

SHIRE OF NORTHAMPTON
BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

TABLE OF CONTENTS

Statement of Comprehensive Income by Nature or Type	2
Statement of Comprehensive Income by Program	3
Statement of Cash Flows	4
Rate Setting Statement	5
Notes to and Forming Part of the Budget	6 to 35

SHIRE OF NORTHAMPTON
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	4,335,996	4,208,328	4,206,481
Operating grants, subsidies and contributions	15	1,199,004	2,954,074	2,066,265
Fees and charges	14	1,191,265	1,217,444	1,164,763
Service charges	11	0	0	0
Interest earnings	2(a)	113,100	109,808	110,300
Other revenue	2(a)	0	0	0
		<u>6,839,365</u>	<u>8,489,654</u>	<u>7,547,809</u>
Expenses				
Employee costs		(2,855,051)	(2,721,727)	(2,610,020)
Materials and contracts		(2,230,052)	(2,461,940)	(2,131,893)
Utility charges		(354,175)	(379,964)	(364,375)
Depreciation on non-current assets	2(a)	(3,631,550)	(3,606,739)	(3,623,365)
Interest expenses	2(a)	(70,683)	(63,961)	(62,923)
Insurance expenses		(210,845)	(225,924)	(220,260)
Other expenditure		(393,366)	(168,402)	(272,695)
		<u>(9,745,722)</u>	<u>(9,628,657)</u>	<u>(9,285,531)</u>
		(2,906,357)	(1,139,003)	(1,737,722)
Non-operating grants, subsidies and contributions	15	2,805,289	2,919,970	3,776,775
Profit on asset disposals	6	6,500	5,514	2,000
Loss on asset disposals	6	(10,000)	(5,932)	(14,000)
Net result		(104,568)	1,780,549	2,027,053
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		<u>(104,568)</u>	<u>1,780,549</u>	<u>2,027,053</u>

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

SHIRE OF NORTHAMPTON
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		40,370	46,635	50,200
General purpose funding		5,133,939	6,576,079	5,782,398
Law, order, public safety		86,513	104,059	91,280
Health		48,403	48,763	52,500
Education and welfare		204,322	220,861	195,585
Housing		39,936	16,662	33,196
Community amenities		837,697	894,769	838,127
Recreation and culture		32,087	76,004	45,750
Transport		88,210	172,554	167,210
Economic services		199,128	188,421	167,745
Other property and services		128,760	144,847	123,818
		<u>6,839,365</u>	<u>8,489,654</u>	<u>7,547,809</u>
Expenses excluding finance costs (refer notes 1, 2 & 16)				
Governance		(862,407)	(828,784)	(834,493)
General purpose funding		(237,955)	(112,124)	(105,457)
Law, order, public safety		(396,906)	(346,888)	(341,833)
Health		(211,173)	(209,798)	(205,562)
Education and welfare		(279,600)	(302,190)	(245,937)
Housing		(108,267)	(118,338)	(102,862)
Community amenities		(1,503,911)	(1,498,536)	(1,475,160)
Recreation and culture		(1,627,447)	(1,798,652)	(1,623,180)
Transport		(4,019,100)	(4,011,359)	(3,993,261)
Economic services		(417,270)	(357,174)	(278,173)
Other property and services		(11,000)	19,147	(16,690)
		<u>(9,675,036)</u>	<u>(9,564,696)</u>	<u>(9,222,608)</u>
Finance costs (refer notes 2 & 7)				
Education and welfare		(18,410)	(1,043)	0
Housing		(11,043)	(12,258)	(12,260)
Recreation and culture		(2,850)	(4,409)	(4,410)
Transport		(15,622)	(22,433)	(22,435)
Other property and services		(22,761)	(23,818)	(23,818)
		<u>(70,686)</u>	<u>(63,961)</u>	<u>(62,923)</u>
		(2,906,357)	(1,139,003)	(1,737,722)
Non-operating grants, subsidies and contributions	15	2,805,289	2,919,970	3,776,775
Profit on disposal of assets	6	6,500	5,514	2,000
(Loss) on disposal of assets	6	(10,000)	(5,932)	(14,000)
		<u>2,801,789</u>	<u>2,919,552</u>	<u>3,764,775</u>
Net result		(104,568)	1,780,549	2,027,053
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		<u>(104,568)</u>	<u>1,780,549</u>	<u>2,027,053</u>

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

**SHIRE OF NORTHAMPTON
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		4,335,996	4,169,471	4,206,481
Operating grants, subsidies and contributions		1,211,381	2,834,092	2,066,265
Fees and charges		1,191,265	1,217,444	1,164,763
Interest earnings		113,100	109,808	110,300
		<u>6,851,742</u>	<u>8,330,815</u>	<u>7,547,809</u>
Payments				
Employee costs		(2,855,051)	(2,721,727)	(2,610,020)
Materials and contracts		(2,230,052)	(2,409,654)	(2,007,440)
Utility charges		(354,175)	(379,964)	(364,375)
Interest expenses		(70,683)	(63,961)	(62,923)
Insurance expenses		(210,845)	(225,924)	(220,260)
Goods and services tax		0	0	0
Other expenditure		(393,366)	(168,402)	(272,695)
		<u>(6,114,172)</u>	<u>(5,969,632)</u>	<u>(5,537,713)</u>
Net cash provided by (used in) operating activities	3(b)	<u>737,570</u>	<u>2,361,183</u>	<u>2,010,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	5	(517,015)	(2,883,938)	(2,916,010)
Payments for construction of infrastructure	5	(3,822,989)	(3,276,974)	(4,210,250)
Non-operating grants, subsidies and contributions used for the development of assets		2,805,289	2,919,970	3,776,775
Proceeds from sale of plant & equipment	6	40,000	77,756	135,000
Net cash provided by (used in) investing activities		<u>(1,494,715)</u>	<u>(3,163,186)</u>	<u>(3,214,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	7	(197,136)	(177,776)	(177,773)
Proceeds from self supporting loans		(33,188)	18,958	22,043
Proceeds from new borrowings	7	0	400,000	400,000
Net cash provided by (used in) financing activities		<u>(230,324)</u>	<u>241,182</u>	<u>244,270</u>
Net increase (decrease) in cash held		(987,469)	(560,821)	(960,119)
Cash at beginning of year		3,734,994	4,295,809	4,302,548
Cash and cash equivalents at the end of the year	3(a)	<u>2,747,525</u>	<u>3,734,988</u>	<u>3,342,429</u>

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

**SHIRE OF NORTHAMPTON
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	649,494	809,879	848,229
		<u>649,494</u>	<u>809,879</u>	<u>848,229</u>
Revenue from operating activities (excluding rates)				
Governance		40,370	46,635	50,200
General purpose funding		837,424	2,410,871	1,620,342
Law, order, public safety		86,513	104,059	91,280
Health		52,403	48,763	52,500
Education and welfare		204,322	220,861	195,585
Housing		39,936	16,662	33,196
Community amenities		837,697	894,769	838,127
Recreation and culture		32,087	76,004	45,750
Transport		90,710	178,068	168,210
Economic services		199,128	188,421	167,745
Other property and services		128,760	144,847	123,818
		<u>2,549,350</u>	<u>4,329,960</u>	<u>3,386,753</u>
Expenditure from operating activities				
Governance		(862,407)	(829,716)	(834,493)
General purpose funding		(237,955)	(112,124)	(105,457)
Law, order, public safety		(396,906)	(346,888)	(341,833)
Health		(211,173)	(209,798)	(205,562)
Education and welfare		(298,010)	(303,233)	(245,937)
Housing		(119,310)	(130,596)	(115,122)
Community amenities		(1,503,911)	(1,503,536)	(1,475,160)
Recreation and culture		(1,630,297)	(1,803,061)	(1,627,590)
Transport		(4,044,722)	(4,033,792)	(4,029,696)
Economic services		(417,270)	(357,174)	(278,173)
Other property and services		(33,761)	(4,671)	(40,508)
		<u>(9,755,722)</u>	<u>(9,634,589)</u>	<u>(9,299,531)</u>
Operating activities excluded from budget				
(Profit) on asset disposals	6	(6,500)	(5,514)	(2,000)
Loss on disposal of assets	6	10,000	5,932	14,000
Depreciation on assets	2(a)	3,631,550	3,606,739	3,623,365
Movement in employee benefit provisions (non-current)		0	33,643	0
Amount attributable to operating activities		<u>(2,921,828)</u>	<u>(853,950)</u>	<u>(1,429,184)</u>
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	15	2,805,289	2,919,970	3,776,775
Purchase land held for resale	5	0	0	0
Purchase property, plant and equipment	5	(517,015)	(2,883,938)	(2,916,010)
Purchase and construction of infrastructure	5	(3,822,989)	(3,276,974)	(4,210,250)
Proceeds from disposal of assets	6	40,000	77,756	135,000
Amount attributable to investing activities		<u>(1,494,715)</u>	<u>(3,163,186)</u>	<u>(3,214,485)</u>
FINANCING ACTIVITIES				
Repayment of borrowings	7	(197,136)	(177,776)	(177,773)
Proceeds from new borrowings	7	0	400,000	400,000
Proceeds from self supporting loans		33,188	18,958	22,043
Transfers to cash backed reserves (restricted assets)	9	(67,467)	(187,272)	(107,157)
Transfers from cash backed reserves (restricted assets)	9	351,443	447,512	343,500
Amount attributable to financing activities		<u>120,028</u>	<u>501,422</u>	<u>480,613</u>
Budgeted deficiency before general rates		<u>(4,296,515)</u>	<u>(3,515,714)</u>	<u>(4,163,056)</u>
Estimated amount to be raised from general rates	8	<u>4,296,515</u>	<u>4,165,208</u>	<u>4,163,056</u>
Net current assets at end of financial year - surplus/(deficit)		<u>0</u>	<u>649,494</u>	<u>0</u>

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

**SHIRE OF NORTHAMPTON
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 Northampton 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 NORTHAMPTON
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 Northampton 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 Northampton contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Northampton 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 NORTHAMPTON
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 Northampton 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 Northampton 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 Northampton 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 NORTHAMPTON
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

**SHIRE OF NORTHAMPTON
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	30 to 50 years
Furniture and Equipment	4 to 10 years
Plant and Equipment	5 to 15 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	
formation	not depreciated
pavement	50 years
Footpaths - slab	20 years
Parks and Ovals	40 to 50 years
Airport	50 to 100 years
Sewerage piping	100 years
Water supply piping & drainage systems	75 years

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 NORTHAMPTON
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 Northampton uses a mix of both independent and management valuations using the following as a guide:

Fair value is the price that the Shire of Northampton 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 Northampton 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 Northampton are consistent with one or more of the following valuation approaches:

**SHIRE OF NORTHAMPTON
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 Northampton 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 Northampton becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire of Northampton 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 NORTHAMPTON
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 Northampton 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 NORTHAMPTON
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 Northampton 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 Northampton 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 NORTHAMPTON
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 Shire prior to the end of the financial year that are unpaid and arise when the Shire of Northampton 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 Northampton'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 Northampton'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 Northampton'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 Northampton's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire of Northampton 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 NORTHAMPTON
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 Northampton 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 Northampton, 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 Northampton 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 Northampton's share of net assets of the associate. In addition, the Shire of Northampton'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 Northampton'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 NORTHAMPTON
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 Northampton and the associate are eliminated to the extent of the Shire of Northampton's interest in the associate.

When the Shire of Northampton's share of losses in an associate equals or exceeds its interest in the associate, the Shire of Northampton 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 Northampton 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 Northampton'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 Northampton's operational cycle. In the case of liabilities where the Shire of Northampton 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 Northampton's intentions to

(z) Revenue Received in Advance

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Revenue associated with Overnight Cash Deposits (OCDF) held by WA treasury are treated as revenue received in advance as there is no control until the funds are transferred into the Shires Municipal bank account.

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

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	18,400	18,230	18,700
Other services	6,500	4,000	6,000
Depreciation by program			
Governance	45,000	44,769	58,815
General purpose funding	0	0	0
Law, order, public safety	61,500	60,970	64,500
Health	33,500	30,868	26,500
Education and welfare	21,000	21,154	30,500
Housing	55,000	55,937	53,000
Community amenities	41,550	40,162	41,550
Recreation and culture	487,000	486,174	510,000
Transport	2,850,000	2,828,452	2,825,000
Economic services	37,000	38,253	13,500
	<u>3,631,550</u>	<u>3,606,739</u>	<u>3,623,365</u>
Depreciation by asset class			
Land and buildings	620,000	619,693	575,500
Furniture and equipment	7,000	7,113	23,450
Plant and equipment	300,000	300,827	357,500
Roads	2,500,000	2,478,066	2,330,000
Footpaths	18,000	18,782	22,600
Drainage	55,000	56,143	163,500
Parks and ovals	81,550	81,432	101,515
Airports	50,000	44,683	49,300
	<u>3,631,550</u>	<u>3,606,739</u>	<u>3,623,365</u>
Interest expenses (finance costs)			
- Borrowings (refer note 7(a))	70,683	63,961	62,923
Other	0	0	0
	<u>70,683</u>	<u>63,961</u>	<u>62,923</u>
Crediting as revenues:			
Interest earnings			
Investments			
- Reserve funds	30,640	27,186	25,000
- Other funds	30,460	29,594	40,000
Other interest revenue (refer note 12)	52,000	53,028	45,300
	<u>113,100</u>	<u>109,808</u>	<u>110,300</u>

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

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. Council operations as disclosed in this budget encompass the following service orientated activities/programs:

GOVERNANCE

The delivery of Councillor services to residents, and all expenses related to such activities.
The management and coordination of the delivery of all services to residents.

GENERAL PURPOSE FUNDING

Administration of general rate revenue and all expenses related to the raising and collection of rates. Administration of general purpose grants received from the Grants Commission.

LAW, ORDER, PUBLIC SAFETY

Supervision and enforcement of various local laws relating to bushfire control & the Bushfires Act.
Supervision of various local laws relating to dogs and ranger services for the care & control of animals. Administration of various local laws relating to camping & other public areas under Council control.

HEALTH

Provision of health inspections, food quality and control, administration of Health local laws and maintenance of Doctors Surgeries.

EDUCATION AND WELFARE

Maintenance of Day Care Centres.

HOUSING

Administration and maintenance of staff and rental housing

COMMUNITY AMENITIES

Rubbish collection services, operation of refuse sites, noise control, administration of Town Planning Schemes, maintenance of cemeteries and public conveniences, and storm water drainage maintenance.

RECREATION AND CULTURE

Maintenance of public halls and civic centres, beaches and foreshores, recreation centres and sports ovals, recreational parks and reserves, self help television retransmission services; operation of library services; maintenance of heritage sites and Municipal inventory

TRANSPORT

Construction and maintenance of streets, roads, bridges, drainage and depots; cleaning and lighting of streets; street and directional signage; maintenance of airstrip.

ECONOMIC SERVICES

Weed, pest and vermin control. The regulation and provision of tourism, area promotion, building control, standpipes; operation of Port Gregory water supply.

OTHER PROPERTY & SERVICES

Private works and plant hire; plant repairs and operation costs; works manager and staff allowance and training costs.

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

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 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Cash - unrestricted	13,666	717,159	0
Cash - restricted	739,814	1,023,790	1,047,688
Cash - restricted (OCDF)	1,994,045	1,994,045	2,294,741
	<u>2,747,525</u>	<u>3,734,994</u>	<u>3,342,429</u>

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

Leave reserve	238,754	228,314	227,874
Roadworks Reserve	26,630	49,940	56,245
Kalbarri Airport Reserve	66,949	44,922	44,903
Computer and Office Reserve	32,225	30,725	33,587
Plant Reserve	0	7,319	7,279
House and Building Reserve	98,752	86,252	86,037
Kalbarri Aged Persons Accommodation Reserve	0	245,882	284,016
Northampton Aged Persons Reserve	0	5,024	4,544
Town Planning Scheme Reserve	0	3,596	3,596
Townscape Car Park Reserve	0	0	5,758
Specified Area Rate Reserve	0	5,038	15,000
Land Development Reserve	240,004	221,004	202,271
Kalbarri Tennis, Netball & Basketball Courts Resen	0	78	78
Port Gregory Water Supply Reserve	36,500	36,500	36,500
Kalbarri Parkland Redevelopment	0	59,196	0
Public Amenities	0	0	40,000
	<u>739,814</u>	<u>1,023,790</u>	<u>1,047,688</u>

Reconciliation of net cash provided by operating activities to net result

Net result	(104,568)	1,780,549	2,027,053
Depreciation	3,631,550	3,606,739	3,623,365
(Profit)/loss on sale of asset	3,500	418	12,000
Loss on revaluation of non current assets	0	0	0
(Increase)/decrease in receivables	12,377	(158,839)	0
(Increase)/decrease in inventories	0	2,359	0
Increase/(decrease) in payables	0	49,927	124,453
Increase/(decrease) in employee provisions	0	0	0
Grants/contributions for the development of assets	(2,805,289)	(2,919,970)	(3,776,775)
Net cash from operating activities	<u>737,570</u>	<u>2,361,183</u>	<u>2,010,096</u>

**SHIRE OF NORTHAMPTON
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	0	0	0
Bank overdraft at balance date	0	0	0
Credit card limit	10,000	10,000	10,000
Credit card balance at balance date	0	4,438	0
Total amount of credit unused	<u>10,000</u>	<u>14,438</u>	<u>10,000</u>
Loan facilities			
Loan facilities in use at balance date	<u>1,220,665</u>	<u>1,417,801</u>	<u>1,017,804</u>
Unused loan facilities at balance date	<u>0</u>	<u>0</u>	<u>0</u>
	Note	2017/18 Budget \$	2016/17 Actual \$
NET CURRENT ASSETS			
Composition of estimated net current assets			
Current assets			
Cash - unrestricted	3(a)	13,666	717,159
Cash - restricted reserves	3(a)	739,814	1,023,790
Cash - restricted reserves	3(a)	1,994,045	1,994,045
Receivables		639,910	619,099
Inventories		241,378	241,378
		<u>3,628,813</u>	<u>4,595,471</u>
Less: current liabilities			
Trade and other payables		(2,722,641)	(2,722,641)
Short term borrowings		0	0
Long term borrowings		197,136	0
Provisions		(669,857)	(669,857)
		<u>(3,195,362)</u>	<u>(3,392,498)</u>
Unadjusted net current assets		433,451	1,202,973
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)	(739,814)	(1,023,790)
Less: Land held for resale		(233,182)	233,182
Less: Current loans - clubs / institutions		33,188	0
Add: Current portion of borrowings		(197,136)	0
Add: Current liabilities not expected to be cleared at end of year		703,493	237,129
Adjusted net current assets - surplus/(deficit)		<u><u>0</u></u>	<u><u>649,494</u></u>

SHIRE OF NORTHAMPTON
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	Governance \$	General purpose funding \$	Law, order, public safety \$	Reporting program							Other property and services \$	2017/18 Budget total \$	2016/17 Actual total \$	
				Health \$	Education and welfare \$	Housing \$	Community amenities \$	Recreation and culture \$	Transport \$	Economic services \$				
<i>Property, Plant and Equipment</i>														
Land and buildings		76,000				30,600	87,600	36,615					230,815	2,188,470
Furniture and equipment	22,200												22,200	0
Plant and equipment		30,000					234,000						264,000	695,468
	22,200	0	0	30,000	76,000	0	30,600	87,600	270,615	0	0	0	517,015	2,883,938
<i>Infrastructure</i>														
Roads								3,009,414					3,009,414	2,205,119
Footpaths								437,835	114,465				552,300	143,004
Drainage														0
Parks and ovals								258,275	3,000				261,275	928,851
Airports														
	0	0	0	0	0	0	0	696,110	3,126,879	0	0	0	3,822,989	3,276,974
<i>Land Held for Resale</i>														
Land held for resale														0
Total acquisitions	22,200	0	0	30,000	76,000	0	30,600	783,710	3,397,494	0	0	0	4,340,004	6,160,912

**SHIRE OF NORTHAMPTON
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	0	0	0	0	0	(932)	1,000	0
Health	11,000	15,000	4,000	0	0	0	0	0
Community amenities	0	0	0	0	0	(5,000)	0	0
Transport	32,500	25,000	2,500	(10,000)	5,514	0	1,000	(14,000)
	43,500	40,000	6,500	(10,000)	5,514	(5,932)	2,000	(14,000)

<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	43,500	40,000	6,500	(10,000)	5,514	(5,932)	2,000	(14,000)
	43,500	40,000	6,500	(10,000)	5,514	(5,932)	2,000	(14,000)

A detailed breakdown of disposals on an individual asset basis can be found in the supplementary information attached to this budget document as follows:
- Vehicle and Plant Replacement - Schedule 7 Health and Schedule 12 Transport

**SHIRE OF NORTHAMPTON
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 01-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
Housing								
Loan 154 staff Housing	288,775	0	32,134	31,109	256,641	288,775	11,043	12,258
Recreation and culture								
Loan 148A Library Ext Kal'b	52,405	0	25,672	24,654	26,733	52,405	2,180	3,351
Transport								
Loan 149 Plant Purchases	68,156	0	68,156	63,465	0	68,156	4,284	9,389
Loan 153 Plant Purchases	252,322	0	37,983	36,501	214,339	252,322	11,336	13,044
	661,658	0	163,945	155,729	497,713	661,658	28,843	38,042
Self Supporting Loans								
Housing								
Loan 147 Kal'b Bowling Club	0	0	0	3,317	0	0	0	175
Loan 151 Kal'b Bowling Club	10,875	0	3,416	3,222	7,459	10,875	670	883
Loan 152 Staff Housing	345,268	0	16,327	15,508	328,941	345,268	22,760	23,818
Loan 155 - Pioneer Lodge	400,000	0	13,448	0	386,552	400,000	18,410	1,043
	756,143	0	33,191	22,047	722,952	756,143	41,840	25,919
	1,417,801	0	197,136	177,776	1,220,665	1,417,801	70,683	63,961

All borrowing repayments will be financed by general purpose revenue except loans 147, 151, 152 & 155 which are self supporting loans..

**SHIRE OF NORTHAMPTON
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 Northampton does not intend to increase its borrowings during the 2017/2018 financial year.

(c) Unspent borrowings

The Shire of Northampton 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 Northampton has not utilised an overdraft facility during the financial year and it is not anticipated that an overdraft facility will be required during 2017/2018.

SHIRE OF NORTHAMPTON
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		2017/18		2017/18		2016/17 Actual \$
				Budgeted rate revenue \$	Budgeted rate revenue \$	Budgeted interim rates \$	Budgeted back rates \$	Budgeted total revenue \$		
Differential general rate or general rate										
General GRV	0.080220	1,610	13,687,996	1,615,931	0	0	0	1,615,931	1,562,415	
General UV	0.012717	450	177,399,858	2,284,349	0	0	0	2,284,349	2,222,969	
Sub-Totals		2,060	191,087,854	3,900,280	0	0	0	3,900,280	3,785,384	
Minimum payment										
General GRV	535	968	6,455,747	517,880	0	0	0	517,880	509,080	
General UV	535	53	2,229,693	28,355	0	0	0	28,355	22,360	
Sub-Totals		1,021	8,685,439	546,235	0	0	0	546,235	531,440	
Discounts/concessions (Refer note 13)		3,081	199,773,293	4,446,515	0	0	0	4,446,515	4,316,824	
Total amount raised from general rates								(150,000)	(151,616)	
Specified area rates (Refer note 10)								4,296,515	4,165,208	
Total rates								39,481	43,120	
								4,335,996	4,208,328	

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

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.

No differential rating applied in the 2017/2018 budget.

SHIRE OF NORTHAMPTON
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
	Budget	Budget	Budget	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Budget
	Opening	Transfer	Transfer	Opening	Transfer	Transfer	Transfer	Transfer	Opening	Transfer	Transfer	Transfer	Closing
	balance	to	(from)	balance	to	(from)	(from)	(from)	balance	to	(from)	(from)	balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Leave reserve	228,314	10,440		217,874	10,440				217,874	10,000			227,874
Roadworks Reserve	49,940	2,000	(25,310)	54,245	2,170	(6,475)			54,245	2,000			56,245
Kalbarri Airport Reserve	44,922	22,027		24,702	20,220				24,703	20,200			44,903
Computer and Office Reserve	30,725	1,500		32,087	1,638	(3,000)			32,087	1,500			33,587
Plant Reserve	7,319	0	(7,319)	6,979	340				6,979	300			7,279
House and Building Reserve	86,252	12,500		73,537	12,715				73,537	12,500			86,037
Kalbarri Aged Persons Accommc	245,882		(245,882)	268,859	15,840	(38,817)			268,859	15,157			284,016
Northampton Aged Persons Resi	5,024		(5,024)	164,044	5,980	(165,000)			164,044	5,500	(165,000)		4,544
Town Planning Scheme Reserve	3,596		(3,596)	13,096	0	(9,500)			13,096	0	(9,500)		3,596
Townscape Car Park Reserve	0			5,758	0	(5,758)			5,758	0	0		5,758
Specified Area Rate Reserve	5,038		(5,038)	15,000	0	(9,962)			15,000	0	0		15,000
Land Development Reserve	221,004	19,000		202,271	18,733				202,271	0			202,271
Kalbarri Tennis, Netball & Basket	78		(78)	169,078	0	(169,000)			169,078	0	(169,000)		78
Port Gregory Water Supply Rese	36,500			36,500	0				36,500	0			36,500
Kalbarri Parkland Redevelopmen	59,196		(59,196)	0	59,196				0	0			0
Public Amenities	0			0	40,000				0	40,000			40,000
	1,023,790	67,467	(351,443)	1,284,030	187,272	(447,512)			1,284,031	107,157	(343,500)		1,047,688

**SHIRE OF NORTHAMPTON
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	Anticipated date of use	Purpose of the reserve
Leave reserve		To be used to fund annual and long service leave requirements
Roadworks Reserve		To be used to fund major reseals of bitumen roads and other major road construction works including footpath construction
Kalbarri Airport Reserve		To be used for the maintenance and construction of the Kalbarri Airport
Computer and Office Reserve		To be used to for the purchase and upgrade of office equipment and computers
Plant Reserve		To be used for the purchase of major plant
House and Building Reserve		To be used for the construction of new housing and upgrades to buildings under Council control
Kalbarri Aged Persons Accommodation Reserve		To be used for the construction of live in aged care facilities in Kalbarri
Northampton Aged Persons Reserve		To be used for the construction of live in aged care facilities in Northampton
Town Planning Scheme Reserve		To be used for the review of Council's town planning schemes
Townscape Car Park Reserve		To be used for the construction of the carpark area in the CBD adjacent to Porter Street, this is a Kalbarri Townscape project
Specified Area Rate Reserve		To be used for unspent Specified Area Rate monies allocated and not expended during the financial year
Land Development Reserve		To be used for contamination clean up costs incurred and future costs
Kalbarri Tennis, Netball & Basketball Courts Reserve		To be used for the development of Tennis, Netball and Basketball facilities in Kalbarri.
Port Gregory Water Supply Reserve		To be used for the replacement of the Port Gregory pipeline.
Kalbarri Parkland Redevelopment		To be used for the development of the Kalbarri Foreshore area
Public Amenities		To be used for the development of public amenities.

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

10. SPECIFIED AREA RATE

			2017/18	2017/18	2017/18	2017/18	2017/18	2016/17
	Basis of valuation	Rate in \$	Rateable value \$	Budgeted specified area rate revenue \$	Interim specified area rate revenue \$	Back specified area rate revenue \$	Total specified area rate revenue \$	Actual revenue \$
Specified area rate								
Port Gregory Water Supply	GRV	0.018334	517,118	9,481	0	0	9,481	11,937
Kalbarri Tourism Rate	GRV	0.001764	17,020,208	30,000			30,000	31,183
			17,537,326	39,481	0	0	39,481	43,120

Purpose of the Rate/Area or properties rate is to be imposed on

Specified area rate

Port Gregory Water Supply

The specified area rate for the Port Gregory Water Supply is levied on all rateable Port Gregory Gross Rental Value designated properties for the operation of the Port Gregory water supply. The amount required has been estimated as the cost to operated the water supply for 2016/2017.

Kalbarri Tourism Rate

The specified area rate for Kalbarri Tourism is levied on all rateable Kalbarri Gross Rental Value designated properties in accordance with the Kalbarri Town Planning Scheme No. 9

	Budgeted rate applied to costs \$	Budgeted rate set aside to reserve \$	Reserve Amount to be applied to costs \$
Port Gregory Water Supply	9,481		
Kalbarri Tourism Rate	30,000		
	39,481	0	0

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

11. SERVICE CHARGES

No service charges raised in the 2017/2018 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 full payment	02-10-17			
Option two				
First instalment	02-10-17	5	5.00%	10.00%
Second instalment	04-12-17	5	5.00%	10.00%
Option three				
First instalment	02-10-17	5	5.00%	10.00%
Second instalment	04-12-17	5	5.00%	10.00%
Third instalment	05-02-18	5	5.00%	10.00%
Fourth instalment	03-04-18	5	5.00%	10.00%

	2017/18 Budget revenue \$	2016/17 Actual \$
Instalment plan/admin interest earned	17,000	16,653
Unpaid rates interest earned	35,000	35,291
Pensioner Deferred Interest	1,100	1,084
	<u>52,000</u>	<u>51,944</u>

SHIRE OF NORTHAMPTON
 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/Minimum Rates	5.00%	150,000	151,035		151,035 A discount on rates is granted upon full payment of rates within 35 days of the date of service on the rates notice.		
		150,000	151,035				
Waivers or concessions							
Rate or fee and charge to which the waiver or concession is granted	Type	2017/18 Budget \$	2016/17 Actual \$		Circumstances in which the waiver or concession is granted	Objects of the waiver or concession	Reasons for the waiver or concession
Rates assessment	Write-off	0	581		Error of fact /clear balance	Rates assessments	Error/adjustment
			0	581			

**SHIRE OF NORTHAMPTON
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	10,250	10,069
General purpose funding	2,500	0
Law, order, public safety	18,200	16,594
Health	11,403	11,140
Education and welfare	84,730	124,145
Housing	33,436	32,476
Community amenities	832,047	837,004
Recreation and culture	12,842	13,003
Transport	2,710	2,582
Economic services	154,147	139,822
Other property and services	29,000	30,609
	<u>1,191,265</u>	<u>1,217,444</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	30,120	35,233
General purpose funding	721,824	2,302,398
Law, order, public safety	68,313	87,465
Health	37,000	37,623
Education and welfare	119,592	96,715
Housing	6,500	6,394
Community amenities	5,650	35,557
Recreation and culture	19,245	63,001
Transport	85,500	169,971
Economic services	5,500	5,479
Other property and services	99,760	114,238
	<u>1,199,004</u>	<u>2,954,074</u>
Non-operating grants, subsidies and contributions		
Governance	0	0
General purpose funding	0	1,334
Law, order, public safety	0	0
Health	0	0
Education and welfare	0	871,111
Housing	0	22,208
Community amenities	0	0
Recreation and culture	177,979	611,430
Transport	2,473,830	1,222,637
Economic services	153,480	191,250
Other property and services	0	0
	<u>2,805,289</u>	<u>2,919,970</u>

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

16. ELECTED MEMBERS REMUNERATION	2017/18 Budget \$	2016/17 Actual \$
The following fees, expenses and allowances were paid to council members and the President/Deputy President.		
Meeting fees	21,830	16,880
President's allowance	12,000	10,500
Deputy President's allowance	2,500	2,500
Travelling expenses	2,000	2,457
Telecommunications allowance	4,500	4,500
	42,830	36,837

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 01-Jul-17 \$	Estimated amounts received \$	Estimated amounts paid (\$)	Estimated balance 30-Jun-18 \$
Town Planning - Security Bonds	0	0	0	0
Transportable Housing Bonds	16,275	0	(16,275)	0
Footpath Deposits	40,820	4,000	(15,000)	29,820
Horrocks Retention Fee - Parking/Stage 2	0	0	0	0
Retentions - Subdivisions	30,682	0	(30,682)	0
Building Levies (BCITF & BRB)	183	28,300	(28,483)	0
Community Bus Bond	6,400	2,600	(4,000)	5,000
Unclaimed Monies	4,044	2,000	(6,044)	0
Aged Unit Bond	(760)	760	0	0
Council Housing Bonds	1,280	0	(1,280)	0
Broc - Management Fund	0	0	0	0
RSL Hall Key Bond	650	880	(900)	630
Special Series Plates	1,430	3,400	(3,300)	1,530
Kidsport	2,937	5,000	(7,937)	0
NCCA	59,304	6,500	(10,000)	55,804
Horrocks Memorial Wall	765	1,200	(1,965)	0
One Life	3,513	0	(3,513)	0
Kalbarri Camp School	0	0	0	0
	167,523	54,640	(129,379)	92,784

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

18. MAJOR LAND TRANSACTIONS

Northampton Light Industrial Subdivision

(a) Details

Land owned freehold by Council, has been subdivided on the northern side of Lot 74 Seventh Avenue, Northampton. The construction of 4 industrial units was completed during 2014/2015. The future sale of this land is subject to compliance with grant funding conditions which stipulate that Council is unable to sell for a period of 5 years from the date of completion. All units are currently being leased for a period of 5 years.

	2017/18	2016/17
	Budget	Actual
	\$	\$
(b) Current year transactions		
Operating revenue		
- Profit on sale	0	0
Capital revenue		
- Sale proceeds	0	0
Capital expenditure		
- Purchase of land	0	0
- Development costs	0	0
	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

(c) Expected future cash flows

	2017/18	2018/19	2019/20	2020/21	2021/21	Total
	\$	\$	\$	\$	\$	\$
Cash outflows						
- Maintenance/Utilities	7,039	7,300	7,700	8,000	8,400	38,439
	<u>7,039</u>	<u>7,300</u>	<u>7,700</u>	<u>8,000</u>	<u>8,400</u>	<u>38,439</u>
Cash Inflows						
- Lease Fees	29,330	30,000	31,000	32,000	33,000	155,330
	<u>29,330</u>	<u>30,000</u>	<u>31,000</u>	<u>32,000</u>	<u>33,000</u>	<u>155,330</u>
Net cash flows	<u>36,369</u>	<u>37,300</u>	<u>38,700</u>	<u>40,000</u>	<u>41,400</u>	<u>193,769</u>
	<u>36,369</u>	<u>37,300</u>	<u>38,700</u>	<u>40,000</u>	<u>41,400</u>	<u>193,769</u>

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.