



ADOPTED BUDGET

2017 / 2018



STATUTORY FORMAT

SHIRE OF CARNARVON
BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

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SHIRE OF CARNARVON
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Revenue				
Rates	8	4,972,208	4,895,424	4,901,227
Operating grants, subsidies and contributions	15	3,122,817	8,716,154	5,840,508
Fees and charges	14	3,133,376	3,042,921	3,173,746
Interest earnings	2(a)	275,000	149,329	375,043
Other revenue	2(a)	158,560	488,583	302,590
		<u>11,661,961</u>	<u>17,292,411</u>	<u>14,593,114</u>
Expenses				
Employee costs		(7,235,130)	(6,677,457)	(7,038,115)
Materials and contracts		(6,678,091)	(2,798,436)	(7,188,597)
Utility charges		(810,694)	(764,664)	(837,099)
Depreciation on non-current assets	2(a)	(9,027,803)	(7,098,993)	(9,220,543)
Interest expenses	2(a)	(23,276)	(33,861)	(33,621)
Insurance expenses		(450,714)	(436,143)	(390,540)
Other expenditure		(434,899)	(306,695)	(367,915)
		<u>(24,660,607)</u>	<u>(18,116,249)</u>	<u>(25,076,430)</u>
		(12,998,646)	(823,838)	(10,483,316)
Non-operating grants, subsidies and contributions	15	1,304,500	2,630,616	3,256,944
Loss on asset disposals	6	(15,925)	(12,064)	(62,000)
Net result		<u>(11,710,071)</u>	<u>1,794,714</u>	<u>(7,288,372)</u>
Total comprehensive income		<u>(11,710,071)</u>	<u>1,794,714</u>	<u>(7,288,372)</u>

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

SHIRE OF CARNARVON
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Revenue (refer notes 1,2,8,10 to 15)				
Governance		42,100	57,114	42,600
General purpose funding		7,433,035	12,387,024	9,930,195
Law, order, public safety		185,844	201,313	168,943
Health		39,030	80,572	57,900
Education and welfare		321,039	601,557	433,239
Housing		6,760	8,293	17,840
Community amenities		1,969,000	1,900,491	1,840,889
Recreation and culture		222,200	230,885	295,629
Transport		889,909	1,017,387	1,025,312
Economic services		504,293	688,571	616,817
Other property and services		48,751	140,999	163,750
		<u>11,661,961</u>	<u>17,314,206</u>	<u>14,593,114</u>
Expenses excluding finance costs (refer notes 1, 2 & 16)				
Governance		(1,295,301)	(1,257,783)	(1,224,628)
General purpose funding		(205,124)	(181,183)	(210,067)
Law, order, public safety		(992,256)	(909,252)	(932,811)
Health		(639,957)	(602,456)	(721,996)
Education and welfare		(1,249,899)	(1,250,462)	(1,513,579)
Housing		(110,160)	(117,528)	(129,187)
Community amenities		(2,534,241)	(2,087,075)	(2,415,253)
Recreation and culture		(5,679,529)	(4,149,173)	(5,761,263)
Transport		(10,471,443)	(5,777,915)	(10,561,139)
Economic services		(1,431,293)	(1,334,294)	(1,486,248)
Other property and services		(28,128)	(437,062)	(86,638)
		<u>(24,637,331)</u>	<u>(18,104,183)</u>	<u>(25,042,809)</u>
Finance costs (refer notes 2 & 7)				
Housing		(2,452)	(3,239)	(3,089)
Recreation and culture		(7,992)	(19,295)	(18,200)
Transport		(12,832)	(11,327)	(12,332)
		<u>(23,276)</u>	<u>(33,861)</u>	<u>(33,621)</u>
		<u>(12,998,646)</u>	<u>(823,838)</u>	<u>(10,483,316)</u>
Non-operating grants, subsidies and contributions	15	1,304,500	2,630,616	3,256,944
(Loss) on disposal of assets	6	(15,925)	(12,064)	(62,000)
		<u>1,288,575</u>	<u>2,618,552</u>	<u>3,194,944</u>
Net result		(11,710,071)	1,794,714	(7,288,372)
Total comprehensive income		<u>(11,710,071)</u>	<u>1,794,714</u>	<u>(7,288,372)</u>

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

**SHIRE OF CARNARVON
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		4,972,208	5,125,779	5,097,817
Operating grants, subsidies and contributions		3,566,879	7,894,708	5,840,508
Fees and charges		3,133,376	3,042,921	3,173,746
Interest earnings		275,000	149,329	375,043
Goods and services tax		756,000	612,622	739,364
Other revenue		158,560	488,583	302,590
		<u>12,862,023</u>	<u>17,313,942</u>	<u>15,529,068</u>
Payments				
Employee costs		(7,235,130)	(6,705,900)	(7,038,115)
Materials and contracts		(5,973,389)	(2,675,559)	(7,393,638)
Utility charges		(810,694)	(764,664)	(837,099)
Interest expenses		(23,276)	(38,847)	(33,621)
Insurance expenses		(450,714)	(436,143)	(390,540)
Goods and services tax		(756,000)	(625,548)	(739,364)
Other expenditure		(434,899)	(306,695)	(367,915)
		<u>(15,684,102)</u>	<u>(11,553,356)</u>	<u>(16,800,292)</u>
Net cash provided by (used in) operating activities	3(b)	<u>(2,822,079)</u>	<u>5,760,586</u>	<u>(1,271,224)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	5	(2,007,728)	(1,134,315)	(2,541,863)
Payments for construction of infrastructure	5	(3,589,399)	(6,614,481)	(6,077,511)
Non-operating grants, subsidies and contributions used for the development of assets		1,304,500	2,630,616	3,256,944
Proceeds from sale of plant & equipment	6	50,500	42,963	50,000
Net cash provided by (used in) investing activities		<u>(4,242,127)</u>	<u>(5,075,217)</u>	<u>(5,312,430)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	7	(228,783)	(376,019)	(415,696)
Proceeds from new borrowings	7	0	450,001	860,000
Net cash provided by (used in) financing activities		<u>(228,783)</u>	<u>73,982</u>	<u>444,304</u>
Net increase (decrease) in cash held		(7,292,989)	759,351	(6,139,350)
Cash at beginning of year		<u>9,177,649</u>	<u>8,418,298</u>	<u>8,618,044</u>
Cash and cash equivalents at the end of the year	3(a)	<u><u>1,884,660</u></u>	<u><u>9,177,649</u></u>	<u><u>2,478,694</u></u>

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

**SHIRE OF CARNARVON
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Net current assets at start of financial year - surplus/(deficit)	4	4,589,789	1,008,581	1,272,214
		4,589,789	1,008,581	1,272,214
Revenue from operating activities (excluding rates)				
Governance		42,100	57,114	42,600
General purpose funding		2,675,827	7,740,968	5,246,357
Law, order, public safety		185,844	201,313	168,943
Health		39,030	80,572	57,900
Education and welfare		321,039	601,557	433,239
Housing		6,760	8,293	17,840
Community amenities		1,969,000	1,900,491	1,840,889
Recreation and culture		222,200	230,885	295,629
Transport		889,909	1,017,387	1,025,312
Economic services		504,293	688,571	616,817
Other property and services		48,751	140,999	163,750
		<u>6,904,753</u>	<u>12,668,150</u>	<u>9,909,276</u>
Expenditure from operating activities				
Governance		(1,295,426)	(1,257,783)	(1,224,628)
General purpose funding		(205,124)	(181,183)	(210,067)
Law, order, public safety		(992,256)	(909,252)	(932,811)
Health		(639,957)	(602,456)	(721,996)
Education and welfare		(1,249,899)	(1,250,462)	(1,513,579)
Housing		(112,612)	(120,767)	(132,276)
Community amenities		(2,534,241)	(2,087,075)	(2,415,253)
Recreation and culture		(5,703,321)	(4,168,468)	(5,779,463)
Transport		(10,484,275)	(5,789,242)	(10,635,471)
Economic services		(1,431,293)	(1,334,294)	(1,486,248)
Other property and services		(28,128)	(449,126)	(86,638)
		<u>(24,676,532)</u>	<u>(18,150,108)</u>	<u>(25,138,430)</u>
Operating activities excluded from budget				
Loss on disposal of assets	6	15,925	12,064	62,000
Recognition of grant held in cash backed reserves	9	0	0	(706,533)
Depreciation on assets	2(a)	9,027,803	7,098,993	9,220,543
Amount attributable to operating activities		(4,138,262)	2,637,680	(5,380,930)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	15	1,304,500	2,630,616	3,256,944
Purchase property, plant and equipment	5	(2,007,728)	(1,134,315)	(2,541,863)
Purchase and construction of infrastructure	5	(3,589,399)	(6,614,481)	(6,077,511)
Proceeds from disposal of assets	6	50,500	42,963	50,000
Amount attributable to investing activities		(4,242,127)	(5,075,217)	(5,312,430)
FINANCING ACTIVITIES				
Repayment of borrowings	7	(228,783)	(376,019)	(415,696)
Proceeds from new borrowings	7	0	450,001	860,000
Transfers to cash backed reserves (restricted assets)	9	(358,922)	(759,525)	(652,271)
Transfers from cash backed reserves (restricted assets)	9	4,210,886	3,066,813	6,217,489
Amount attributable to financing activities		3,623,181	2,381,270	6,009,522
Budgeted deficiency before general rates		(4,757,208)	(56,267)	(4,683,838)
Estimated amount to be raised from general rates	8	4,757,208	4,646,056	4,683,838
Net current assets at end of financial year - surplus/(deficit)	4	0	4,589,789	0

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

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The budget has been prepared in accordance with applicable Australian Accounting Standards (as they apply to local government 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 budget are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the budget 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 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.

The local government reporting eEntity

All funds through which the Shire of Carnarvon 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 17 to the budget.

(b) 2016/17 actual balances

Balances shown in this budget as 2016/17 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

(c) Rounding off figures

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

(d) Comparative figures

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

(e) 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.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Forecast fair value adjustments

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the re-measurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

(g) Rates, grants, donations and other contributions

Rates, grants, donations and other contributions are recognised as revenues when the Shire of Carnarvon 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.

(h) 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.

(i) Superannuation

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

(j) 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 and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities in Note 4 - Net Current Assets.

(k) 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.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 resale

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.

(m) 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.

During the year ended 30 June 2013, the Shire of Carnarvon commenced the process of adopting fair value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at fair value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire of Carnarvon revalues its asset classes in accordance with this mandatory timetable.

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

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 Shire of Carnarvon includes the cost of all materials used

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 of the next anniversary date in accordance with the mandatory measurement framework detailed above.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fixed assets (continued)

Revaluation

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

Land under roads

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

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

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

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 Shire

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

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

Buildings	10 to 100 years
Furniture and Equipment	3 to 10 years
Plant and Equipment	5 to 20 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
- bituminous seals	20 years
- asphalt surfaces	25 years
Gravel roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads	
clearing and earthworks	not depreciated
construction/roadbase	50 years
Footpaths - slab	50 years
Bridges	50 years
Levee System	50 years
Tools	5 years
Water supply piping & drainage systems	75 years
Other Infrastructure	Various

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 profit or loss in the period which they arise.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fair value of assets and liabilities

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

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

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fair value of assets and liabilities (continued)

Market approach

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

Income approach

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

Cost approach

Valuation techniques that reflect the current replacement cost of 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 Shire of Carnarvon 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.

The mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations* requires, as a minimum, all assets to be revalued at least every 3 years. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards have been made in the budget as necessary.

(o) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Shire of Carnarvon becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire of Carnarvon commits itself to either the purchase or sale of the asset (ie 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 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.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

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.

(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. Assets in this category are classified as current assets. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(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 Shire of Carnarvon management 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 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 (excl. financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in the profit or loss.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 has 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 for receipt of cash flows expire or the asset is transferred to another party, whereby the Shire of Carnarvon 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.

(p) Impairment of assets

In accordance with Australian Accounting Standards the Shire of Carnarvon 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 revaluation decrease in accordance with that other standard.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Impairment of assets (continued)

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.

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (if any) as at 30 June 2018.

In any event, an impairment loss is a non-cash transaction and consequently, has no impact on this budget document.

(q) Trade and other payables

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

(r) Employee benefits

Short-term employee benefits

Provision is made for the Shire of Carnarvon'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 Carnarvon'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 Carnarvon'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 Shire of Carnarvon's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire of Carnarvon does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) Provisions

Provisions are recognised when the Shire of Carnarvon 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.

(u) 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 Shire of Carnarvon, 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.

(v) Investment in associates

An associate is an entity over which the Shire of Carnarvon 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 Shire of Carnarvon's share of net assets of the associate. In addition, the Shire of Carnarvon's share of the profit or loss of the associate is included in the

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire of Carnarvon'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.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Investment in associates (continued)

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

When the Shire of Carnarvon's share of losses in an associate equals or exceeds its interest in the associate, the Shire of Carnarvon 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 Shire of Carnarvon will resume recognising its share of these profits once its share of the profits equals the share of the losses not recognised.

(x) 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 Shire of Carnarvon'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 20.

(y) 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 of Carnarvon's operational cycle. In the case of liabilities where the Shire of Carnarvon 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 of Carnarvon's intentions to

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

2 REVENUES AND EXPENSES

Net result	2017/18	2016/17	2016/17
	Budget	Actual	Budget
The net result includes:	\$	\$	\$
Charging as an expense:			
Auditors remuneration			
Audit services	45,000	33,803	40,000
Other services	7,000	2,050	0
Depreciation by program			
Governance	193,274	193,709	155,360
Law, order, public safety	27,337	28,505	27,225
Health	7,248	7,297	7,273
Education and welfare	66,193	66,112	73,940
Housing	32,916	32,875	35,864
Community amenities	100,206	100,081	109,375
Recreation and culture	1,013,647	1,012,930	1,049,206
Transport	7,326,454	5,397,304	7,400,497
Economic services	2,211	2,305	4,985
Other property and services	258,317	257,875	356,818
	<u>9,027,803</u>	<u>7,098,993</u>	<u>9,220,543</u>
Depreciation by asset class			
Land and buildings	646,562	938,322	660,320
Furniture and equipment	61,801	13,007	63,116
Plant and equipment	256,364	245,335	354,140
Roads	6,789,782	4,863,089	6,808,726
Footpaths	36,851	36,806	37,234
Drainage	87,917	87,807	95,790
Parks and ovals	856,719	326,197	874,949
Other	14,311	195,818	14,692
Bridges	135,769	159,600	147,927
Levee System	44,812	44,756	48,818
Carparks	12,484	12,588	23,814
Airport	84,431	175,668	91,017
	<u>9,027,803</u>	<u>7,098,993</u>	<u>9,220,543</u>
Interest expenses (finance costs)			
- Borrowings (refer note 7(a))	23,276	33,861	33,621
	<u>23,276</u>	<u>33,861</u>	<u>33,621</u>
Crediting as revenues:			
Interest earnings			
Investments			
- Reserve funds	100,000	45,205	201,243
- Other funds	100,000	16,235	100,000
Other interest revenue (refer note 12)	75,000	87,889	73,800
	<u>275,000</u>	<u>149,329</u>	<u>375,043</u>
Other revenue			
Reimbursements and recoveries	69,750	381,649	70,750
Other	88,810	106,934	231,840
	<u>158,560</u>	<u>488,583</u>	<u>302,590</u>

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

REVENUES AND EXPENSES (Continued)

2 (b) Statement of Objective

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.

COMMUNITY VISION

The Shire's strategic vision adopted in the Strategic Community Plan is:

The Shire of Carnarvon will remain a wonderful place of endless opportunity, with a pristine environment, where the desert meets the sea.'

GOVERNANCE

Objective:

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

Activities:

Administration and operations of facilities and services to members of Council.

Other costs which relate to the tasks of assisting elected members and ratepayers on matters which do not concern specific council services.

GENERAL PURPOSE FUNDING

Objective:

To collect general revenue to allow for the provision of services.

Activities:

Rates activity, general purpose grants, banking costs and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer community.

Activities:

Supervision of various local laws, fire prevention, emergency services, CBD security, administration of the Crime Prevention Plan.

HEALTH

Objective:

To provide an operational framework for good community health.

Activities:

Food quality and pest control, inspections and infant health. This function also provides for the implementation of the Healthy Lifestyles model.

EDUCATION AND WELFARE

Objective:

To meet the needs of the community in these areas.

Activities:

Support pre-school facilities and assistance of seniors and retirement villages.

This function also provides for Youth Strategy and the accounting of the Carnarvon Youth Co-Ordinating Networks finance as part of the agreement.

HOUSING

Objective:

To meet the needs of the Shire of Carnarvon Staff.

Activities:

Staff Housing.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2017

2. REVENUES AND EXPENSES (Continued)

(b) Statement of Objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide sanitary and essential services required by the community.
To provide land development strategies and to process land development activities.
Environmental sustainability.

Activities:

Refuse collection service, operation of refuse site, administration of town planning scheme, cemetery service and maintenance, environmental protection services and land development services.

RECREATION AND CULTURE

Objective:

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

Activities:

Operations of the Civic Centre (Camel Lane), aquatic centre and beach areas, regional library service, cultural and heritage services and facilities, reserves, parks and gardens.

TRANSPORT

Objective:

To provide effective and efficient transport services to the community.

Activities:

Maintenance of streets, roads, footpaths, street lighting, airport. Agency for Department of Planning and Infrastructure's on line vehicle licensing service.

ECONOMIC SERVICES

Objective:

To help promote and market the Shire of Carnarvon to the world and improve the economic well being. To ensure building development regulations are adhered to.

Activities:

Noxious weed control, tourism and area promotion, building control and services.

OTHER PROPERTY & SERVICES

Objective:

To ensure works programs are operating efficiently.

Activities:

Private works operations, public works operations and plant operations.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

3 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

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

	2017/18	2016/17	2016/17
	Budget	Actual	Budget
	\$	\$	\$
Cash - unrestricted	0	3,441,025	0
Cash - restricted	1,884,660	5,736,624	2,478,694
3(a)	<u>1,884,660</u>	<u>9,177,649</u>	<u>2,478,694</u>

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

Leave Reserve	129,912	128,557	132,954
Plant Reserve	135,636	134,221	458,371
Waste Disposal/Refuse Reserve	79,662	187,684	100,444
Public Ablutions Reserve	1,779	1,761	1,818
Coral Bay Refuse Reserve	22,056	21,826	1,831
Staff Housing Reserve	735,445	727,775	755,932
Civic Centre Reserve	33,264	116,122	29,748
IT Replacement Reserve	54,447	53,879	55,938
Airport Reserve	54,463	48,980	63,752
Surge/Fascine Wall Reserve	104,948	315,476	16,748
Flood Mitigation Reserve	11,986	11,861	13,273
Town Planning Reserve	1,742	23,494	1,828
Fascine Dredging Reserve	126,668	125,347	127,301
OCT/NASA Development Reserve	8,928	8,835	9,803
Blowholes Reserve	3,084	2,844	4,261
Unspent Grants Reserve	67,222	3,048,118	36,987
Land & Infrastructure Reserve	130,386	647,809	530,198
Asset Management Reserve	29,137	28,833	31,475
Emergency Response Reserve	152,495	101,948	103,488
Mosquito Management Reserve	1,400	1,254	2,544
	<u>1,884,660</u>	<u>5,736,624</u>	<u>2,478,694</u>

Reconciliation of net cash provided by operating activities to net result

Net result	(11,710,071)	1,794,714	(7,288,372)
Depreciation	9,027,803	7,098,993	9,220,543
(Profit)/loss on sale of asset	15,925	12,064	62,000
Loss on revaluation of non current assets	0	606,648	0
(Increase)/decrease in receivables	444,062	(616,578)	196,590
(Increase)/decrease in inventories	0	(26,547)	0
Increase/(decrease) in payables	704,702	(471,444)	(205,041)
Increase/(decrease) in employee provisions	0	(28,443)	0
Grants/contributions for the development of assets	(1,304,500)	(2,630,616)	(3,256,944)
3(b) Net cash from operating activities	<u>(2,822,079)</u>	<u>5,738,791</u>	<u>(1,271,224)</u>

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Undrawn borrowing facilities credit standby arrangements			
Bank overdraft limit	200,000	200,000	200,000
Bank overdraft at balance date	0	0	0
Credit card limit	40,000	40,000	40,000
Credit card balance at balance date	0	(2,276)	0
Total amount of credit unused	<u>240,000</u>	<u>237,724</u>	<u>240,000</u>
Loan facilities			
Loan facilities in use at balance date	<u>494,989</u>	<u>723,772</u>	<u>281,429</u>
Unused loan facilities at balance date	<u>0</u>	<u>0</u>	<u>0</u>
	Note	2017/18 Budget \$	2016/17 Actual \$
4 NET CURRENT ASSETS			
Composition of estimated net current assets			
Current assets			
Cash - unrestricted	3(a)	0	3,441,025
Cash - restricted reserves	3(a)	1,884,660	5,736,624
Receivables		1,357,858	1,801,920
Inventories		67,603	67,603
		<u>3,310,121</u>	<u>11,047,172</u>
Less: current liabilities			
Trade and other payables		(1,425,461)	(720,759)
Long term borrowings		(127,822)	(356,605)
Provisions		(532,013)	(532,013)
		<u>(2,085,296)</u>	<u>(1,609,377)</u>
Unadjusted net current assets		1,224,825	9,437,795
Differences between the net current assets at the end of each financial year in the rate setting statement and net current assets detailed above arise from amounts which have been excluded when calculating the budget deficiency in accordance with <i>Local Government (Financial Management) Regulation 32</i> as movements for these items have been funded within the budget estimates. These differences are disclosed as adjustments below.			
Adjustments			
Less: Cash - restricted reserves	3(a)	(1,884,660)	(5,736,624)
Add: Current portion of borrowings		127,822	356,605
Add: Current liabilities not expected to be cleared at end of year		532,013	532,013
Adjusted net current assets - surplus/(deficit)		<u><u>0</u></u>	<u><u>4,589,789</u></u>

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

5. ACQUISITION OF ASSETS

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

Asset class	Reporting program										2016/17 Actual total \$	
	Governance \$	Law, order, public safety \$	Education and welfare \$	Housing \$	Community amenities \$	Recreation and culture \$	Transport \$	2017/18 Budget total \$				
<u>Property, Plant and Equipment</u>												
Land and buildings	188,550	0	3,158	59,923	1,017,720	249,891	138,986	1,658,228			946,001	
Furniture and equipment	0	0	0	0	0	15,500	0	15,500			13,462	
Plant and equipment	0	0	120,000	0	0	134,000	80,000	334,000			174,852	
	188,550	0	123,158	59,923	1,017,720	399,391	218,986	2,007,728			1,134,315	
<u>Infrastructure</u>												
Roads	0	0	0	0	0	0	1,894,997	1,894,997			2,525,752	
Footpaths	0	0	0	0	0	0	280,200	280,200			150,969	
Drainage	0	0	0	0	0	0	42,813	42,813			5,111	
Parks and ovals	0	0	0	0	0	0	0	0			6,843	
Other	0	7,070	0	0	0	1,136,736	227,583	1,371,389			221,539	
Airport	0	0	0	0	0	0	30,000	0			3,704,267	
	0	7,070	0	0	0	1,136,736	2,475,593	3,589,399			6,614,481	
Total acquisitions	188,550	7,070	123,158	59,923	1,017,720	1,536,127	2,694,579	5,597,127			7,748,796	

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

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

6. DISPOSALS OF ASSETS

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

<u>By Program</u>	Net book value	Sale proceeds	2017/18 Budget		2016/17 Actual		2016/17 Budget	
			Profit	Loss	Profit	Loss	Profit	Loss
Governance	\$ 36,125	\$ 36,000	\$ 0	\$ (125)	\$ 0	\$ 0	\$ 0	\$ 0
Recreation and culture	30,300	14,500	0	(15,800)	0	0	0	0
Transport	0	0	0	0	0	0	0	(62,000)
Other property and services	0	0	0	0	0	(12,064)	0	0
	66,425	50,500	0	(15,925)	0	(12,064)	0	(62,000)

<u>By Class</u>	Net book value	Sale proceeds	2017/18 Budget		2016/17 Actual		2016/17 Budget	
			Profit	Loss	Profit	Loss	Profit	Loss
Plant and equipment	\$ 66,425	\$ 50,500	\$ 0	\$ (15,925)	\$ 0	\$ (12,064)	\$ 0	\$ (62,000)
	66,425	50,500	0	(15,925)	0	(12,064)	0	(62,000)

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

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

7. INFORMATION ON BORROWINGS

(a) Borrowing repayments

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

Purpose	Principal 1-Jul-17	New loans	Principal repayments		Principal outstanding 2017/18 Budget	2016/17		2017/18		2016/17		2016/17	
			2017/18 Budget	2017/18 Actual		2016/17 Actual	2016/17 Actual	2017/18 Budget	2017/18 Actual	2016/17 Actual	2016/17 Actual		
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Housing													
Loan 213 Staff Housing	44,650	0	10,943	10,306	33,707	44,650	44,650	2,452	2,452	3,239	3,239		
Recreation and culture													
Loan 211 Library	40,823	0	40,823	77,540	0	40,823	40,823	1,069	1,069	6,457	6,457		
Loan 215 Infrastructure Develo	207,712	0	137,299	132,450	70,413	207,712	207,712	6,923	6,923	12,838	12,838		
Transport													
Loan 214 Plant	0	0	0	136,310	0	0	0	0	0	2,589	2,589		
Loan 216 Airport Corrective Wc	430,587	0	39,718	19,413	390,869	430,587	430,587	12,832	12,832	8,738	8,738		
	723,772	0	228,783	376,019	494,989	723,772	723,772	23,276	23,276	33,861	33,861		

All debenture repayments will be financed by general purpose revenue.

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

7. INFORMATION ON BORROWINGS (Continued)

(b) New borrowings - 2017/18

The Shire of Carnarvon have no New Borrowings in 2017/18.

(c) Unspent borrowings

The Shire of Carnarvon had no unspent borrowing funds as at 30th June 2017 nor is it expected to have unspent borrowing funds as at 30th June 2018.

(d) Overdraft

The Shire of Carnarvon has not utilised an overdraft facility during the financial year although an overdraft facility of \$200,000 with the ANZ Bank does exist. It is not anticipated that this facility will be required to be utilised during 2017/18.

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

8. RATING INFORMATION

RATE TYPE	Rate in \$	Number of properties	Rateable value \$	2017/18 Budgeted rate revenue \$	2017/18 Budgeted interim rates \$	2017/18 Budgeted back rates \$	2017/18 Budgeted total revenue \$	2016/17 Actual \$
Uniform General Rate								
GRV Valued Properties	0.084539	1,887	46,010,997	3,889,726	(20,000)	5,000	3,874,726	3,686,362
Differential general rate								
UV Mining	0.121293	21	503,185	61,033	0	0	61,033	56,381
UV Pastoral	0.066160	33	2,733,810	180,869	0	0	180,869	178,063
UV Plantations	0.008244	167	52,170,000	430,089	0	0	430,089	525,830
Sub-Totals		2,108	101,417,992	4,561,717	(20,000)	5,000	4,546,717	4,446,636
Minimum payment								
GRV Valued Properties	954	211	1,596,746	201,294	0	0	201,294	191,588
UV Mining	200	24	17,509	4,800	0	0	4,800	4,800
UV Pastoral	403	7	11,900	2,821	0	0	2,821	1,532
UV Plantations	788	2	60,000	1,576	0	0	1,576	1,500
Sub-Totals		244	1,686,155	210,491	0	0	210,491	199,420
Discounts/concessions (Refer note 13)								
Total amount raised from general rates		2,352	103,104,147	4,772,208	(20,000)	5,000	4,757,208	4,646,056
Specified area rates (Refer note 10)								
Total rates							4,757,208	4,646,056
							215,000	249,368
							4,972,208	4,895,424

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

8(a). RATING INFORMATION

All land except exempt land in the Shire of Carnarvon is rated according to its Gross Rental Value (GRV) in townsites or Unimproved Value (UV) in the remainder of the Shire of Carnarvon.

The general rates detailed above for the 2017/18 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 the Local Government services/facilities.

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
UV Mining	Consists of properties that are used for mining, exploration or prospecting purposes.	The object of the rate for this category is to raise additional revenue to fund cost impacts on the Shire.	The reason this category is rated higher than UV Horticultural and UV Pastoral is to reflect the higher road infrastructure maintenance costs to the Shire as a result of use of extensive lengths of the Shire roads throughout the year, and the relatively low total contribution from this sector to the overall total.
UV Pastoral	Consists of properties for pastoral use.	This is considered the base rate for which all other UV rate properties are assessed.	The rate in the dollar set for the UV Rural Category forms the basis for calculating all other UV Differential rates.
UV Plantations	Consists of properties that are outside of the townsite that have a commercial use inclusive of a range of horticultural and pastoral activities.	The object of the rate for these categories is to raise additional revenue to fund the additional cost impact attributed to the servicing of these properties.	The reason is that the Shire incurs higher costs in service provision and infrastructure maintenance as a result of extra vehicle movements in the Shire's road network due to the location and commercial nature of these properties outside the town site.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

8(a). RATING INFORMATION

Differential minimum payment

Description	Characteristics	Objects	Reasons
UV Mining	Consists of properties that are used for mining, exploration or prospecting purposes.	The object of the rate for this category is to raise additional revenue to fund cost impacts on the Shire.	The Shire has set the acceptable prescribed amount as the minimum payment amount for UV Mining due to number of these assessments having low unimproved valuations applied. By setting the General Minimum amount to the prescribed amount it allowed Council to meet legislation requirements
UV Pastoral	Consists of properties for pastoral use.	This is considered the base rate for which all other UV rate properties are assessed.	The reason is that the Shire incurs higher costs in service provision and infrastructure maintenance as a result of extra vehicle movements on the Shire's road network due to the location and commercial nature of these properties outside of the town site.
UV Plantations	Consists of properties that are outside of the townsite that have a commercial use inclusive of a range of horticultural and pastoral activities.	The object of the rate for these categories is to raise additional revenue to fund the additional cost impact attributed to the servicing of these properties.	The reason is that the Shire incurs higher costs in service provision and infrastructure maintenance as a result of extra vehicle movements on the Shire's road network due to the location and commercial nature of these properties outside of the town site.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

9. CASH BACKED RESERVES

	2017/18	2017/18	2017/18	2017/18	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17
	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Opening	Transfer	Transfer	Opening	Opening	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer	Transfer
	balance	to	(from)	balance	balance	to	to	to	to	to	to	to	to	to	to
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave Reserve	128,557	1,355	0	129,912	127,945	612	0	128,557	0	128,557	5,009	0	132,954	0	132,954
Plant Reserve	134,221	1,415	0	135,636	133,582	639	0	134,221	0	134,221	324,789	0	458,371	0	458,371
Waste Disposal/Refuse Reserve	187,684	1,978	(110,000)	79,662	186,790	894	0	187,684	0	187,684	3,654	(90,000)	100,444	(90,000)	100,444
Public Ablutions Reserve	1,761	18	0	1,779	1,753	8	0	1,761	0	1,761	65	0	1,818	0	1,818
Coral Bay Refuse Reserve	21,826	230	0	22,056	21,722	104	0	21,826	0	21,826	109	(20,000)	1,831	(20,000)	1,831
Staff Housing Reserve	727,775	7,670	0	735,445	724,308	3,467	0	727,775	0	727,775	31,624	0	755,932	0	755,932
Civic Centre Reserve	116,122	3,215	(86,073)	33,264	303,596	1,453	(188,927)	116,122	0	116,122	1,152	(275,000)	29,748	(275,000)	29,748
IT Replacement Reserve	53,879	568	0	54,447	53,622	257	0	53,879	0	53,879	2,316	0	55,938	0	55,938
Airport Reserve	48,980	5,483	0	54,463	826,502	2,478	(780,000)	48,980	0	48,980	17,250	(780,000)	63,752	(780,000)	63,752
Surge/Fascine Wall Reserve	315,476	104,472	(315,000)	104,948	7,440	308,036	0	315,476	0	315,476	7,440	(120,000)	16,748	(120,000)	16,748
Flood Mitigation Reserve	11,861	125	0	11,986	11,804	57	0	11,861	0	11,861	1,469	0	13,273	0	13,273
Town Planning Reserve	23,494	248	(22,000)	1,742	23,382	112	0	23,494	0	23,494	446	(22,000)	1,828	(22,000)	1,828
Fascine Dredging Reserve	125,347	1,321	0	126,668	124,750	597	0	125,347	0	125,347	2,551	0	127,301	0	127,301
OCT/NASA Development Reserve	8,835	93	0	8,928	8,793	42	0	8,835	0	8,835	8,793	0	9,803	0	9,803
Blowholes Reserve	2,844	240	0	3,084	22,735	109	(20,000)	2,844	0	2,844	1,526	(20,000)	4,261	(20,000)	4,261
Unspent Grants Reserve	3,048,118	67,220	(3,048,116)	67,222	4,639,633	386,371	(1,977,886)	3,048,118	3,048,118	3,048,118	36,987	(4,639,633)	36,987	(4,639,633)	36,987
Land & Infrastructure Reserve	647,809	112,274	(629,697)	130,386	744,246	3,563	(100,000)	647,809	0	647,809	744,246	(250,856)	530,198	(250,856)	530,198
Asset Management Reserve	28,833	304	0	29,137	28,696	137	0	28,833	0	28,833	2,779	0	31,475	0	31,475
Emergency Response Reserve	101,948	50,547	0	152,495	51,701	50,247	0	101,948	0	101,948	51,787	0	103,488	0	103,488
Mosquito Management Reserve	1,254	146	0	1,400	912	342	0	1,254	0	1,254	1,632	0	2,544	0	2,544
	5,736,624	358,922	(4,210,886)	1,884,660	8,043,912	759,525	(3,066,813)	5,736,624	8,043,912	5,736,624	652,271	(6,217,489)	2,478,694	(6,217,489)	2,478,694

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

9. CASH BACKED RESERVES (Continued)

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	Purpose of the reserve
Leave Reserve	To be used to fund annual and long service leave requirements.
Plant Reserve	To be used to implement the Shire's Plant Replacement Program.
Waste Disposal/Refuse Reserve	To be used for maintenance or capital expenditure at Browns Range Refuse Site.
Public Ablutions Reserve	To be used to contribute to replacement of major upgrades on Shire of Carnarvon
Coral Bay Refuse Reserve	To be used for maintenance and capital costs associated with Coral Bay Refuse Site.
Staff Housing Reserve	To be used for major maintenance and capital purchases with respect to staff housing.
Civic Centre Reserve	To be used for major building and equipment upgrades to Carnarvon Civic Centre.
IT Replacement Reserve	To be used to fund the Shire of Carnarvon Information Technology Strategy.
Airport Reserve	To be used to contribute to capital costs in relation to the Carnarvon Airport.
Surge/Fascine Wall Reserve	To be used for capital upgrade costs associated with the Fascine Wall.
Flood Mitigation Reserve	To be used to finance Council's obligations with respect to the Flood Mitigation Strategy.
Town Planning Reserve	To be used to contribute to funding town planning scheme reviews, new scheme & relevant town planning purposes.
Fascine Dredging Reserve	To be used to contribute to funding the fascine dredging program.
OCT/NASA Development Reserve	To be used for the development & conservation of the OTC site.
Blowholes Reserve	To be used to assist with the removal of shack debris and post demolition rehabilitation of shack area.
Unspent Grants Reserve	To be used to isolate grants and contributions for specific purposes to be spent at a later date or in subsequent years.
Land & Infrastructure Reserve	To be used for the purchase of land and development of infrastructure within the Shire of Carnarvon.
Asset Management Reserve	To be used for the replacement and improvement of specified assets within the Shire of Carnarvon in accordance with the Shire's Asset Management Plan.
Emergency Response Reserve	To be used in the preparation for and providing immediate assistance, relief and recovery to the community in response to an Emergency within the Shire of
Mosquito Management Reserve	To be used for the purpose of delivering services to assist in mosquito management within the Shire of Carnarvon, which includes funding from the

The reserves are not expected to be used within a set period as further transfers to the reserve accounts are expected as funds are utilised.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

10. SPECIFIED AREA RATE

Specified area rate	Basis of valuation	Rate in \$	2017/18 Budgeted specified area rate revenue \$	2017/18 Interim specified area rate revenue \$	2017/18 Back specified area rate revenue \$	2017/18 Total specified area rate revenue \$	2016/17 Actual revenue \$
GRV Coral Bay Refuse Site	GRV	0.06305	215,000	0	0	215,000	249,368
			215,000	0	0	215,000	249,368

Specified area rate	Purpose of the rate	Area or properties rate is to be imposed on	Budgeted rate applied to costs \$	Budgeted rate set aside to reserve \$	Reserve Amount to be applied to costs \$
GRV Coral Bay	This rate is raised to contribute to the maintenance and future deliberations of the Coral Bay Refuse Site. The rate will be applied in full to the Coral Bay Refuse Site. Any surplus is required to be transferred to a specific purpose reserve. A surplus is not anticipated.	All properties located in Coral Bay	215,000	0	0
			215,000	0	0

11. SERVICE CHARGES

No Service Charges will be raised in 2017/18.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

12. 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 Rate %
Four Instalment Plan				
Instalment 1	9/10/2017	0	5.50%	11%
Instalment 2	11/12/2017	4	5.50%	11%
Instalment 3	12/02/2018	4	5.50%	11%
Instalment 4	16/04/2018	4	5.50%	11%
Two Instalment Plan				
Instalment 1	9/10/2017	0	5.50%	11%
Instalment 2	12/02/2018	4	5.50%	11%

	2017/18 Budget revenue \$	2016/17 Actual \$
Instalment plan admin charge revenue	4,000	5,196
Instalment plan interest earned	20,000	20,412
Unpaid rates interest earned	55,000	67,477
	<u>79,000</u>	<u>93,085</u>

13. PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS

The Shire does not offer any discounts, waivers or concessions.

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

	2017/18 Budget \$	2016/17 Actual \$
14. FEES & CHARGES REVENUE		
Governance	5,100	4,829
General purpose funding	47,500	43,084
Law, order, public safety	27,070	24,609
Health	38,300	34,635
Education and welfare	2,000	1,175
Community amenities	1,674,000	1,658,505
Recreation and culture	199,700	148,699
Transport	692,500	688,453
Economic services	420,206	411,138
Other property and services	27,000	27,794
	<u>3,133,376</u>	<u>3,042,921</u>
15. 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	2,353,328	7,402,965
Law, order, public safety	156,774	137,554
Health	680	45,888
Education and welfare	317,039	591,225
Community amenities	80,000	0
Recreation and culture	19,000	48,008
Transport	187,409	298,406
Economic services	8,587	192,108
	<u>3,122,817</u>	<u>8,716,154</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	0	119,207
Education and welfare	60,000	0
Recreation and culture	332,000	428,000
Transport	912,500	2,083,409
	<u>1,304,500</u>	<u>2,630,616</u>

SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

	2017/18 Budget \$	2016/17 Actual \$
16. ELECTED MEMBERS REMUNERATION		
The following fees, expenses and allowances were paid to council members and/or the President.		
Meeting fees	150,872	116,000
President's allowance	48,400	34,400
President's allowance	12,000	8,600
Travelling expenses	22,500	9,932
Telecommunications allowance	4,500	4,888
	<u>238,272</u>	<u>173,820</u>

17. TRUST FUNDS

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

Detail	Balance 1-Jul-17 \$	Estimated amounts received \$	Estimated amounts paid (\$)	Estimated balance 30-Jun-18 \$
Building in Training Fund	0	25,000	(25,000)	0
Civic Centre Airconditioning	51	0	0	51
Civic Centre Hire	4,909	5,500	(3,500)	6,909
Footpath Deposits	2,099	0	(15,000)	(12,901)
Footpaths Cash in Lieu	7,200	0	0	7,200
P.O.S. Deposits	110,374	0	0	110,374
Perth Glory Flood Relief	12,500	0	0	12,500
Private Works	2,000	500	(1,000)	1,500
Shire Facility Deposits	6,752	3,000	(5,400)	4,352
Sundry	8,112	1,000	(5,000)	4,112
Suspense	44,070	500	(6,500)	38,070
Unclaimed Monies	4,142	500	(1,000)	3,642
Unspent DRD Grant Funds	420,344	0	(420,344)	0
	<u>622,553</u>	<u>36,000</u>	<u>(482,744)</u>	<u>175,809</u>

**SHIRE OF CARNARVON
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

18. MAJOR LAND TRANSACTIONS

It is not anticipated any major land transactions will occur in 2017/18.

19. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is not anticipated any trading undertakings or major trading undertakings will occur in 2017/18.

20. INTERESTS IN JOINT ARRANGEMENTS

It is not anticipated the Shire will be party to any joint venture arrangements during 2017/18.