During our audit we examined the design and implementation of the internal controls relevant to the accounting and financial control systems.

The matters to report to management in relation to the Shire's internal financial controls are discussed above.

**3. Audit Adjustments**

No adjustments made during the course of the audit.

**4. Unadjusted Differences**

During the testing of rate debtors it has come to our attention that the provision for doubtful rate debtors was underprovided which was not adjusted for in the Shire account records. This amount is not material and was accounted for under our summary of unadjusted differences.

**Other Matters**

- As a result of our procedures, we have not identified any matters of fraud to report to you; and
- We had no disagreements with management about significant accounting matters.

This letter has been prepared for the sole use of the Shire. It must not be disclosed to a third party or quoted to or referred to without our written consent. No responsibility is assumed by RSM Bird Cameron to any other person.

Finally, we would like to take this opportunity to thank your staff for the co-operation we have received throughout our audit. If there are any further matters which you wish to discuss concerning our final audit, please do not hesitate to contact me.


Yours faithfully

A handwritten signature in black ink, appearing to read "S C Cubitt", written in a cursive style.

S C CUBITT  
Director

## 8. FINANCE & ADMINISTRATION BUSINESS

### 8.2 AUDIT COMMITTEE – TERMS OF REFERENCE

<b>SUBMISSION TO:</b>	Audit Committee Meeting 27 November 2014
<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Shire of Menzies
<b>FILE REF:</b>	ADM006
<b>DISCLOSURE OF INTEREST:</b>	None
<b>DATE:</b>	14 November 2014
<b>AUTHOR:</b>	Peter Crawford, Chief Executive Officer
<b>SIGNATURE OF AUTHOR:</b>	
<b>PREVIOUS MEETING REFERENCE:</b>	None

#### ATTACHMENTS:

Nil

#### SUMMARY:

Council's Audit Committee is required to consider to adopt Terms of Reference.

#### BACKGROUND:

Mr C S Cubitt, RMS Bird Cameron performed an audit for the year ended 30 June 2013 and recommended that the Audit Committee adopt a Terms of Reference.

#### COMMENT:

The current Audit Committee was established by recommendation of Council at its Ordinary Council Meeting on Thursday 31<sup>st</sup> October 2013 subject to the following conditions:

1. The purpose of the Audit Committee shall be to provide guidance and assistance to the local government:
  - a) As to the carrying out of its functions in relation to audits;
  - b) As to the development of a process to be used to select and appoint a person to be the auditor.
2. The quorum for a meeting of the Audit Committee to be two members.
3. The Audit committee will meet at least once annually and otherwise as required.
4. No powers are delegated to the Audit Committee – its function will be to make recommendations in accordance with the purpose of providing guidance and assistance.
5. The chief Executive Officer and Deputy Chief Executive Officer, while not being members of the Committee, will provide administrative support to the Committee as required.

#### REPORT

To comply with the recommendations of the Auditor and Section 7.1A of the Local Government Act 1995 it is considered prudent that the following Terms of Reference be adopted for the Audit Committee and included as a preface in every Agenda and Minute of the Audit Committee meetings:

## **TERMS OF REFERENCE**

### **Objectives of the Audit Committee**

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Shire's Auditor so that Council can be satisfied with the performance of the Shire in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies and overseeing the allocation of the Shire's finances and resources. The Audit Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems and compliance with legislation.

The Audit Committee is to facilitate:

- The enhancement of the credibility and objectivity of external financial reporting;
- Effective management of financial and other risks and the protection of Shire assets;
- Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- The provision of an effective means of communication between the external auditor, the CEO and the Council.

### **Powers of the Audit Committee**

The Audit Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the Shire that have not been delegated to the CEO.

The Audit Committee is a formally appointed Committee of Council and is responsible to that body. The Audit Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and cannot involve itself in management processes or procedures.

### **Membership**

The Audit Committee will consist of four members with full voting rights and a quorum shall be two members.

The CEO and employees are not members of the Audit Committee.

The CEO and Deputy CEO are to be available to attend meetings to provide advice and guidance to the Audit Committee.

The Shire shall provide secretarial and administrative support to the Audit Committee.

### **Meetings**

The Audit Committee shall meet at least annually. Additional meetings shall be convened at the discretion of the presiding person.

### **Reporting**

Reports and recommendations of each Audit committee meeting shall be presented to the next Ordinary Meeting of Council.

### **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee will be:

- a) Provide guidance and assistance to Council as to the carrying out of the functions of the Shire in relation to audits;

- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire's Auditor;
- c) Develop and recommend to Council:
  - A list of those matters to be audited; and
  - The scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as Auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include:
  - The objectives of the audit;
  - The scope of the audit;
  - A plan of the audit;
  - Details of the remuneration and expenses to be paid to the Auditor; and
  - The method to be used by the Shire to communicate with, and supply information to, the Auditor;
- f) Meet with the Auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the Shire does everything in its power to:
  - Assist the Audit to conduct the audit and carry out their other duties under the *Local Government Act 1995*; and
  - Ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the Auditor after receiving a report from the CEO on the matters to:
  - Determine if any matters raised require action to be taken by the Shire; and
  - Ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO any actions taken in respect of any matters raised in the report of the Auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the Auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Audit Committee's Terms of Reference following authorisation from the Council;
- l) Review the annual Compliance Audit Return and report to Council the results of that review; and
- m) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Audit Committee, and report to Council the results of those reviews.

**CONSULTATION:**

RSM Bird Cameron

**STATUTORY ENVIRONMENT:**

Local Government Act 1993 s7.1A

Local Government (Audit) Regulations 1996 Reg 16



**POLICY IMPLICATIONS:**

Council has no Policies in relation to this matter

**FINANCIAL IMPLICATIONS:**

Nil

**STRATEGIC IMPLICATIONS:**

None

**VOTING REQUIREMENTS:**

Simple Majority Decision required

**Moved: Cr Mazza**

**Seconded: Cr Lee**

**AUDIT COMMITTEE RECOMMENDATION:**

**That the Audit Committee recommends to Council that the Terms of Reference for the Audit Committee, as presented, be adopted and incorporated in the Agenda and Minutes of the Audit Committee.**

**9:47am**

**CARRIED 4/0**

**9. NEXT MEETING**

The next Audit Committee Meeting will be held when requested by the Chairperson.

**10. CLOSURE OF MEETING**

There being no further business, the Chairperson declared the meeting closed at 9:47 am.

I, *Gregory Dwyer* hereby certify that the Minutes of the Audit Committee Meeting held 27 November 2014 are confirmed as a true and correct record, as per the Resolution of the Audit Committee held on 18 December 2014.

Signed *[Signature]*

Dated: *22 January* <sup>*2015*</sup>  
~~2014~~