

SHIRE OF MENZIES

BUDGET

FOR THE YEAR ENDED 30 JUNE 2020

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SHIRE'S VISION

Our aim is for the Shire of Menzies to be a prosperous, sustainable and dedicated community in which all residents are able to participate in decision making and benefit from the Shire's many opportunities and resources.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2020**

BY NATURE OR TYPE

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
Revenue				
Rates	1(a)	3,266,373	3,123,010	3,163,516
Operating grants, subsidies and contributions	9	2,137,567	2,938,278	1,439,517
Fees and charges	8	242,047	398,736	269,080
Interest earnings	10(a)	233,789	337,268	224,501
Other revenue	10(b)	49,693	27,468	48,290
		5,929,469	6,824,760	5,144,904
Expenses				
Employee costs		(2,055,237)	(1,648,473)	(1,902,046)
Materials and contracts		(2,129,633)	(1,924,278)	(1,796,593)
Utility charges		(86,147)	(80,632)	(109,340)
Depreciation on non-current assets	5	(1,986,269)	(1,953,567)	(2,774,749)
Interest expenses	10(d)	0	0	(7,000)
Insurance expenses		(149,012)	(137,984)	(124,470)
Other expenditure		(436,155)	(106,910)	(300,234)
		(6,842,453)	(5,851,844)	(7,014,432)
Subtotal		(912,984)	972,916	(1,869,528)
Non-operating grants, subsidies and contributions	9	3,374,402	1,279,247	3,212,556
Profit on asset disposals	4(b)	39,212	17,233	15,000
Loss on asset disposals	4(b)	(35,336)	(4,059)	(22,500)
		3,378,278	1,292,421	3,205,056
Net result		2,465,294	2,265,337	1,335,528
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		2,465,294	2,265,337	1,335,528

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

FOR THE YEAR ENDED 30TH JUNE 2020

BASIS OF PREPARATION

The budget has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations. The *Local Government (Financial Management) Regulations 1996* take precedence over Australian Accounting Standards. Regulation 16 prohibits a local government from recognising as assets Crown land that is a public thoroughfare, such as land under roads, and land not owned by but under the control or management of the local government, unless it is a golf course, showground, racecourse or recreational facility of State or regional significance. Consequently, some assets, including land under roads acquired on or after 1 July 2008, have not been recognised in this budget. This is not in accordance with the requirements of *AASB 1051 Land Under Roads* paragraph 15 and *AASB 116 Property, Plant and Equipment* paragraph 7.

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

THE LOCAL GOVERNMENT REPORTING ENTITY

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

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 13 to the budget.

2018/19 ACTUAL BALANCES

Balances shown in this budget as 2018/19 Actual are estimates as forecast at the time of budget preparation and are subject to final adjustments.

CHANGE IN ACCOUNTING POLICIES

On the 1 July 2019 the following new accounting policies are to be adopted and have impacted on the preparation of the budget:

- AASB 15 - Revenue from Contracts with Customers;
- AASB 16 - Leases; and
- AASB 1058 - Income of Not-for-Profit Entities.

Explanation of the changes arising from these standards is provided at Note 15.

KEY TERMS AND DEFINITIONS - NATURE OR TYPE**REVENUES****RATES**

All rates levied under the *Local Government Act 1995*. Includes general, differential, specified area rates, minimum rates, interim rates, back rates, ex-gratia rates, less discounts offered. Exclude administration fees, interest on instalments, interest on arrears, service charges and sewerage rates.

SERVICE CHARGES

Service charges imposed under Division 6 of Part 6 of the *Local Government Act 1995*. Regulation 54 of the *Local Government (Financial Management) Regulations 1996* identifies these as television and radio broadcasting, underground electricity and neighbourhood surveillance services.

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

PROFIT ON ASSET DISPOSAL

Profit on the disposal of assets including gains on the disposal of long term investments. Losses are disclosed under the expenditure classifications.

REVENUES (CONTINUED)**OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS**

Refer to all amounts received as grants, subsidies and contributions that are not non-operating grants.

NON-OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS

Amounts received specifically for the acquisition, construction of new or the upgrading of non-current assets paid to a local government, irrespective of whether these amounts are received as capital grants, subsidies, contributions or donations.

FEES AND CHARGES

Revenue (other than service charges) from the use of facilities and charges made for local government services, sewerage rates, rentals, hire charges, fee for service, photocopying charges, licences, sale of goods or information, fines, penalties and administration fees. Local governments may wish to disclose more detail such as rubbish collection fees, rental of property, fines and penalties, other fees and charges.

INTEREST EARNINGS

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

OTHER REVENUE / INCOME

Other revenue, which can not be classified under the above headings, includes dividends, discounts, and rebates. Reimbursements and recoveries should be separated by note to ensure the correct calculation of ratios.

EXPENSES**EMPLOYEE COSTS**

All costs associated with the employment of person such as salaries, wages, allowances, benefits such as vehicle and housing, superannuation, employment expenses, removal expenses, relocation expenses, worker's compensation insurance, training costs, conferences safety expenses, medical examinations, fringe benefit tax, etc.

MATERIALS AND CONTRACTS

All expenditures on materials, supplies and contracts not classified under other headings. These include supply of goods and materials, legal expenses, consultancy, maintenance agreements, communication expenses, advertising expenses, membership, periodicals, publications, hire expenses, rental, leases, postage and freight etc. Local governments may wish to disclose more detail such as contract services, consultancy, information technology, rental or lease expenditures.

UTILITIES (GAS, ELECTRICITY, WATER, ETC.)

Expenditures made to the respective agencies for the provision of power, gas or water. Exclude expenditures incurred for the reinstatement of roadwork on behalf of these agencies.

INSURANCE

All insurance other than worker's compensation and health benefit insurance included as a cost of employment.

LOSS ON ASSET DISPOSAL

Loss on the disposal of fixed assets includes loss on disposal of long term investments.

DEPRECIATION ON NON-CURRENT ASSETS

Depreciation expense raised on all classes of assets.

INTEREST EXPENSES

Interest and other costs of finance paid, including costs of finance for loan debentures, overdraft accommodation and refinancing expenses.

OTHER EXPENDITURE

Statutory fees, taxes, provision for bad debts, member's fees or State taxes. Donations and subsidies made to community groups.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2020**
BY REPORTING PROGRAM

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
Revenue	1, 8, 9, 10(a),(b)	\$	\$	\$
Governance		16,980	7,676	0
General purpose funding		4,397,124	5,147,324	4,224,396
Law, order, public safety		6,722	6,554	3,200
Health		1,300	676	7,100
Housing		100,600	91,051	105,600
Community amenities		17,277	17,997	8,300
Recreation and culture		800	4,703	640
Transport		1,133,391	1,119,514	537,637
Economic services		226,292	396,793	206,690
Other property and services		28,983	32,472	51,341
		5,929,469	6,824,760	5,144,904
Expenses excluding finance costs	5,10(c)(e)(f)(g)			
Governance		(903,820)	(778,133)	(803,917)
General purpose funding		(225,840)	(161,764)	(185,769)
Law, order, public safety		(116,855)	(96,631)	(108,274)
Health		(128,587)	(88,283)	(114,370)
Housing		(157,257)	(144,365)	(167,276)
Community amenities		(315,359)	(239,179)	(295,312)
Recreation and culture		(953,595)	(718,044)	(922,015)
Transport		(2,317,201)	(2,351,562)	(3,323,042)
Economic services		(1,317,284)	(1,184,998)	(1,036,068)
Other property and services		(406,655)	(88,885)	(51,389)
		(6,842,453)	(5,851,844)	(7,007,432)
Finance costs	6, 10(d)			
Housing		0	0	(7,000)
		0	0	(7,000)
Subtotal		(912,984)	972,916	(1,869,528)
Non-operating grants, subsidies and contributions	9	3,374,402	1,279,247	3,212,556
Profit on disposal of assets	4(b)	39,212	17,233	15,000
(Loss) on disposal of assets	4(b)	(35,336)	(4,059)	(22,500)
		3,378,278	1,292,421	3,205,056
Net result		2,465,294	2,265,337	1,335,528
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		2,465,294	2,265,337	1,335,528

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

FOR THE YEAR ENDED 30TH JUNE 2020

KEY TERMS AND DEFINITIONS - REPORTING PROGRAMS

In order to discharge its responsibilities to the community, Council 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.

OBJECTIVE**ACTIVITIES****GOVERNANCE**

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

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

GENERAL PURPOSE FUNDING

To collect revenue to allow for the provision of services.

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

LAW, ORDER, PUBLIC SAFETY

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

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

HEALTH

To provide an operational framework for environmental and community health.

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

EDUCATION AND WELFARE

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

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

HOUSING

To provide and maintain housing.

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

COMMUNITY AMENITIES

To provide services required by the community.

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

RECREATION AND CULTURE

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

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

TRANSPORT

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

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

ECONOMIC SERVICES

To help promote the Shire and its economic well being.

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

OTHER PROPERTY AND SERVICES

To monitor and control Shire's overheads operating accounts.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2020**

BY NATURE OR TYPE

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		3,266,373	3,123,103	2,981,523
Operating grants, subsidies and contributions		2,137,567	2,938,278	1,439,517
Fees and charges		242,047	266,834	269,080
Service charges		0	0	
Interest earnings		233,789	337,268	224,501
Goods and services tax		256,579	118,465	218,424
Other revenue		49,693	27,468	48,290
		6,186,048	6,811,416	5,181,335
Payments				
Employee costs		(2,055,237)	(1,701,667)	(1,902,046)
Materials and contracts		(1,993,257)	(2,064,982)	(1,251,366)
Utility charges		(86,147)	(80,632)	(109,340)
Interest expenses		0	0	(124,470)
Insurance expenses		(149,012)	(137,984)	(7,000)
Goods and services tax		(256,579)	(230,766)	0
Other expenditure		(436,155)	(106,910)	(300,234)
		(4,976,387)	(4,322,941)	(3,694,456)
Net cash provided by (used in) operating activities	3	1,209,661	2,488,475	1,486,879
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	4(a)	(2,612,085)	(920,397)	(1,937,950)
Payments for construction of infrastructure	4(a)	(3,077,088)	(4,775,619)	(5,211,723)
Non-operating grants, subsidies and contributions used for the development of assets	9	3,374,402	1,279,247	3,212,556
Proceeds from sale of plant & equipment	4(b)	250,911	151,731	129,000
Net cash provided by (used in) investing activities		(2,063,860)	(4,265,038)	(3,808,117)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	0	0	(21,837)
Proceeds from new borrowings	6(b)	0	0	500,000
Net cash provided by (used in) financing activities		0	0	478,163
Net increase (decrease) in cash held		(854,199)	(1,776,563)	(1,843,075)
Cash at beginning of year		10,632,087	12,408,650	12,408,654
Cash and cash equivalents at the end of the year	3	9,777,888	10,632,087	10,565,579

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

**RATES SETTING STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2020**
BY REPORTING PROGRAM

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	2 (b)(i)	2,262,666	3,731,836	3,730,680
		2,262,666	3,731,836	3,730,680
Revenue from operating activities (excluding rates)				
Governance		16,980	7,676	0
General purpose funding		1,130,751	2,024,314	1,060,880
Law, order, public safety		6,722	6,554	3,200
Health		1,300	676	7,100
Housing		100,600	91,051	105,600
Community amenities		17,277	17,997	8,300
Recreation and culture		800	4,703	640
Transport		1,172,603	1,136,747	552,637
Economic services		226,292	396,793	206,690
Other property and services		28,983	32,472	51,341
		2,702,308	3,718,983	1,996,388
Expenditure from operating activities				
Governance		(903,820)	(778,133)	(803,917)
General purpose funding		(225,840)	(161,764)	(185,769)
Law, order, public safety		(116,855)	(96,631)	(108,274)
Health		(128,587)	(88,283)	(114,370)
Housing		(157,257)	(144,365)	(174,277)
Community amenities		(315,359)	(239,179)	(295,312)
Recreation and culture		(953,595)	(718,044)	(922,015)
Transport		(2,352,537)	(2,355,621)	(3,345,542)
Economic services		(1,317,284)	(1,184,998)	(1,036,068)
Other property and services		(406,655)	(88,885)	(51,388)
		(6,877,789)	(5,855,903)	(7,036,932)
Non-cash amounts excluded from operating activities	2 (b)(ii)	1,982,393	1,940,393	2,782,249
Amount attributable to operating activities		69,578	3,535,309	1,472,385
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	9	3,374,402	1,279,247	3,212,556
Purchase property, plant and equipment	4(a)	(2,612,085)	(920,397)	(1,937,950)
Purchase and construction of infrastructure	4(a)	(3,077,088)	(4,775,619)	(5,211,723)
Proceeds from disposal of assets	4(b)	250,911	151,731	129,000
Amount attributable to investing activities		(2,063,860)	(4,265,038)	(3,808,117)
FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	0	0	(21,837)
Proceeds from new borrowings	6(b)	0	0	500,000
Transfers to cash backed reserves (restricted assets)	7(a)	(4,658,077)	(1,268,636)	(2,504,625)
Transfers from cash backed reserves (restricted assets)	7(a)	3,377,435	1,138,021	1,198,678
Amount attributable to financing activities		(1,280,642)	(130,615)	(827,784)
Budgeted deficiency before general rates		(3,274,924)	(860,344)	(3,163,516)
Estimated amount to be raised from general rates	1	3,266,373	3,123,010	3,163,516
Net current assets at end of financial year - surplus/(deficit)	2 (b)(i)	(8,551)	2,262,666	0

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

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

1. RATES AND SERVICE CHARGES

(a) Rating Information

RATE TYPE	Rate in	Number of properties	Rateable value	2019/20 Budgeted rate revenue	2019/20 Budgeted interim rates	2019/20 Budgeted back rates	2019/20 Budgeted total revenue	2018/19 Actual total revenue	2018/19 Budget total revenue
	\$		\$	\$	\$	\$	\$	\$	\$
Differential general rate or general rate									
Gross rental valuations									
GRV Vacant	0.08640	4	20,956	1,811	0	0	1,811	1,779	1,779
GRV General	0.08620	29	2,490,652	214,694	0	0	214,694	210,958	210,958
Unimproved valuations									
UV Mining Lease	0.16550	220	14,454,262	2,392,180	(42,229)	0	2,349,951	2,230,866	2,042,199
UV Exploration Lease	0.15000	269	2,751,508	412,726	0	0	412,726	399,303	614,155
UV Prospecting	0.14770	159	380,152	56,148	0	0	56,148	47,535	56,987
UV Pastoral	0.08290	19	734,152	60,861	0	0	60,861	59,760	59,760
UV Other	0.08290	61	300,937	24,948	0	0	24,948	24,526	24,526
Sub-Totals		761	21,132,619	3,163,368	(42,229)	0	3,121,139	2,974,727	3,010,364
Minimum									
Minimum payment									
	\$								
Gross rental valuations									
GRV Vacant	200	200	40,000	40,000	0	0	40,000	40,200	40,200
GRV General	317	11	3,487	3,487	0	0	3,487	3,487	3,487
Unimproved valuations									
UV Mining Lease	317	60	19,020	19,020	0	0	19,020	19,654	19,337
UV Exploration Lease	280	190	53,200	53,200	0	0	53,200	48,720	50,680
UV Prospecting	248	105	26,040	26,040	0	0	26,040	32,736	35,960
UV Pastoral	317	8	2,536	2,536	0	0	2,536	2,536	2,536
UV Other	317	3	951	951	0	0	951	950	952
Sub-Totals		577	145,234	145,234	0	0	145,234	148,283	153,152
		1,338	21,277,853	3,308,602	(42,229)	0	3,266,373	3,123,010	3,163,516
Total amount raised from general rates							3,266,373	3,123,010	3,163,516

All non-rural land (other than exempt land) in the Shire of Menzies is rated according to its Gross Rental Value (GRV). All other land is rated according to its Unimproved Value (UV) in the remainder of the Shire of Menzies.

The general rates detailed for the 2019/20 financial year have been determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates and also considering the extent of any increase in rating over the level adopted in the previous year.

The minimum rates have been determined by Council on the basis that all ratepayers must make a reasonable contribution to the cost of local government services/facilities.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

1. RATES AND SERVICE CHARGES (CONTINUED)

(b) Interest Charges and Instalments - Rates and Service Charges

The following instalment options are available to ratepayers for the payment of rates and service charges.

Instalment options	Date due	Instalment plan admin charge	Instalment plan interest rate	Unpaid rates interest rates
		\$	%	%
Option one				
Pay in Full	17 October 2019	0	0.0%	11.0%
Option two				
First Instalment	17 October 2019			11.0%
Second Instalment	19 December 2019	10	5.5%	11.0%
Third Instalment	20 February 2020	10	5.5%	11.0%
Fourth Instalment	22 April 2020	10	5.5%	11.0%

	2019/20 Budget revenue	2018/19 Actual revenue	2018/19 Budget revenue
	\$	\$	\$
Instalment plan admin charge revenue	10,040	8,792	7,965
Instalment plan interest earned	8,667	8,513	3,767
Unpaid rates and service charge interest earned	98,622	96,878	0
	117,329	114,183	11,732

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

1. RATES AND SERVICE CHARGES (CONTINUED)

(c) Objectives and Reasons for Differential Rating

To provide equity in the rating of properties across the Shire the following rate categories have been determined for the implementation of differential rating.

Differential general rate

Description	Characteristics	Objects	Reasons
GRV Vacant	Vacant lots within the townsite of Menzies	The majority of the properties rates GRV are vacant lots. The minimum of \$200 has been set for these vacant lots. This represents a contribution to the community of \$3.85 per week, which although below expectation is considered fair to encourage owners of vacant blocks in town to retain ownership and not hand the blocks back into the Shire.	The reason for differentially rating this category is to meet the criteria of the Local Government Act 1995, which does not allow for a minimum rate exceeding \$200 per lot where the number of lots which attract the minimum rate is greater than 50% of the properties in the category (being GRV).
UV Mining, Exploration and Prospecting Leases	Mining tenements	Mining, Exploration and Prospecting Leases are rated differentially to reflect the nature of the lease. Prospecting leases attract a lower minimum and rate in the dollar (RID) to acknowledge that these leases are not, for the most part, income producing.	As per previous years, the differential rate for the UV Pastoral and Other has been set taking into account issues of rating equity including capacity to pay. The Pastoral and Other sector are increasingly taking opportunities afforded to them to diversify, and it is believed that the capacity to pay.

(d) Differential Minimum Payment

Description	Characteristics	Objects	Reasons
All properties charged a minimum payment.	Properties with a value below a designated threshold will attract a minimum charge.	The setting of minimum rates within rating categories is an important method of ensuring that all properties contribute an equitable rate amount.	A minimum rate for UV Mining, Exploration and Prospecting categories has been set lower than other rating categories to reflect the Shire's goal to encourage mining in the district.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

1. RATES AND SERVICE CHARGES (CONTINUED)

(e) Specified Area Rate

The Shire did not raise specified area rates for the year ended 30th June 2020.

(e) Service Charges

The Shire did not raise service charges for the year ended 30th June 2020.

(f) Rates discounts

The Shire does not offer a discount on rates.

(f) Waivers or concessions

The Shire does not anticipate any waivers or concessions for the year ended 30th June 2020.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

2 (a). NET CURRENT ASSETS

	2019/20 Budget 30 June 2020	2018/19 Estimated Actual 30 June 2019	2018/19 Budget 30 June 2019
Note	\$	\$	\$
Composition of estimated net current assets			
Current assets			
Cash - unrestricted	0	2,134,841	893,001
Cash - restricted reserves	9,777,888	8,497,246	9,672,578
Receivables	808,324	808,324	800,000
Inventories	13,654	13,654	6,999
	10,599,866	11,454,065	11,372,578
Less: current liabilities			
Trade and other payables	(830,529)	(694,153)	(1,700,000)
	(830,529)	(694,153)	(1,700,000)
Net current assets	9,769,337	10,759,912	9,672,578

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

2 (b). NET CURRENT ASSETS (CONTINUED)

EXPLANATION OF DIFFERENCE IN NET CURRENT ASSETS AND SURPLUS/(DEFICIT)

Operating activities excluded from budgeted deficiency

When calculating the budget deficiency for the purpose of Section 6.2 (2)(c) of the *Local Government Act 1995* the following amounts have been excluded as provided by *Local Government (Financial Management) Regulation 32* which will not fund the budgeted expenditure.

	Note	2019/20 Budget 30 June 2020	2018/19 Estimated Actual 30 June 2019	2018/19 Budget 30 June 2019
		\$	\$	\$
(i) Current assets and liabilities excluded from budgeted deficiency				
Net current assets	2(a)	9,769,337	10,759,912	9,672,578
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement.				
Adjustments to net current assets				
Less: Cash - restricted reserves	3	(9,777,888)	(8,497,246)	(9,672,578)
Adjusted net current assets - surplus/(deficit)		(8,551)	2,262,666	0
(ii) Operating activities excluded from budgeted deficiency				
The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.				
Adjustments to operating activities				
Less: Profit on asset disposals	4(b)	(39,212)	(17,233)	(15,000)
Add: Loss on disposal of assets	4(b)	35,336	4,059	22,500
Add: Depreciation on assets	5	1,986,269	1,953,567	2,774,749
Non cash amounts excluded from operating activities		1,982,393	1,940,393	2,782,249

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

2 (c). NET CURRENT ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

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

TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire of Menzies 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.

CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

PROVISIONS

Provisions are recognised when the Shire has a 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.

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.

Superannuation

The Shire of Menzies contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Menzies contributes are defined contribution plans.

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.

CONTRACT LIABILITIES

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. Grants to acquire or construct recognisable non-financial assets to be controlled by the Shire are recognised as a liability until such time as the Shire satisfies its obligations under the agreement.

EMPLOYEE BENEFITS

Short-term employee benefits

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

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

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

3. RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Estimated cash at the end of the reporting period is as follows:

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Cash - unrestricted	0	2,134,841	893,001
Cash - restricted	9,777,888	8,497,246	9,672,578
	9,777,888	10,632,087	10,565,579
The following restrictions have been imposed by regulation or other externally imposed requirements:			
Leave Reserve	204,609	201,643	199,487
Building Reserve	1,496,257	2,298,078	2,222,986
Plant Reserve	1,516,517	1,395,073	1,369,599
Roads Reserve	2,451,887	1,529,390	2,840,564
Main Street Reserve	130,137	138,105	136,629
Staff Amenities Reserve	575,392	74,299	73,504
TV Reserve	17,848	17,589	17,401
Caravan Park Reserve	419,762	434,027	429,388
Bitumen Reserve	602,929	397,088	392,843
Rates Creditors Reserve	50,855	50,118	49,313
Niagara Dam Reserve	1,285,371	1,349,520	1,335,094
Water Park Reserve	299,586	98,142	97,093
Waste Management Reserve	59,278	102,766	101,667
Former Post Office Reserve	367,460	411,408	407,010
Commercial Enterprise Reserve	100,000	0	0
Land Purchase Reserve	200,000	0	0
	9,777,888	8,497,246	9,672,578
Reconciliation of net cash provided by operating activities to net result			
Net result	2,465,294	2,265,337	1,335,528
Depreciation	1,986,269	1,953,567	2,774,749
(Profit)/loss on sale of asset	(3,876)	(13,174)	7,500
(Increase)/decrease in receivables	0	(244,110)	(181,992)
(Increase)/decrease in inventories	0	(8,497)	(1,845)
Increase/(decrease) in payables	136,376	(185,401)	765,495
Grants/contributions for the development of assets	(3,374,402)	(1,279,247)	(3,212,556)
Net cash from operating activities	1,209,661	2,488,475	1,486,879

SIGNIFICANT ACCOUNTING POLICES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, 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.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

4. FIXED ASSETS

(a) Acquisition of Assets

The following assets are budgeted to be acquired during the year.

Asset class	Reporting program							2019/20 Budget total	2018/19 Actual total	2018/19 Budget total
	Governance	Housing	Community amenities	Recreation and culture	Transport	Economic services	Other property and services			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<i>Property, Plant and Equipment</i>										
Buildings -	0	50,000	0	251,000	0	675,000	100,000	1,076,000	345,060	606,376
Buildings - specialised	0	786,000	0	0	0	0	0	786,000	49,591	664,000
Furniture and equipment	45,000	0	0	0	0	0	0	45,000	33,662	105,000
Plant and equipment	0	0	0	0	705,085	0	0	705,085	492,084	562,574
	45,000	836,000	0	251,000	705,085	675,000	100,000	2,612,085	920,397	1,937,950
<i>Infrastructure</i>										
Infrastructure - Roads	0	0	0	0	2,193,438	0	0	2,193,438	4,278,111	3,478,881
Infrastructure - Other	0	0	65,000	259,000	232,000	222,650	5,000	783,650	387,507	0
Infrastructure - Footpaths	0	0	0	0	100,000	0	0	100,000	0	75,640
Infrastructure - Parks and Gardens	0	0	0	0	0	0	0	0	110,001	1,657,202
	0	0	65,000	259,000	2,525,438	222,650	5,000	3,077,088	4,775,619	5,211,723
Total acquisitions	45,000	836,000	65,000	510,000	3,230,523	897,650	105,000	5,689,173	5,696,016	7,149,673

A detailed breakdown of acquisitions on an individual asset basis can be found in the supplementary information attached to this budget document.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

4. FIXED ASSETS (CONTINUED)

(b) Disposals of Assets

The following assets are budgeted to be disposed of during the year.

	2019/20 Budget Net Book Value	2019/20 Budget Sale Proceeds	2019/20 Budget Profit	2019/20 Budget Loss	2018/19 Actual Net Book Value	2018/19 Actual Sale Proceeds	2018/19 Actual Profit	2018/19 Actual Loss	2018/19 Budget Net Book Value	2018/19 Budget Sale Proceeds	2018/19 Budget Profit	2018/19 Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
By Program												
Transport	247,035	250,911	39,212	(35,336)	138,557	151,731	17,233	(4,059)	136,500	129,000	15,000	(22,500)
	247,035	250,911	39,212	(35,336)	138,557	151,731	17,233	(4,059)	136,500	129,000	15,000	(22,500)
By Class												
<i>Property, Plant and Equipment</i>												
Plant and equipment	247,035	250,911	39,212	(35,336)	138,557	151,731	17,233	(4,059)	136,500	129,000	15,000	(22,500)
	247,035	250,911	39,212	(35,336)	138,557	151,731	17,233	(4,059)	136,500	129,000	15,000	(22,500)

A detailed breakdown of disposals on an individual asset basis can be found in the supplementary information attached to this budget document.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

5. ASSET DEPRECIATION

By Program

Law, order, public safety
Housing
Community amenities
Recreation and culture
Transport
Economic services
Other property and services

By Class

Buildings -
Buildings - specialised
Furniture and equipment
Plant and equipment
Infrastructure - Roads
Infrastructure - Other
Infrastructure - Footpaths
Infrastructure - Parks and Gardens

2019/20 Budget	2018/19 Actual	2018/19 Budget
\$	\$	\$
5,515	4,804	4,228
121,852	123,526	121,852
9,097	11,552	9,097
50,783	31,007	31,216
1,145,192	1,149,435	2,024,934
209,244	197,391	149,923
444,586	435,851	433,499
1,986,269	1,953,567	2,774,749
249,253	257,448	245,880
121,253	122,926	121,252
48,133	12,493	28,566
349,567	318,816	340,906
1,091,120	1,092,443	1,970,862
79,175	135,259	19,516
7,024	7,755	7,024
40,744	6,428	40,744
1,986,269	1,953,567	2,774,749

SIGNIFICANT ACCOUNTING POLICIES

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.

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

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

Buildings	20 years
Furniture and equipment	10 years
Plant and equipment - heavy	6 years
Plant and equipment - sundry	4 years
Roads	
formation	not depreciated
pavement	25 years
Infrastructure floodways	12.5 years
Infrastructure other	50 years
Infrastructure parks and gardens	50 years
Infrastructure footpaths	50 years
Infrastructure grids	25 years

DEPRECIATION (CONTINUED)

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 profit or loss in the period which they arise.

RECOGNITION OF ASSETS

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

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2019

6. INFORMATION ON BORROWINGS

(a) Borrowing repayments

Movement in borrowings and interest between the beginning and the end of the current financial year.

Purpose	Budget	2019/20	2019/20	2019/20	Budget	Actual	2018/19	2018/19	2018/19	Actual	Budget	2018/19	2018/19	2018/19	Budget
	Principal 1 July 2019	Budget New loans	Budget Principal repayments	Budget Interest repayments	Principal outstanding 30 June 2020		Principal 1 July 2018	Actual New loans	Actual Principal repayments	Actual Interest repayments		Principal outstanding 30 June 2019	Principal 1 July 2018	Budget New loans	Budget Principal repayments
		\$	\$	\$	\$		\$	\$	\$			\$	\$	\$	
Housing															
Housing Loan	0	0	0	0	0	0	0	0	0	0	0	500,000	21,837	7,000	478,163
	0	0	0	0	0	0	0	0	0	0	0	500,000	21,837	7,000	478,163

All borrowing repayments will be financed by general purpose revenue.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

6. INFORMATION ON BORROWINGS (CONTINUED)

(b) New borrowings - 2019/20

The Shire does not intend to undertake any new borrowings for the year ended 30th June 2020

(c) Unspent borrowings

The Shire had no unspent borrowing funds as at 30th June 2019 nor is it expected to have unspent borrowing funds as at 30th June 2020.

(d) Credit Facilities

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Undrawn borrowing facilities credit standby arrangements			
Credit card limit	20,000	20,000	20,000
Credit card balance at balance date	0	(7,772)	0
Total amount of credit unused	20,000	12,228	20,000
Loan facilities			
Loan facilities in use at balance date	0	0	478,163

SIGNIFICANT ACCOUNTING POLICIES

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.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

7. CASH BACKED RESERVES

(a) Cash Backed Reserves - Movement

	2019/20 Budget Opening Balance	2019/20 2019/20 Budget Transfer to	2019/20 Budget Transfer (from)	2019/20 Budget Closing Balance	2018/19 Actual Opening Balance	2018/19 2018/19 Actual Transfer to	2018/19 Actual Transfer (from)	2018/19 Actual Closing Balance	2018/19 Budget Opening Balance	2018/19 2018/19 Budget Transfer to	2018/19 Budget Transfer (from)	2018/19 Budget Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	201,643	2,966	0	204,609	197,364	4,279	0	201,643	197,364	2,123	0	199,487
Building Reserve	2,298,078	980,179	(1,782,000)	1,496,257	2,003,260	405,161	(110,343)	2,298,078	2,003,260	380,726	(161,000)	2,222,986
Plant Reserve	1,395,073	557,229	(435,785)	1,516,517	1,427,758	353,315	(386,000)	1,395,073	1,427,758	337,841	(396,000)	1,369,599
Roads Reserve	1,529,390	1,222,497	(300,000)	2,451,887	1,730,660	37,730	(239,000)	1,529,390	1,730,660	1,348,904	(239,000)	2,840,564
Main Street Reserve	138,105	2,032	(10,000)	130,137	135,175	2,930	0	138,105	135,175	1,454	0	136,629
Staff Amenities Reserve	74,299	1,151,093	(650,000)	575,392	72,722	1,577	0	74,299	72,722	782	0	73,504
TV Reserve	17,589	259	0	17,848	17,216	373	0	17,589	17,216	185	0	17,401
Caravan Park Reserve	434,027	6,385	(20,650)	419,762	424,818	9,209	0	434,027	424,818	4,570	0	429,388
Bitumen Reserve	397,088	205,841	0	602,929	388,662	8,426	0	397,088	388,662	4,181	0	392,843
Rates Creditors Reserve	50,118	737	0	50,855	48,788	1,330	0	50,118	48,788	525	0	49,313
Niagara Dam Reserve	1,349,520	19,851	(84,000)	1,285,371	1,320,885	28,635	0	1,349,520	1,320,885	14,209	0	1,335,094
Water Park Reserve	98,142	201,444	0	299,586	96,060	2,082	0	98,142	96,060	1,033	0	97,093
Waste Management Reserve	102,766	1,512	(45,000)	59,278	100,585	2,181	0	102,766	100,585	1,082	0	101,667
Former Post Office Reserve	411,408	6,052	(50,000)	367,460	0	411,408	0	411,408	0	407,010	0	407,010
Economic Development Reserve	0	0	0	0	402,678	0	(402,678)	0	402,678	0	(402,678)	0
Commercial Enterprise Reserve	0	100,000	0	100,000	0	0	0	0	0	0	0	0
Land Purchase Reserve	0	200,000	0	200,000	0	0	0	0	0	0	0	0
	8,497,246	4,658,077	(3,377,435)	9,777,888	8,366,631	1,268,636	(1,138,021)	8,497,246	8,366,631	2,504,625	(1,198,678)	9,672,578

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

7. CASH BACKED RESERVES (CONTINUED)

(b) Cash Backed Reserves - Purposes

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

Reserve name	Anticipated date of use	Purpose of the reserve
Leave Reserve	Perpetual	To be used to fund annual and long service leave requirements
Building Reserve	Perpetual	To be used for the purchase of major plant.
Plant Reserve	Perpetual	To be used for the acquisition of future buildings and renovation of existing building
Roads Reserve	Perpetual	To be use to fund major road works
Main Street Reserve	Perpetual	Established for the beautification of the main street
Staff Amenities Reserve	Perpetual	Established for the purpose of providing staff housing and amenities
TV Reserve	Perpetual	To be used to fund upgrades to the rebroadcasting equipment.
Caravan Park Reserve	Perpetual	Established for the purpose of providing upgrades to the caravanpark.
Bitumen Reserve	Perpetual	Established to fund resealing of roads
Rates Creditors Reserve	Perpetual	Established for future rates claims
Niagara Dam Reserve	Perpetual	Established for ongoing upgrade of Niagara Dam valve workings and other maintenance
Water Park Reserve	Perpetual	Established to provide a water park
Waste Management Reserve	Perpetual	Provide for the statutory reinstatement and development of the reserve.
Former Post Office Reserve	Perpetual	For restoration and maintenance of the Former Post Office.
Commercial Enterprise Reserve	Perpetual	To fund an activity or purchase with a view to producing a profit by the Shire of Menzies.
Land Purchase Reserve	Perpetual	To be used for purchase of selective properties with developmental potential.

NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020

8. FEES & CHARGES REVENUE

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
General purpose funding	10,040	8,792	13,750
Law, order, public safety	200	32	200
Health	1,300	676	7,100
Housing	100,600	90,982	105,600
Community amenities	15,215	17,997	7,800
Recreation and culture	800	3,794	640
Economic services	113,892	273,684	128,950
Other property and services	0	2,779	5,040
	242,047	398,736	269,080

9. GRANT REVENUE

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

By Program:

Operating grants, subsidies and contributions

General purpose funding	886,654	1,677,990	821,540
Law, order, public safety	6,522	6,522	3,000
Recreation and culture	0	909	0
Transport	1,132,391	1,120,291	537,637
Economic services	112,000	130,293	77,340
Other property and services	0	2,273	0
	2,137,567	2,938,278	1,439,517

Non-operating grants, subsidies and contributions

Recreation and culture	25,570	47,301	72,871
Transport	2,962,832	1,121,946	2,547,685
Economic services	386,000	110,000	592,000
	3,374,402	1,279,247	3,212,556

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

10. OTHER INFORMATION

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
The net result includes as revenues			
(a) Interest earnings			
Cash and cash equivalents			
- Reserve funds	125,000	208,232	90,000
- Other funds	1,500	23,644	20,000
Other interest revenue (refer note 1b)	107,289	105,391	114,501
	233,789	337,268	224,501
(b) Other revenue			
Reimbursements and recoveries	49,693	27,468	48,290
	49,693	27,468	48,290
The net result includes as expenses			
(c) Auditors remuneration			
Audit services	45,000	10,428	27,000
	45,000	10,428	27,000
(d) Interest expenses (finance costs)			
Borrowings (refer Note 6(a))	0	0	7,000
	0	0	7,000
(e) Elected members remuneration			
Meeting fees	75,870	75,870	75,801
President's allowance	19,864	19,864	19,864
Deputy President's allowance	4,966	4,966	4,966
Travelling expenses	37,000	30,088	37,000
Telecommunications allowance	7,700	7,699	7,700
	145,400	138,487	145,331
(f) Write offs			
General rate	50,000	407	0
	50,000	407	0

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

11. MAJOR LAND TRANSACTIONS, TRADING UNDERTAKINGS

It is not anticipated the Shire will be party to any Major Land Transactions or Trading Undertakings during 2019/20.

12. INTERESTS IN JOINT ARRANGEMENTS

The Shire together with the Shire of Coolgardie, Dundas, Esperance, Laveron, Leonora, Ngaanyatjarraku, Ravensthorpe and Wiluna have a joint venture arrangement with regards to the provision of a Regional Records Service. The assets included in the joint venture, being the Shire's one-tenth share is as follows:

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Non-current assets			
Land and buildings	75,500	75,500	75,500
Less: accumulated depreciation	(9,000)	(6,000)	(6,000)
	66,500	69,500	69,500
Non-current assets			
Furniture and equipment	8,204	8,204	8,204
Less: accumulated depreciation	(2,000)	(1,000)	(1,000)
	6,204	7,204	7,204
Non-current assets			
Plant and equipment	4,182	4,182	4,182
Less: accumulated depreciation	(1,200)	(600)	(600)
	2,982	3,582	3,582
Non-current assets			
Light vehicles	3,200	3,200	3,200
Less: accumulated depreciation	(1,100)	(550)	(550)
	2,100	2,650	2,650

SIGNIFICANT ACCOUNTING POLICIES

INTERESTS IN JOINT ARRANGEMENTS

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

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

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

13. TRUST FUNDS

There were no funds held during the year or at balance date which are required by legislation to be held in the trust fund and which are not included in the financial statements.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020**

**14. SIGNIFICANT ACCOUNTING POLICIES - OTHER
INFORMATION**

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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a budget 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.

ROUNDING OFF FIGURES

All figures shown in this statement are rounded to the nearest dollar.

COMPARATIVE FIGURES

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

BUDGET COMPARATIVE FIGURES

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

REVENUE RECOGNITION

Accounting Policies for the recognition of income and revenue from contracts with customers is described in Note 15.

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020****15. SIGNIFICANT ACCOUNTING POLICIES - CHANGE
IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income for Not-for-Profit Entities.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Shire of Menzies adopted AASB 15 on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire of Menzies has adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary no adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019), as there were no relevant revenue from contracts with customers or unspent grants.

Under the new rules revenue from contracts with customers is recognised when the performance obligations of the contract are met.

LEASES

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

INCOME FOR NOT-FOR-PROFIT ENTITIES

The Shire of Menzies has adopted AASB 1058 from 1 July 2019 which resulted in changes in accounting policies. In accordance with the transition provisions AASB 1058, the Shire of Menzies has adopted the new rules retrospectively with the cumulative effect of initially applying AASB 1058 recognised at 1 July 2019. Comparative information for prior reporting periods shall not be restated in accordance with AASB 1058 transition requirements.

Under the new rules revenue from non-operating grants is recognised when the performance obligations of the contract are met.

Volunteer Services in relation to Volunteer Fire Services have not been recognised in budgeted revenue and budgeted expenditure as the fair value of the services cannot be reliably estimated and the services would not have been purchased if they had not been donated.