

SHIRE OF KATANNING
ANNUAL BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

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SHIRE OF KATANNING
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	3,772,000	3,598,345	3,605,183
Operating grants, subsidies and contributions	15	4,648,423	4,833,999	3,820,816
Fees and charges	14	2,047,374	2,006,720	2,061,331
Service charges	11	0	0	0
Interest earnings	2(a)	424,280	487,642	330,526
Other revenue	2(a)	280,706	406,108	270,346
		<u>11,172,783</u>	<u>11,332,814</u>	<u>10,088,202</u>
Expenses				
Employee costs		(4,478,406)	(3,884,466)	(4,166,555)
Materials and contracts		(4,851,568)	(3,665,630)	(3,151,932)
Utility charges		(390,711)	(372,920)	(391,493)
Depreciation on non-current assets	2(a)	(2,964,909)	(1,789,497)	(2,181,907)
Interest expenses	2(a)	(22,159)	(12,508)	(13,057)
Insurance expenses		(291,306)	(303,730)	(290,305)
Other expenditure		(99,677)	(124,041)	(155,685)
		<u>(13,098,736)</u>	<u>(10,152,792)</u>	<u>(10,350,934)</u>
		(1,925,953)	1,180,022	(262,732)
Non-operating grants, subsidies and contributions	15	7,271,413	3,548,354	10,992,131
Profit on asset disposals	6	90,101	140,420	897,418
Loss on asset disposals	6	(82,366)	(666,010)	(374,452)
Loss on revaluation of non current assets		0	0	0
Net result		<u>5,353,195</u>	<u>4,202,786</u>	<u>11,252,365</u>
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		<u>0</u>	<u>0</u>	<u>0</u>
Total comprehensive income		<u><u>5,353,195</u></u>	<u><u>4,202,786</u></u>	<u><u>11,252,365</u></u>

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

SHIRE OF KATANNING
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		213,632	274,244	37,000
General purpose funding		5,001,685	6,876,027	5,956,804
Law, order, public safety		201,235	202,866	194,786
Health		3,916	6,234	4,950
Education and welfare		80,250	193,347	149,950
Housing		180,669	214,406	230,565
Community amenities		956,174	953,843	963,376
Recreation and culture		534,870	601,779	611,998
Transport		3,258,189	976,908	993,418
Economic services		676,663	928,702	888,675
Other property and services		65,500	104,459	56,680
		<u>11,172,783</u>	<u>11,332,815</u>	<u>10,088,202</u>
Expenses excluding finance costs (refer notes 1, 2 & 16)				
Governance		(1,073,772)	(1,018,778)	(1,177,570)
General purpose funding		(131,716)	(101,618)	(158,235)
Law, order, public safety		(445,972)	(384,739)	(424,038)
Health		(140,349)	(109,502)	(155,179)
Education and welfare		(464,299)	(346,188)	(426,650)
Housing		(240,179)	(236,657)	(254,451)
Community amenities		(1,202,404)	(1,058,562)	(1,248,875)
Recreation and culture		(2,930,973)	(2,370,026)	(2,569,562)
Transport		(5,148,673)	(2,999,192)	(2,493,961)
Economic services		(1,251,395)	(1,096,958)	(1,367,638)
Other property and services		(46,845)	(418,064)	(61,718)
		<u>(13,076,577)</u>	<u>(10,140,284)</u>	<u>(10,337,877)</u>
Finance costs (refer notes 2 & 7)				
Governance		0	0	0
General purpose funding		0	0	0
Law, order, public safety		0	0	0
Health		0	0	0
Education and welfare		0	0	0
Housing		(1,729)	(3,752)	(3,934)
Community amenities		(562)	(1,233)	(1,359)
Recreation and culture		(4,519)	(5,956)	(6,116)
Transport		0	0	0
Economic services		0	0	0
Other property and services		(15,349)	(1,567)	(1,648)
		<u>(22,159)</u>	<u>(12,508)</u>	<u>(13,057)</u>
		<u>(1,925,953)</u>	<u>1,180,023</u>	<u>(262,732)</u>
Non-operating grants, subsidies and contributions	15	7,271,413	3,548,354	10,992,131
Profit on disposal of assets	6	90,101	140,420	897,418
(Loss) on disposal of assets	6	(82,366)	(666,010)	(374,452)
Loss on revaluation of non current assets		0	0	0
		<u>7,279,148</u>	<u>3,022,763</u>	<u>11,515,096</u>
Net result		5,353,195	4,202,786	11,252,364
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		5,353,195	4,202,786	11,252,364

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

**SHIRE OF KATANNING
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		3,918,266	3,448,235	3,735,183
Operating grants, subsidies and contributions		4,819,423	4,698,364	3,816,816
Fees and charges		2,047,374	2,006,720	2,443,400
Service charges		0	0	0
Interest earnings		424,280	487,642	330,526
Goods and services tax		0	50,973	100,000
Other revenue		280,706	406,108	272,846
		<u>11,490,049</u>	<u>11,098,042</u>	<u>10,698,771</u>
Payments				
Employee costs		(4,456,406)	(3,906,777)	(3,632,135)
Materials and contracts		(8,592,043)	(6,147,251)	(3,634,107)
Utility charges		(390,711)	(372,920)	(391,493)
Interest expenses		(22,159)	(12,898)	(3,057)
Insurance expenses		(291,306)	(303,730)	(290,305)
Goods and services tax		0	(14,339)	5,000
Other expenditure		(99,677)	(124,041)	(114,685)
		<u>(13,852,302)</u>	<u>(10,881,956)</u>	<u>(8,060,782)</u>
Net cash provided by (used in) operating activities	3(b)	<u>(2,362,253)</u>	<u>216,086</u>	<u>2,637,989</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development of land held for resale	5	0	0	0
Payments for purchase of property, plant & equipment	5	(17,808,773)	(3,801,635)	(20,066,272)
Payments for construction of infrastructure	5	(1,517,384)	(1,262,137)	(1,507,410)
Non-operating grants, subsidies and contributions used for the development of assets		7,271,413	3,548,354	10,992,131
Funding provided for Asset Creation		0	0	(9,659,544)
Proceeds from sale of plant & equipment	6	417,273	410,823	1,142,501
Net cash provided by (used in) investing activities		<u>(11,637,471)</u>	<u>(1,104,596)</u>	<u>(19,098,594)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	7	(172,919)	(76,813)	(76,813)
Advances to community groups		0	0	0
Proceeds from self supporting loans		0	0	0
Proceeds from new borrowings	7	3,500,000	482,460	2,555,000
Net cash provided by (used in) financing activities		<u>3,327,081</u>	<u>405,647</u>	<u>2,478,187</u>
Net increase (decrease) in cash held		(10,672,643)	(482,863)	(13,982,418)
Cash at beginning of year		<u>32,691,705</u>	<u>33,174,568</u>	<u>33,174,568</u>
Cash and cash equivalents at the end of the year	3(a)	<u>22,019,062</u>	<u>32,691,705</u>	<u>19,192,150</u>

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

**SHIRE OF KATANNING
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	5,815,404	2,697,110	2,300,455
		5,815,404	2,697,110	2,300,455
Revenue from operating activities (excluding rates)				
Governance		255,981	287,812	634,736
General purpose funding		1,229,685	3,277,682	2,351,621
Law, order, public safety		201,235	202,866	194,786
Health		3,916	6,234	4,950
Education and welfare		80,250	193,347	149,950
Housing		180,669	214,406	230,565
Community amenities		956,174	953,843	963,376
Recreation and culture		534,870	607,135	612,498
Transport		3,305,941	1,098,404	1,292,600
Economic services		676,663	928,702	888,675
Other property and services		65,500	104,459	56,680
		7,490,884	7,874,890	7,380,437
Expenditure from operating activities				
Governance		(1,076,098)	(1,668,777)	(1,482,068)
General purpose funding		(131,716)	(101,618)	(158,235)
Law, order, public safety		(445,972)	(384,739)	(424,038)
Health		(140,349)	(109,502)	(155,179)
Education and welfare		(464,299)	(346,188)	(426,650)
Housing		(241,908)	(240,409)	(258,385)
Community amenities		(1,202,966)	(1,059,795)	(1,250,235)
Recreation and culture		(2,935,492)	(2,375,983)	(2,575,678)
Transport		(5,228,713)	(3,015,202)	(2,563,916)
Economic services		(1,251,395)	(1,096,958)	(1,367,638)
Other property and services		(62,194)	(419,631)	(63,366)
		(13,181,102)	(10,818,803)	(10,725,387)
Operating activities excluded from budget				
(Profit) on asset disposals	6	(90,101)	(140,420)	(897,418)
Loss on disposal of assets	6	82,366	666,010	374,452
Depreciation on assets	2(a)	2,964,909	1,789,497	2,181,907
Movement in employee benefit provisions (non-current)				0
Amount attributable to operating activities		3,082,360	2,068,285	614,447
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	15	7,271,413	3,548,354	10,992,131
Purchase land held for resale	5	0	0	0
Purchase property, plant and equipment	5	(17,808,773)	(3,801,635)	(20,066,272)
Purchase and construction of infrastructure	5	(1,517,384)	(1,262,137)	(1,507,410)
Proceeds from disposal of assets	6	417,273	410,823	1,142,501
Amount attributable to investing activities		(11,637,471)	(1,104,596)	(9,439,050)
FINANCING ACTIVITIES				
Repayment of borrowings	7	(172,919)	(76,813)	(76,813)
Proceeds from new borrowings	7	3,500,000	482,460	2,555,000
Proceeds from self supporting loans		0	0	0
Transfers to cash backed reserves (restricted assets)	9	(442,800)	(2,550,188)	(3,171,449)
Transfers from cash backed reserves (restricted assets)	9	1,898,830	3,397,911	5,912,682
Amount attributable to financing activities		4,783,111	1,253,370	5,219,420
Budgeted deficiency before general rates		(3,772,000)	2,217,059	(3,605,183)
Estimated amount to be raised from general rates	8	3,772,000	3,598,345	3,605,183
Net current assets at end of financial year - surplus/(deficit)	4	0	5,815,404	(0)

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

SHIRE OF KATANNING
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 Entity

All funds through which the Shire of Katanning 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 KATANNING
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 Katanning 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 Katanning contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Katanning 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 KATANNING
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 Katanning 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 Katanning 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 Katanning includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

SHIRE OF KATANNING
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 recognising such land as an asset.*

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

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

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:

	Capitalisation Threshold	Depn Rate	Useful Life
Land and Buildings	Buildings - \$5,000	2%	50 Years
	Land - ALL	N/A	N/A
Furniture and fittings	\$5,000	10%	10 years
Equipment	\$5,000	10%-33.3%	3 to 10 years
Plant	\$5,000	10%-20%	5 to 10 years
Motor Vehicles	ALL	25%	4 years
Painting and sculptures	ALL	1%	100 years
Drainage	\$10,000	2%	50 years
Parks and ovals	\$10,000	5%	20 years
Footpaths	\$10,000	2%	50 years
Bridges	\$10,000	2%	50 years
Roads	\$10,000	2.5%-5%	20 to 40 years
Other Infrastructure	\$10,000	2%-5%	20 to 50 years

SHIRE OF KATANNING
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 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.

(n) Fair value of assets and liabilities

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

Fair value is the price that the Shire of Katanning 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.

**SHIRE OF KATANNING
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)

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 Katanning 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 Katanning are consistent with one or more of the following valuation approaches:

Market approach

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

Income approach

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

Cost approach

Valuation techniques that reflect the current replacement cost of 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 Katanning 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Shire of Katanning becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire of Katanning 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.

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 Katanning 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

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.

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

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 Katanning 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 Katanning 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.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Employee benefits

Short-term employee benefits

Provision is made for the Shire of Katanning'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 Katanning'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 Katanning'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 Katanning's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire of Katanning 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.

(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 Katanning 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 Katanning, 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 Katanning 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 Katanning's share of net assets of the associate. In addition, the Shire of Katanning'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 Katanning's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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 Katanning'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.

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

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

2. REVENUES AND EXPENSES	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Net result			
The net result includes:			
Charging as an expense:			
Auditors remuneration			
Audit services	28,000	37,083	26,600
Other services	17,000	20,550	17,000
Depreciation by program			
Governance	83,606	72,344	132,572
General purpose funding	0	0	0
Law, order, public safety	33,430	35,651	34,309
Health	5,285	2,000	2,016
Education and welfare	10,566	4,800	4,800
Housing	123,355	72,199	72,200
Community amenities	42,790	41,463	71,441
Recreation and culture	403,994	220,047	223,805
Transport	1,448,124	339,024	567,792
Economic services	365,458	546,259	552,574
Other property and services	448,301	455,710	520,398
	<u>2,964,909</u>	<u>1,789,497</u>	<u>2,181,907</u>
Depreciation by asset class			
Land and buildings	866,605	803,159	790,583
Furniture and equipment	1,786	1,786	3,815
Plant	401,649	402,865	474,438
Equipment	85,542	88,433	173,476
Motor Vehicles	162,865	153,742	166,970
Paintings and sculptures	2,306	2,306	2,306
Roads	1,056,317	0	370,800
Footpaths	50,631	0	56,290
Drainage	251,744	251,743	68,100
Parks	100	100	4,800
Other	72,348	72,347	67,377
Bridges	13,016	13,016	2,952
	<u>2,964,909</u>	<u>1,789,497</u>	<u>2,181,907</u>
Interest expenses (finance costs)			
- Borrowings (refer note 7(a))	22,159	12,508	13,057
Other	0	0	0
	<u>22,159</u>	<u>12,508</u>	<u>13,057</u>
Crediting as revenues:			
Interest earnings			
Investments			
- Reserve funds	294,280	366,677	229,026
- Other funds	62,000	55,771	55,000
Other interest revenue (refer note 12)	68,000	65,194	46,500
	<u>424,280</u>	<u>487,642</u>	<u>330,526</u>
Other revenue			
Reimbursements and recoveries	220,315	352,713	206,566
Other	60,391	53,395	63,780
	<u>280,706</u>	<u>406,108</u>	<u>270,346</u>

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

2. REVENUES AND EXPENSES (Continued)

(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

"Together, we're building Katanning's future".

GOVERNANCE

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

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Supervision of various by-laws, fire prevention, emergency services and animal control.

HEALTH

Food quality and pest control, inspection of abattoir and operation of child health clinic, analytical testing and Environmental Health administration.

EDUCATION AND WELFARE

Year round care, housing for the aged and educational services.

HOUSING

Management and maintenance of staff and rental housing.

COMMUNITY AMENITIES

Rubbish collections, recycling, refuse site operations, litter control, administration of the town planning scheme, cemetery operations, public toilet facilities, sewerage and protection of the environment.

RECREATION AND CULTURE

Maintenance and operation of the Town Hall, the aquatic centre, recreation centre, library community arts programme, cultural activities and various reserves.

TRANSPORT

Construction and maintenance of streets, roads, bridges, footpaths; street lighting, traffic management and airport. Purchase and disposal of Council's Road Plant, parking control and licensing.

ECONOMIC SERVICES

Building control, saleyards, tourism and area promotion, standpipes and pest control.

OTHER PROPERTY & SERVICES

Private works operations, plant repairs and operation costs, stock and materials, property leases and rental, salaries and wages of Council employees.

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

3. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

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

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Cash - unrestricted	361,701	5,670,518	0
Cash - restricted	7,653,957	9,109,987	7,216,475
Cash - restricted Muni	14,003,404	17,911,200	11,975,677
	<u>22,019,062</u>	<u>32,691,705</u>	<u>19,192,152</u>

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

Plant Replacement Reserve	468,881	808,457	742,109
Employee Leave Entitlement Reserve	639,845	690,474	542,079
Amherst Village Building Maintenance Reserve	90,506	89,136	68,706
Amherst Village Refundable Deposit Reserve	1,134,671	1,117,498	1,112,102
Saleyard Reserve	874,463	982,914	645,167
Waste Management Reserve	993,175	872,799	917,309
Land & Buildings Reserve	2,664,333	3,762,761	2,593,972
Land & Building Facilities for Senior Reserve	607,109	597,920	595,032
New Saleyard Project Reserve	40,917	188,027	0
Gravel Reserve	0	0	0
	<u>7,653,956</u>	<u>9,109,986</u>	<u>7,216,476</u>

(b) Reconciliation of net cash provided by operating activities to net result

Net result	5,353,195	4,202,786	11,252,364
Depreciation	2,964,909	1,789,497	2,181,907
(Profit)/loss on sale of asset	(7,735)	525,590	(522,966)
Loss on revaluation of non current assets	0	0	0
(Increase)/decrease in receivables	317,266	(249,112)	610,569
(Increase)/decrease in inventories	0	(7,292)	(2,500)
Increase/(decrease) in payables	(3,740,475)	(2,497,030)	(448,614)
Increase/(decrease) in employee provisions	22,000	0	559,360
Grants/contributions for the development of assets	(7,271,413)	(3,548,354)	(10,992,131)
Net cash from operating activities	<u>(2,362,253)</u>	<u>216,086</u>	<u>2,637,989</u>

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

3. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
(c) Undrawn borrowing facilities			
credit standby arrangements			
Bank overdraft limit	250,000	250,000	250,000
Bank overdraft at balance date			0
Credit card limit	65,000	65,000	65,000
Credit card balance at balance date			0
Total amount of credit unused	<u>315,000</u>	<u>315,000</u>	<u>315,000</u>
 Loan facilities			
Loan facilities in use at balance date	<u>3,954,583</u>	<u>627,502</u>	<u>2,700,043</u>
Unused loan facilities at balance date	<u>0</u>	<u>190,459</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)	382,394	5,691,211
Cash - restricted reserves	3(a)	7,653,957	9,109,987
Cash - restricted muni	3(a)	14,003,404	17,911,200
Receivables		762,393	1,101,659
Inventories		32,600	32,600
		<u>22,834,748</u>	<u>33,846,657</u>
Less: current liabilities			
Trade and other payables		(15,202,873)	(18,943,348)
Short term borrowings		0	0
Long term borrowings		(259,775)	(172,919)
Provisions		(653,655)	(636,655)
		<u>(16,116,303)</u>	<u>(19,752,922)</u>
Unadjusted net current assets		6,718,445	14,093,735
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)	(7,653,956)	(9,109,986)
Less: Land held for resale		0	0
Less: Payments in Advance		(6,885)	(6,885)
Add: Current portion of borrowings		259,775	172,919
Add: Employee entitlements not expected to be utilised		653,655	636,655
Add: Current liabilities not expected to be cleared at end of year		28,966	28,966
Adjusted net current assets - surplus/(deficit)		<u>0</u>	<u>5,815,404</u>

SHIRE OF KATANNING
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											2017/18 Budget total \$	2016/17 Actual total \$
	Governance \$	General purpose funding \$	Law, order, public safety \$	Health \$	Education and welfare \$	Housing \$	Community amenities \$	Recreation and culture \$	Transport \$	Economic services \$	Other property and services \$		
<i>Property, Plant and Equipment</i>													
Land and buildings	14,698,956	0	67,833	0	0	0	1,715,331	37,014	26,000	0	0	16,545,134	2,930,971
Furniture and equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Plant	0	0	0	0	0	0	0	0	654,732	0	0	654,732	448,679
Equipment	12,563	0	28,129	0	0	0	0	22,500	15,715	150,000	0	228,907	53,970
Motor Vehicles	241,000	0	0	0	0	0	0	0	139,000	0	0	380,000	368,015
Paintings and sculptures	0	0	0	0	0	0	0	0	0	0	0	0	0
	14,952,519	0	95,962	0	0	0	1,715,331	59,514	835,447	150,000	0	17,808,773	3,801,635
<i>Infrastructure</i>													
Roads	0	0	0	0	0	0	0	0	1,385,736	0	0	1,385,736	1,155,029
Footpaths	0	0	0	0	0	0	0	0	0	0	0	0	0
Drainage	0	0	0	0	0	0	0	0	0	0	0	0	0
Parks	0	0	0	0	0	0	0	44,669	86,979	0	0	131,648	97,517
Other	0	0	0	0	0	0	0	0	0	0	0	0	9,591
Bridges	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	44,669	1,472,715	0	0	1,517,384	1,262,137
Total acquisitions	14,952,519	0	95,962	0	0	0	1,715,331	104,183	2,308,162	150,000	0	19,326,157	5,063,772

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

- Capital expenditure
- Road construction program

SHIRE OF KATANNING
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	210,977	251,000	42,349	(2,326)	13,568	(649,999)	597,736	(304,498)
General Purpose Funding	0	0	0	0	0	0	0	0
Law, order, public safety	0	0	0	0	0	0	0	0
Health	0	0	0	0	0	0	0	0
Education and welfare	0	0	0	0	0	0	0	0
Housing	0	0	0	0	0	0	0	0
Community amenities	0	0	0	0	0	0	0	0
Recreation and culture	0	0	0	0	5,356	0	500	0
Transport	198,561	166,273	47,752	(80,040)	121,496	(16,011)	299,182	(69,954)
Economic services	0	0	0	0	0	0	0	0
Other property and services	0	0	0	0	0	0	0	0
	409,538	417,273	90,101	(82,366)	140,420	(666,010)	897,418	(374,452)

<u>By Class</u>	Net book value	Sale proceeds	2017/18 Budget		2016/17 Actual		2016/17 Budget	
	\$	\$	Profit	Loss	Profit	Loss	Profit	Loss
			\$	\$	\$	\$	\$	\$
Land and buildings							593,335	(299,998)
Motor Vehicles	286,620	367,273	45,828	(9,448)			37,600	(6,500)
Plant	122,918	50,000	44,273	(72,918)			266,482	(67,954)
	409,538	417,273	90,101	(82,366)	0	0	897,417	(374,452)

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

- Capital expenditure

SHIRE OF KATANNING
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		Interest repayments	
			2017/18 Budget \$	2016/17 Actual \$	2017/18 Budget \$	2016/17 Actual \$	2017/18 Budget \$	2016/17 Actual \$
Governance								
Loan 158 - New Admin Building	0	3,500,000	0	0	3,500,000	0	0	0
Housing								
Loan 146 - Conroy Street Duplex	27,038	0	27,038	25,168	0	27,038	1,729	3,752
Community amenities								
Loan 154 - Plant Purchase (Compactor)	17,492	0	17,492	16,924	0	17,492	562	1,233
Recreation and culture								
Loan 148 - Katanning Aquatic Centre	72,759	0	22,841	21,536	49,918	72,759	4,519	5,956
Other property and services								
Loan 155 - Footpath Sweeper	27,754	0	13,641	13,185	14,113	27,754	1,012	1,549
Loan 156 - Road Sweeper	292,000	0	55,625	0	236,375	292,000	8,677	11
Loan 157 - Tipping Truck	190,459	0	36,282	0	154,177	190,459	5,660	7
	627,502	3,500,000	172,919	76,813	3,954,583	627,502	22,159	12,508

All borrowing repayments will be financed by general purpose revenue.

**SHIRE OF KATANNING
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

Particulars/Purpose	Institution	Loan type	Term (years)	Interest rate %	Amount borrowed budget \$	Total interest & charges \$	Amount used budget \$	Balance unspent \$
Loan 158 - New Admin Building	WATC		20	3.00	3,500,000	0		3,500,000
					<u>3,500,000</u>	<u>0</u>	<u>0</u>	<u>3,500,000</u>

(c) Unspent borrowings

The Shire had unspent borrowing funds as at 30th June 2017. Loan 157 (\$190,459) was not utilised as the delivery of the new tipping truck was delayed, however it is expected to be fully utilised early in the 2017/18 financial year. Unspent borrowing funds are not anticipated as at 30th June 2018.

(d) Overdraft

The Shire has not utilised an overdraft facility during the financial year, although an overdraft facility of \$250,000 with the Commonwealth Bank does exist. It is not anticipated that this facility will be required to be utilised during 2017/18.

SHIRE OF KATANNING
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 \$
General rate								
Gross Rental Value (GRV)	0.098009	1,151	18,880,159	1,849,619	5,000	1,000	1,855,619	1,763,856
Unimproved Value (UV)	0.011042	222	111,609,011	1,231,581	0	0	1,231,581	1,181,428
Sub-Totals		1,373	130,489,170	3,081,200	5,000	1,000	3,087,200	2,945,284
Minimum payment								
Minimum								
\$								
Gross Rental Value (GRV)	960	650	4,193,537	624,000	0	0	624,000	598,410
Unimproved Value (UV)	960	105	5,144,467	100,800	0	0	100,800	94,245
Sub-Totals		755	9,338,004	724,800	0	0	724,800	692,655
		2,128	139,827,174	3,806,000	5,000	1,000	3,812,000	3,637,939
Discounts/concessions (<i>Refer note 13</i>)							(43,000)	(43,165)
Ex-gratia Rates							4,000	3,830
Rates Adjustments							(1,000)	(260)
Total amount raised from general rates							3,772,000	3,598,345
Specified area rates (<i>Refer note 10</i>)							0	0
Total rates							3,772,000	3,598,345

**SHIRE OF KATANNING
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 Katanning is rated according to its Gross Rental Value (GRV) in townsites or Unimproved Value (UV) in the remainder of the Shire of Katanning.

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.

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

9. CASH BACKED RESERVES

	2017/18 Budget Opening balance \$	2017/18 Budget Transfer to \$	2017/18 Budget Transfer (from) \$	2017/18 Budget Closing balance \$	2016/17 Actual Opening balance \$	2016/17 Actual Transfer to \$	2016/17 Actual Transfer (from) \$	2016/17 Actual Closing balance \$	2016/17 Budget Opening balance \$	2016/17 Budget Transfer to \$	2016/17 Budget Transfer (from) \$	2016/17 Budget Closing balance \$
Plant Replacement Reserve	808,457	12,424	(352,000)	468,881	989,843	27,681	(209,067)	808,457	989,843	22,766	(270,500)	742,109
Employee Leave Entitlement Reserve	690,474	10,611	(61,240)	639,845	432,140	258,334		690,474	432,140	109,939	0	542,079
Amherst Village Building Maintenance Reserve	89,136	1,370	0	90,506	86,712	2,424		89,136	86,712	1,994	(20,000)	68,706
Amherst Village Refundable Deposit Reserve	1,117,498	17,173	0	1,134,671	1,087,099	30,399		1,117,498	1,087,099	25,003	0	1,112,102
Saleyard Reserve	982,914	15,105	(123,556)	874,463	956,175	26,739		982,914	956,175	21,992	(333,000)	645,167
Waste Management Reserve	872,799	120,376	0	993,175	849,056	23,743		872,799	849,056	68,253	0	917,309
Land & Buildings Reserve	3,762,761	113,606	(1,212,034)	2,664,333	2,821,739	2,104,387	(1,163,365)	3,762,761	2,821,739	2,858,598	(3,086,365)	2,593,972
Land & Building Facilities for Senior Reserve	597,920	9,189	0	607,109	581,654	16,266		597,920	581,654	13,378	0	595,032
New Saleyard Project Reserve	188,027	2,890	(150,000)	40,917	182,912	5,115		188,027	182,912	4,207	(187,119)	0
Gravel Reserve	0	0	0	0	1,970,379	55,100	(2,025,479)	0	1,970,379	45,319	(2,015,698)	0
Christmas Decoration Reserve	0	10,000	0	10,000	0	0	0	0	0	0	0	0
GRV Revaluation Reserve	0	25,000	0	25,000	0	0	0	0	0	0	0	0
Quartermaine Oval Reserve	0	52,528	0	52,528	0	0	0	0	0	0	0	0
Katanning Leisure Centre Facilities Reserve	0	52,528	0	52,528	0	0	0	0	0	0	0	0
	<u>9,109,986</u>	<u>442,800</u>	<u>(1,898,830)</u>	<u>7,653,956</u>	<u>9,957,709</u>	<u>2,550,188</u>	<u>(3,397,911)</u>	<u>9,109,986</u>	<u>9,957,709</u>	<u>3,171,449</u>	<u>(5,912,682)</u>	<u>7,216,476</u>

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
Plant Replacement Reserve	To be used for future plant purchases.
Employee Leave Entitlement Reserve	To be used to fund accrued Employee Leave Entitlements.
Amherst Village Building Maintenance Reserve	To be used for maintenance at Amherst Village.
Amherst Village Refundable Deposit Reserve	To be used to fund refundable deposits at Amherst Village.
Saleyard Reserve	To be used for future capital and maintenance works.
Waste Management Reserve	To be used for capital and maintenance works.
Land & Buildings Reserve	To provide for construction and maintenance of council owned buildings.
Land & Building Facilities for Senior Reserve	To be used for construction and maintenance of land & buildings for the use of seniors.
New Saleyard Project Reserve	To be used for future capital and maintenance works.
Gravel Reserve	To be used to fund the costs of meeting the Shire's future gravel and construction requirements.
Christmas Decoration Reserve	To be used to fund future significant Christmas decoration purchases.
GRV Revaluation Reserve	To be used to fund quinquennial Gross Rental Value revaluations.
Quartermaine Oval Reserve	To be used to fund future maintenance and upgrades to Quartermaine Oval.
Katanning Leisure Centre Facilities Reserve	To be used to fund future maintenance and upgrades to the KLC building and grounds.

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

10. SPECIFIED AREA RATE

The Shire of Katanning has no specified area rates in the 2017/18 Budget.

11. SERVICE CHARGES

The Shire of Katanning has no service charges in the 2017/18 Budget.

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 rates %
Option one				
Single Payment	4/10/2017	0	0.00%	11.00%
Option two				
First Instalment	4/10/2017	10	5.50%	11.00%
Second Instalment	5/02/2018	10	5.50%	11.00%
Option three				
First Instalment	4/10/2017	10	5.50%	11.00%
Second Instalment	5/12/2017	10	5.50%	11.00%
Third Instalment	5/02/2018	10	5.50%	11.00%
Fourth Instalment	9/04/2018	10	5.50%	11.00%

	2017/18 Budget revenue \$	2016/17 Actual \$
Instalment plan admin charge revenue	1,500	12,460
Instalment plan interest earned	13,000	12,745
Unpaid rates interest earned	55,000	52,449
	69,500	77,654

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

13. PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS

Rates discounts

Rate or fee to which discount is granted	Disc % or Amount (\$)	2017/18 Budget \$	2016/17 Actual \$	Circumstances in which discount is granted
General Rates	2%	41,573	41,235	A discount of 2% of the current rates levied will be offered to rate payers whose payment of the full amount owing, including the arrears and charges, is received on or before 35 days after the date appearing on the rate notice. The discount will apply to interim rates issued after the billing date.
		<u>41,573</u>	<u>41,235</u>	

Waivers or concessions

Rate or fee and charge to which the waiver or concession is granted	Type	Disc % or Amount (\$)	2017/18 Budget \$	2016/17 Actual \$	Circumstances in which the waiver or concession is granted
Katanning Country Club - General Rates	Concession	50.00%	1,427	1,930	Council resolved to continue providing a 50% concession in rates otherwise payable on lots 2, 130 & 4 Round Drive, commencing on 1 July 2014 for a period of 10 years, in recognition of the recreation facilities the Club provides to the Katanning community.
			<u>1,427</u>	<u>1,930</u>	

SHIRE OF KATANNING
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	1,600	1,113
General purpose funding	9,700	19,699
Law, order, public safety	21,634	15,834
Health	3,916	3,114
Education and welfare	4,004	3,500
Housing	139,197	59,377
Community amenities	809,391	815,709
Recreation and culture	432,629	423,842
Transport	16,495	243
Economic services	597,308	619,480
Other property and services	11,500	44,809
	<u>2,047,374</u>	<u>2,006,720</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		
Governance	21,788	11,099
General purpose funding	941,785	2,991,095
Law, order, public safety	177,601	180,046
Health	0	0
Education and welfare	76,246	189,847
Housing	0	0
Community amenities	8,213	8,013
Recreation and culture	101,741	159,965
Transport	3,241,694	976,665
Economic services	79,355	309,221
Other property and services	0	8,047
	<u>4,648,423</u>	<u>4,833,999</u>
Non-operating grants, subsidies and contributions		
Governance	4,581,570	2,760,000
General purpose funding	0	0
Law, order, public safety	0	115,231
Health	0	0
Education and welfare	0	0
Housing	0	0
Community amenities	1,743,367	0
Recreation and culture	11,740	0
Transport	934,736	673,123
Economic services	0	0
Other property and services	0	0
	<u>7,271,413</u>	<u>3,548,354</u>

SHIRE OF KATANNING
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 the President.		
Meeting fees	90,000	90,000
President's allowance	20,000	20,000
Deputy President's allowance	5,000	5,000
Travelling expenses	2,000	0
Telecommunications allowance	9,900	9,900
	<u>126,900</u>	<u>124,900</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 \$
Transport Licensing	38,817	3,060,000	(3,065,000)	33,817
Saleyard Bonds	350	4,500	(4,600)	250
KLC Bonds	(1,145)	8,890	(6,145)	1,600
Town Hall Bonds	640	2,000	(2,390)	250
Cat Trap Bonds	90	0	(90)	0
Other Bonds & Guarantees	7,800	2,000	(7,800)	2,000
Carpark Contribution Liability	8,168	0	0	8,168
Public open Space Contributions	38,000	0	0	38,000
Agriculture Society Contributions	11,818	2,000	0	13,818
BCITF Licence Levy	956	8,500	(6,500)	2,956
Building Licence Levy	476	8,500	(6,000)	2,976
Sale of Paintings	(143)	143	0	0
Art Prize Sponsorship	200	0	(200)	0
	<u>106,027</u>	<u>3,096,533</u>	<u>(3,098,725)</u>	<u>103,835</u>

**SHIRE OF KATANNING
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.