



SHIRE OF MUNDARING

BUDGET

FOR THE YEAR ENDED 30 JUNE 2018

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BUDGET OVERVIEW

The Shire of Mundaring's 2017/18 budget has been based on an increase of 3.95% in the total rate yield (based on 2016/17 budget rates revenue). All properties in the Shire were subject to a revaluation, which was undertaken by Landgate. The revised values provided by Landgate have been used to calculate the rates payable for all properties in 2017/18.

For each category of properties the valuations changed as per the table below.

Rate Type	Average increase/(decrease)
GRV - Commercial	4.5%
GRV - Light Industrial	-9.7%
GRV - Residential	-0.6%
GRV - Rural Residential	2.4%
UV - Rural	-7.3%

The rate in the dollar for GRV properties has been increased by 2.95%, whilst the rate in the dollar for UV properties has been increased by 11.5%.

For non-minimum rated properties the average increase per assessment for 2017/18 is as per the table below.

Rate Type	2016/17 \$	2017/18 \$	increase/(decrease)
GRV - Commercial	6,525	7,017	7.5%
GRV - Light Industrial	4,976	4,620	-7.2%
GRV - Residential	1,530	1,565	2.3%
GRV - Rural Residential	1,627	1,713	5.3%
UV - Rural	3,224	3,331	3.3%

The minimum rate for GRV and UV properties has been increased by 3.3%.

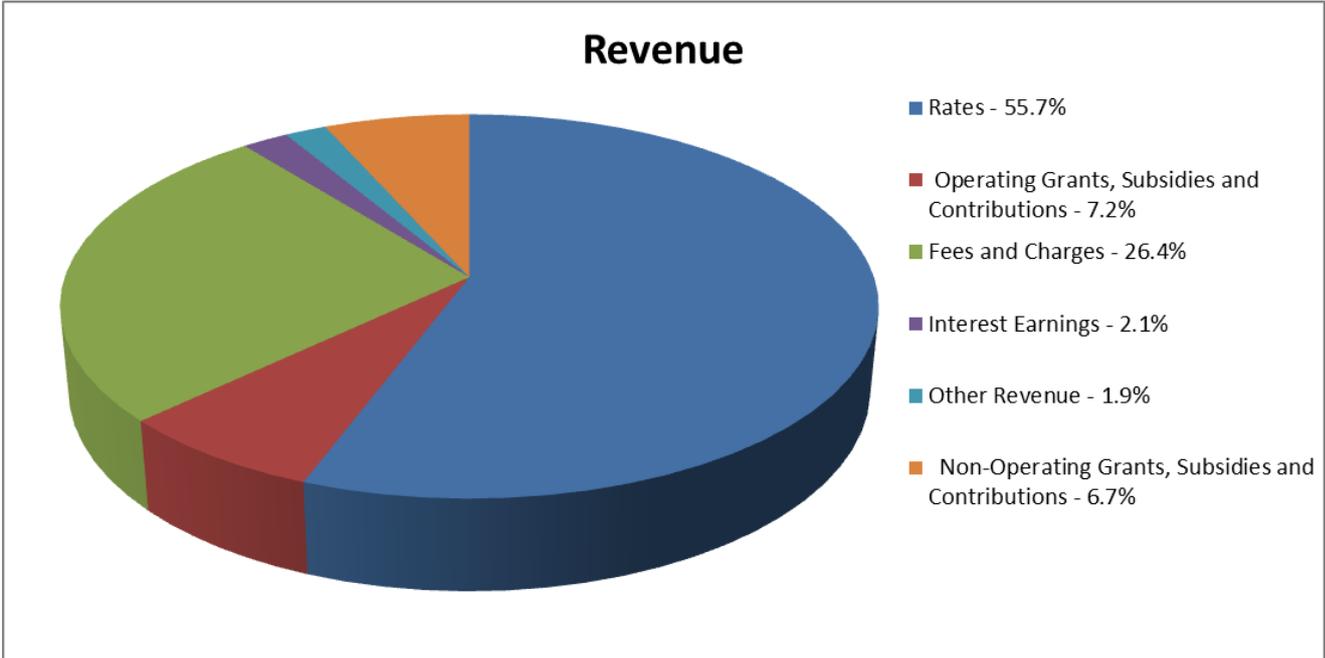
A detailed disclosure of rating information for 2017/18 is provided in Note 8 of the Budget document.

Closing Budget Position

The budget forecasts a closing surplus of \$1,886,328 as at 30 June 2018. A detailed disclosure of the Shire's forecast closing budget position is provided in the Rate Setting Statement and Note 4 of the Budget document.

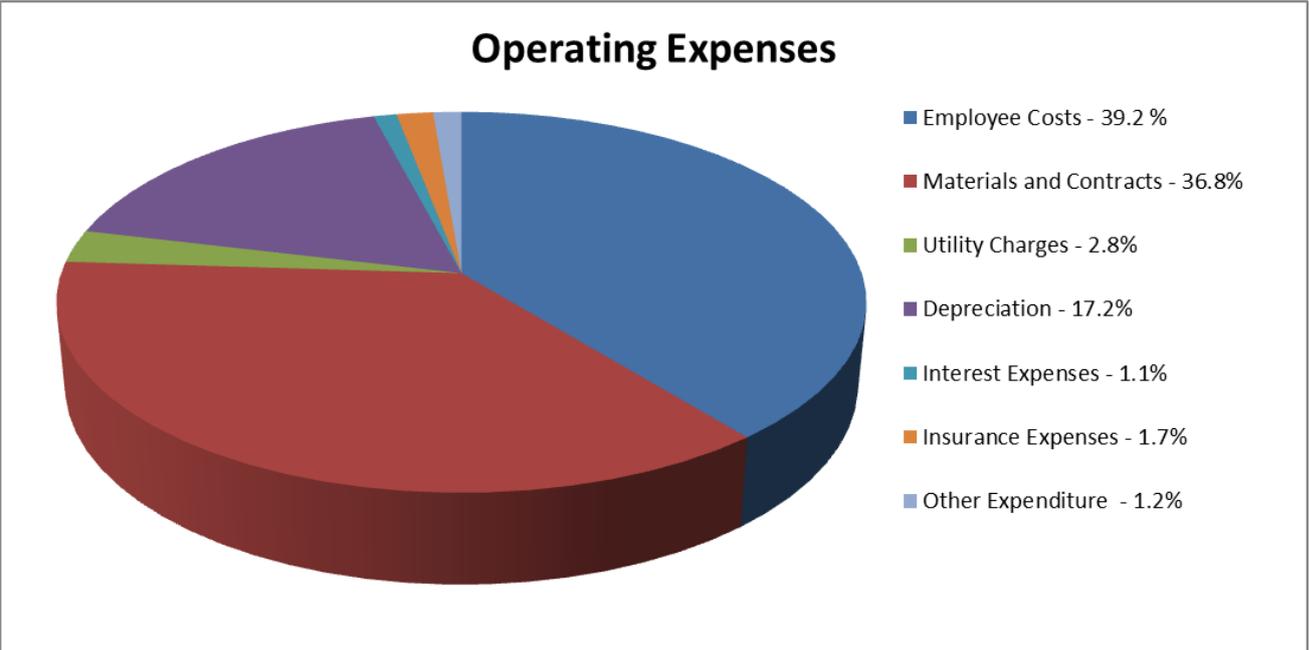
Revenue

The Shire's total revenue for 2017/18 is forecast to be \$48,994,566. The breakdown of revenue by nature and type is provided below:

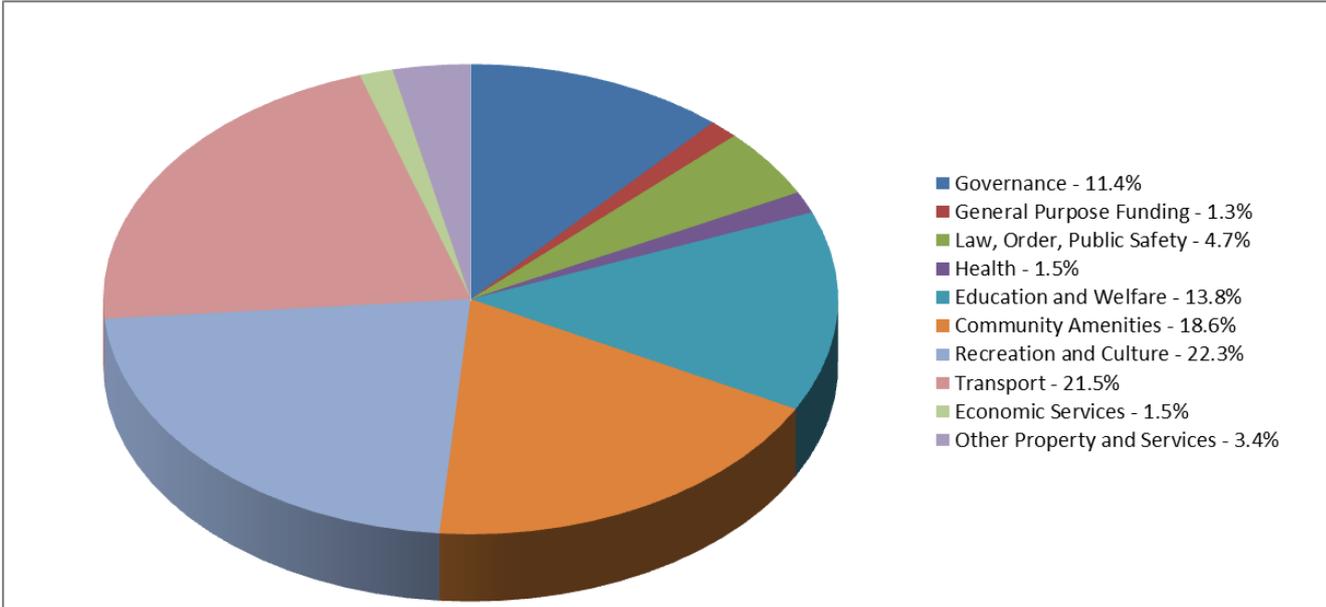


Operating Expenses

The Shire’s total operating expenditure for 2017/18 is forecast to be \$49,907,819. The breakdown of operating expenditure by nature and type is provided below:



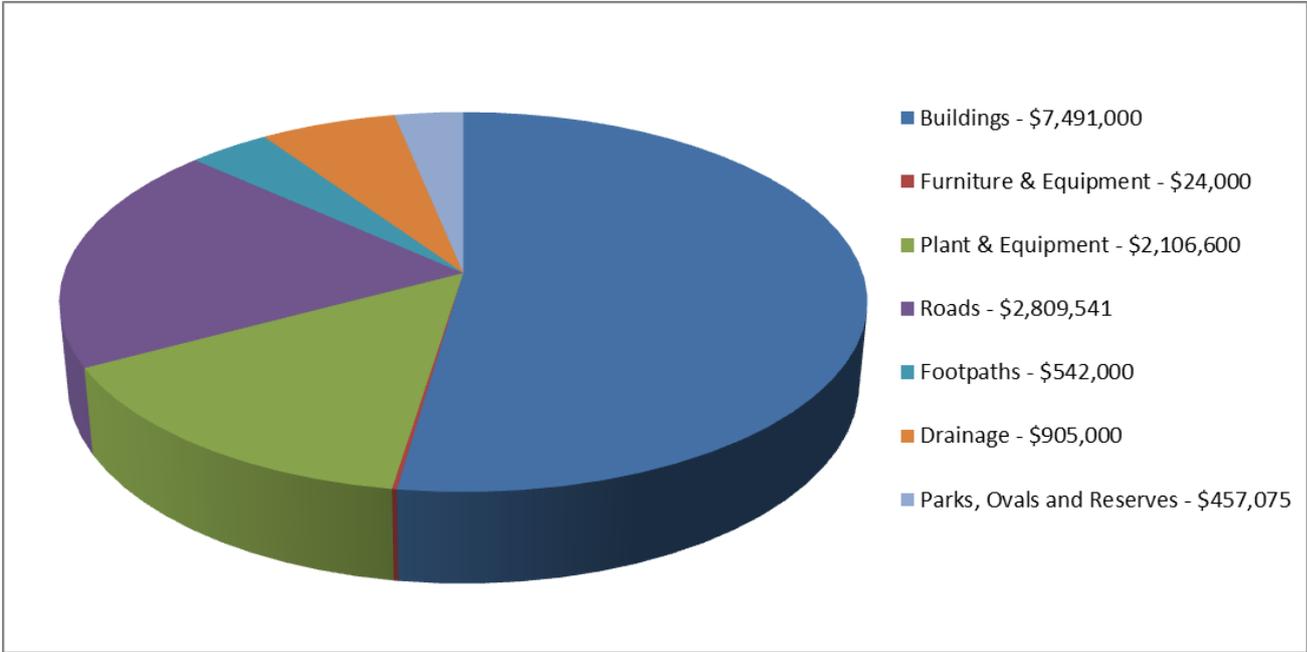
The breakdown of operating expenditure by Program is provided below:



A detailed explanation of the activities undertaken under each Program can be found in Note 2 (b) of the budget document.

Capital Expenditure

The Shire’s total capital expenditure for 2017/18 is forecast to be \$14,335,216. A breakdown of capital expenditure by class of assets is provided below:



A detailed breakdown of acquisitions on an individual asset basis can be found in the Shire’s Corporate Business Plan and Long Term Financial Plan.

Loan Liability

The Shire’s forecast loan liability at 30 June 2018, as disclosed in Note 7 of the budget, is \$11,741,999. There is no new loan debt forecast in the 2017/18 budget.

SHIRE OF MUNDARING
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	27,296,129	26,399,920	26,259,031
Operating grants, subsidies and contributions	15	3,546,836	5,679,943	4,622,520
Fees and charges	14	12,916,830	12,252,405	11,970,019
Interest earnings	2(a)	1,033,788	899,750	1,148,750
Other revenue	2(a)	936,875	1,447,789	1,257,495
		<u>45,730,458</u>	<u>46,679,807</u>	<u>45,257,815</u>
Expenses				
Employee costs		(19,550,744)	(19,081,735)	(19,133,690)
Materials and contracts		(18,373,695)	(18,326,412)	(19,080,670)
Utility charges		(1,386,974)	(1,252,845)	(1,310,656)
Depreciation on non-current assets	2(a)	(8,573,167)	(8,608,236)	(7,462,491)
Interest expenses	2(a)	(528,979)	(555,735)	(617,808)
Insurance expenses		(840,473)	(806,747)	(855,467)
Other expenditure		(653,787)	(1,050,799)	(889,378)
		<u>(49,907,819)</u>	<u>(49,682,509)</u>	<u>(49,350,160)</u>
		(4,177,361)	(3,002,702)	(4,092,345)
Non-operating grants, subsidies and contributions	15	3,264,108	4,749,851	4,920,919
Loss on asset disposals	6	(43,700)	(125,240)	(114,255)
Net result		(956,953)	1,621,909	714,319
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		<u>(956,953)</u>	<u>1,621,909</u>	<u>714,319</u>

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

SHIRE OF MUNDARING
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		108,800	307,308	91,500
General purpose funding		29,633,119	30,919,309	30,172,183
Law, order, public safety		519,200	665,761	477,200
Health		55,700	61,922	55,700
Education and welfare		5,181,184	4,583,207	4,541,318
Community amenities		7,975,885	7,784,785	7,744,284
Recreation and culture		1,336,930	1,189,698	1,169,180
Transport		48,000	287,699	114,000
Economic services		332,185	280,483	298,625
Other property and services		539,455	599,635	593,825
		<u>45,730,458</u>	<u>46,679,807</u>	<u>45,257,815</u>
Expenses excluding finance costs (refer notes 1, 2 & 16)				
Governance		(5,453,054)	(5,205,704)	(5,623,869)
General purpose funding		(646,034)	(854,634)	(655,034)
Law, order, public safety		(2,369,109)	(2,346,703)	(2,394,299)
Health		(736,140)	(758,081)	(785,579)
Education and welfare		(6,868,933)	(7,044,398)	(7,226,524)
Community amenities		(9,292,660)	(9,109,159)	(9,489,766)
Recreation and culture		(10,867,052)	(10,704,824)	(10,562,548)
Transport		(10,706,924)	(10,659,497)	(9,404,175)
Economic services		(733,653)	(793,549)	(796,591)
Other property and services		(1,705,281)	(1,650,225)	(1,793,967)
		<u>(49,378,840)</u>	<u>(49,126,774)</u>	<u>(48,732,352)</u>
Finance costs (refer notes 2 & 7)				
Governance		(267,034)	(283,445)	(283,445)
Recreation and culture		(261,945)	(272,290)	(334,363)
		<u>(528,979)</u>	<u>(555,735)</u>	<u>(617,808)</u>
		(4,177,361)	(3,002,702)	(4,092,345)
Non-operating grants, subsidies and contributions	15	3,264,108	4,749,851	4,920,919
(Loss) on disposal of assets	6	(43,700)	(125,240)	(114,255)
		<u>3,220,408</u>	<u>4,624,611</u>	<u>4,806,664</u>
Net result		(956,953)	1,621,909	714,319
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		<u>(956,953)</u>	<u>1,621,909</u>	<u>714,319</u>

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

**SHIRE OF MUNDARING
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		27,296,129	26,399,920	26,259,031
Operating grants, subsidies and contributions		3,546,836	5,679,943	4,622,520
Fees and charges		12,916,830	12,252,405	11,970,019
Interest earnings		1,033,788	899,750	1,148,750
Goods and services tax		1,350,000	1,350,000	1,700,000
Other revenue		936,875	1,447,789	1,257,495
		<u>47,080,458</u>	<u>48,029,807</u>	<u>46,957,815</u>
Payments				
Employee costs		(19,550,744)	(19,081,735)	(19,133,690)
Materials and contracts		(18,373,695)	(18,326,412)	(19,080,670)
Utility charges		(1,386,974)	(1,252,845)	(1,310,656)
Interest expenses		(528,979)	(555,735)	(617,808)
Insurance expenses		(840,473)	(806,747)	(855,467)
Goods and services tax		(1,350,000)	(1,350,000)	(1,700,000)
Other expenditure		(653,787)	(1,050,799)	(889,378)
		<u>(42,684,652)</u>	<u>(42,424,273)</u>	<u>(43,587,669)</u>
Net cash provided by (used in) operating activities	3(b)	<u>4,395,806</u>	<u>5,605,534</u>	<u>3,370,146</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	5	(9,621,600)	(10,028,162)	(16,753,361)
Payments for construction of infrastructure	5	(4,713,616)	(7,518,510)	(6,427,670)
Non-operating grants, subsidies and contributions used for the development of assets		3,264,108	4,749,851	4,920,919
Proceeds from sale of plant & equipment	6	2,709,437	549,135	517,846
Net cash provided by (used in) investing activities		<u>(8,361,671)</u>	<u>(12,247,686)</u>	<u>(17,742,266)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	7	(577,065)	(550,310)	(527,018)
Net cash provided by (used in) financing activities		<u>(577,065)</u>	<u>(550,310)</u>	<u>(527,018)</u>
Net increase (decrease) in cash held		(4,542,930)	(7,192,462)	(14,899,138)
Cash at beginning of year		<u>29,239,159</u>	<u>36,431,621</u>	<u>32,636,868</u>
Cash and cash equivalents at the end of the year	3(a)	<u>24,696,229</u>	<u>29,239,159</u>	<u>17,737,730</u>

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

**SHIRE OF MUNDARING
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	<u>6,069,313</u>	<u>6,144,334</u>	<u>3,298,762</u>
		6,069,313	6,144,334	3,298,762
Revenue from operating activities (excluding rates)				
Governance		108,800	307,308	91,500
General purpose funding		2,336,990	4,519,389	3,913,152
Law, order, public safety		519,200	665,761	477,200
Health		55,700	61,922	55,700
Education and welfare		5,181,184	4,583,207	4,541,318
Community amenities		7,975,885	7,784,785	7,744,284
Recreation and culture		1,336,930	1,189,698	1,169,180
Transport		48,000	287,699	114,000
Economic services		332,185	280,483	298,625
Other property and services		539,455	599,635	593,825
		<u>18,434,329</u>	<u>20,279,887</u>	<u>18,998,784</u>
Expenditure from operating activities				
Governance		(5,725,188)	(5,489,149)	(5,907,314)
General purpose funding		(646,034)	(854,634)	(655,034)
Law, order, public safety		(2,369,109)	(2,346,703)	(2,394,299)
Health		(736,140)	(758,081)	(785,579)
Education and welfare		(6,868,933)	(7,044,398)	(7,226,524)
Community amenities		(9,293,460)	(9,109,159)	(9,489,766)
Recreation and culture		(11,131,497)	(10,977,114)	(10,896,911)
Transport		(10,742,224)	(10,784,737)	(9,518,430)
Economic services		(733,653)	(793,549)	(796,591)
Other property and services		(1,705,281)	(1,650,225)	(1,793,967)
		<u>(49,951,519)</u>	<u>(49,807,749)</u>	<u>(49,464,415)</u>
Operating activities excluded from budget				
Loss on disposal of assets	6	43,700	125,240	114,255
Depreciation on assets	2(a)	8,573,167	8,608,236	7,462,491
Amount attributable to operating activities		(16,831,010)	(14,650,052)	(19,590,123)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	15	3,264,108	4,749,851	4,920,919
Purchase property, plant and equipment	5	(9,621,600)	(10,028,162)	(16,753,361)
Purchase and construction of infrastructure	5	(4,713,616)	(7,518,510)	(6,427,670)
Proceeds from disposal of assets	6	2,709,437	549,135	517,846
Amount attributable to investing activities		(8,361,671)	(12,247,686)	(17,742,266)
FINANCING ACTIVITIES				
Repayment of borrowings	7	(577,065)	(550,310)	(527,018)
Transfers to cash backed reserves (restricted assets)	9	(6,616,787)	(1,840,999)	(2,218,000)
Transfers from cash backed reserves (restricted assets)	9	6,976,732	8,958,440	15,258,082
Amount attributable to financing activities		(217,120)	6,567,131	12,513,064
Budgeted deficiency before general rates		<u>(25,409,801)</u>	<u>(20,330,607)</u>	<u>(24,819,325)</u>
Estimated amount to be raised from general rates	8	<u>27,296,129</u>	<u>26,399,920</u>	<u>26,259,031</u>
Net current assets at end of financial year - surplus/(deficit)	4	<u>1,886,328</u>	<u>6,069,313</u>	<u>1,439,706</u>

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

SHIRE OF MUNDARING
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 Mundaring 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 MUNDARING
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 Mundaring 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 Mundaring contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Mundaring 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 MUNDARING
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 Mundaring 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 Mundaring 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 Mundaring 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 MUNDARING
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 MUNDARING
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

- Structure	25 to 50 years
- Fit out	10 years
- Mechanical	5 to 15 years
- Roof Cladding	30 to 50 years

Furniture and Equipment

3 to 12 years

Plant and Equipment

3 to 20 years

Sealed Roads and Streets

- Formation	not depreciated
- Pavement	70 to 110 years
- Surface	15 to 30 years
- Kerb	70 years

Unsealed Roads

- Formation	not depreciated
- Surface	15 years

Drainage

75 years

Culverts

70 years

Bridges

35 to 100 years

Footpaths

15 to 80 years

Heritage Trails

75 years

Waste Transfer Stations

15 to 100 years

Bus Shelters

50 years

Parks Hard Assets

10 to 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 MUNDARING
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 Mundaring uses a mix of both independent and management valuations using the following as a guide:

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

SHIRE OF MUNDARING
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 Mundaring 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 Mundaring becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire of Mundaring 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 MUNDARING
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 Mundaring 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 MUNDARING
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 Mundaring 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 Mundaring 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 MUNDARING
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 Mundaring 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 Mundaring'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 Mundaring'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 Mundaring'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 Mundaring's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire of Mundaring 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 MUNDARING
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 Mundaring 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 Mundaring, 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) 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 Mundaring'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.

(w) 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 Mundaring's operational cycle. In the case of liabilities where the Shire of Mundaring 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 Mundaring's intentions to release for sale.

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

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
2. REVENUES AND EXPENSES			
(a) Net result			
The net result includes:			
(i) Charging as an expense:			
Auditors remuneration			
Audit services	21,500	23,107	20,000
Other services	8,500	1,893	15,000
Depreciation by program			
Governance	541,930	541,357	539,957
Law, order, public safety	248,644	252,630	402,783
Health	41,141	44,791	46,966
Education and welfare	178,907	188,612	207,011
Community amenities	48,982	48,555	79,086
Recreation and culture	2,507,667	2,517,337	2,353,234
Transport	4,894,387	4,903,755	3,718,755
Economic services	2,984	2,674	6,174
Other property and services	108,525	108,525	108,525
	<u>8,573,167</u>	<u>8,608,236</u>	<u>7,462,491</u>
Depreciation by asset class			
Buildings	2,731,228	2,739,124	2,761,124
Furniture and equipment	78,374	89,340	161,193
Plant and equipment	694,044	707,839	853,241
Infrastructure	5,069,521	5,071,933	3,686,933
	<u>8,573,167</u>	<u>8,608,236</u>	<u>7,462,491</u>
Interest expenses (finance costs)			
- Borrowings (refer note 7(a))	528,979	555,735	617,808
	<u>528,979</u>	<u>555,735</u>	<u>617,808</u>
(ii) Crediting as revenues:			
Interest earnings			
Investments			
- Reserve funds	518,788	425,000	650,000
- Municipal fund	350,000	313,750	343,750
Other interest revenue (refer note 12)	165,000	161,000	155,000
	<u>1,033,788</u>	<u>899,750</u>	<u>1,148,750</u>

SHIRE OF MUNDARING
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.

COMMUNITY VISION

"a sense of space, a sense of place"

The Shire operations as disclosed in this budget encompass the following service orientated activities/programs:

GOVERNANCE

Objective:

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

Activities:

Includes the activities of members of council and the administrative support required for the Council and Shire services.

GENERAL PURPOSE FUNDING

Objective:

To collect revenue to allow for the provision of services.

Activities:

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

Objective:

To provide services to help ensure a safer community.

Activities:

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

HEALTH

Objective:

To provide an operational framework for environmental and community health.

Activities:

Prevention of human illnesses, including inspection of premises/food control.

EDUCATION AND WELFARE

Objective:

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

Activities:

Operating and maintaining child minding centres and playgroup centres.

Provision of services and programs for the youth and seniors of the Shire.

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

REVENUES AND EXPENSES (Continued)

(b) Statement of objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide essential services required by the community.

Activities:

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

RECREATION AND CULTURE

Objective:

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

Activities:

Maintenance of public halls, civic centres, aquatic centres, lake, recreation centres and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of libraries and other cultural facilities.

TRANSPORT

Objective:

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

Activities:

Construction and maintenance of roads, streets, pathways, depots, parking facilities and traffic control. Cleaning of streets and maintenance of street trees, street lighting etc.

ECONOMIC SERVICES

Objective:

To help promote the Shire and its economic wellbeing.

Activities:

Tourism and area promotion. Provision of standpipes. Approval of building construction and implementation of statutory building controls.

OTHER PROPERTY & SERVICES

Objective:

To monitor and control the Shire's overheads operating accounts.

Activities:

Public works overheads, plant and equipment operations and activities not reported in the above programs.

SHIRE OF MUNDARING
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	2016/17	2016/17
	Budget	Actual	Budget
	\$	\$	\$
Cash - unrestricted	5,615,849	9,798,834	3,320,882
Cash - restricted	19,080,380	19,440,325	14,416,848
	<u>24,696,229</u>	<u>29,239,159</u>	<u>17,737,730</u>

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

Plant Replacement Reserve	849,562	667,091	539,530
Civic Facilities Reserve	5,953,596	9,027,431	2,919,734
Information Technology Reserve	694,090	792,734	721,380
Long Service Leave Reserve	298,711	114,623	471,110
Children Services Reserve	2,066,311	2,060,793	2,317,771
Gravel Pit Rehabilitation Reserve	111,055	56,532	35,162
Capital Investment Reserve	6,358,838	3,962,099	5,144,737
Capital Income Reserve	2,748,217	2,575,824	2,267,424
Unspent Grants Reserve	0	183,198	0
	<u>19,080,380</u>	<u>19,440,325</u>	<u>14,416,848</u>

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

Net result	(956,953)	1,621,909	714,319
Depreciation	8,573,167	8,608,236	7,462,491
(Profit)/loss on sale of asset	43,700	125,240	114,255
Grants/contributions for the development of assets	<u>(3,264,108)</u>	<u>(4,749,851)</u>	<u>(4,920,919)</u>
Net cash from operating activities	<u>4,395,806</u>	<u>5,605,534</u>	<u>3,370,146</u>

SHIRE OF MUNDARING
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 \$
Undrawn borrowing facilities			
credit standby arrangements			
Bank overdraft limit	500,000	500,000	1,000,000
Bank overdraft at balance date	0	0	0
Credit card limit	83,000	83,000	300,000
Credit card balance at balance date	(45,000)	(55,000)	(35,000)
Total amount of credit unused	<u>538,000</u>	<u>528,000</u>	<u>1,265,000</u>
Loan facilities			
Loan facilities in use at balance date	<u>11,741,999</u>	<u>12,319,064</u>	<u>12,381,908</u>
Unused loan facilities at balance date	<u>0</u>	<u>0</u>	<u>0</u>

	Note	2017/18 Budget \$	2016/17 Actual \$
4. NET CURRENT ASSETS			
Composition of estimated net current assets			
Current assets			
Cash - unrestricted	3(a)	5,615,849	9,798,834
Cash - restricted reserves	3(a)	19,080,380	19,440,325
Receivables		1,900,544	1,900,544
Inventories		103,837	103,837
		<u>26,700,610</u>	<u>31,243,540</u>
Less: current liabilities			
Trade and other payables		(2,540,354)	(2,540,354)
Short term borrowings		0	0
Long term borrowings		(605,330)	(577,065)
Provisions		(3,193,548)	(3,193,548)
		<u>(6,339,232)</u>	<u>(6,310,967)</u>
Unadjusted net current assets		20,361,378	24,932,573
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)	(19,080,380)	(19,440,325)
Add: Current portion of borrowings		605,330	577,065
Adjusted net current assets - surplus/(deficit)		<u>1,886,328</u>	<u>6,069,313</u>

SHIRE OF MUNDARING
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 \$
	Law, order, public safety \$	Community amenities \$	Recreation and culture \$	Transport \$		
<i>Property, Plant and Equipment</i>						
Land and buildings	0	0	7,491,000	0	7,491,000	8,389,099
Furniture and equipment	0	0	24,000	0	24,000	45,500
Plant and equipment	977,000	0	0	1,129,600	2,106,600	1,593,563
	977,000	0	7,515,000	1,129,600	9,621,600	10,028,162
<i>Infrastructure</i>						
Roads	0	0	0	2,809,541	2,809,541	4,958,008
Footpaths	0	0	0	542,000	542,000	634,500
Drainage	0	0	0	905,000	905,000	362,000
Parks, ovals and reserves	0	49,050	408,025	0	457,075	1,564,002
	0	49,050	408,025	4,256,541	4,713,616	7,518,510
Total acquisitions	977,000	49,050	7,923,025	5,386,141	14,335,216	17,546,672

A detailed breakdown of acquisitions on an individual asset basis can be found in the Shire's Corporate Business Plan and Long Term Financial Plan.

SHIRE OF MUNDARING
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	40,000	34,900	0	(5,100)	0	0	0	0
Law, order, public safety	31,337	31,337	0	0	0	0	0	0
Community amenities	114,000	113,200	0	(800)	0	0	0	0
Recreation and culture	28,000	25,500	0	(2,500)	0	0	0	0
Transport	249,800	214,500	0	(35,300)	0	(125,240)	0	(114,255)
Other property and services	2,290,000	2,290,000	0	0	0	0	0	0
	2,753,137	2,709,437	0	(43,700)	0	(125,240)	0	(114,255)

<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	2,290,000	2,290,000	0	0	0	0	0	0
Plant and equipment	463,137	419,437	0	(43,700)	0	(125,240)	0	(114,255)
	2,753,137	2,709,437	0	(43,700)	0	(125,240)	0	(114,255)

SHIRE OF MUNDARING
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 170 - Civic Facility Redevelopment	3,904,539	0	245,085	228,676	3,659,454	3,904,539	267,034	283,445
Recreation and culture								
Loan 171 - Community Building Projects	8,414,525	0	331,980	321,634	8,082,545	8,414,525	261,945	272,290
	12,319,064	0	577,065	550,310	11,741,999	12,319,064	528,979	555,735

All borrowing repayments will be financed by general purpose revenue.

**SHIRE OF MUNDARING
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 will not undertake any new debentures in 2017/18.

(c) Unspent borrowings

Loan Details	Purpose of the loan	Date borrowed	Amount b/fwd \$	Expended	Amount as at 30 June 2018 \$
				2017/18 Budget \$	
Loan 171	Community Building Facilities	May 2016	787,325	(787,325)	0
			787,325	(787,325)	0

The unspent loan funds were held in the Civic Facilities Reserve as at 30 June 2017. These funds are anticipated to be expended on the construction of Mundaring Arena during 2017/18.

(d) Overdraft

The Shire has not utilised an overdraft facility during the financial year although an overdraft facility of \$500,000 with the Bendigo Bank does exist. It is not anticipated that this facility will be required to be utilised during 2017/18.

SHIRE OF MUNDARING
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								
GRV - Residential	0.080100	11,196	218,707,436	17,518,466	135,802	0	17,654,268	16,972,251
GRV - Commercial	0.080100	273	23,914,109	1,915,520	0	0	1,915,520	1,860,827
GRV - Light Industrial	0.080100	283	16,323,298	1,307,496	0	0	1,307,496	1,414,788
GRV - Rural Residential	0.080100	3,053	65,295,870	5,230,199	0	0	5,230,199	4,964,403
UV - Rural	0.00539772	240	148,094,000	799,370	0	0	799,370	702,549
Sub-Totals		15,045	472,334,713	26,771,051	135,802	0	26,906,853	25,914,818
Minimum payment								
	Minimum \$							
GRV - Residential	816	402	3,062,206	328,032	0	0	328,032	413,960
GRV - Commercial	816	3	22,790	2,448	0	0	2,448	4,740
GRV - Light Industrial	816	1	8,400	816	0	0	816	790
GRV - Rural Residential	816	66	595,430	53,856	0	0	53,856	61,620
UV - Mining Lease	1031	4	51,435	4,124	0	0	4,124	3,992
Sub-Totals		476	3,740,261	389,276	0	0	389,276	485,102
Total rates		15,521	476,074,974	27,160,327	135,802	0	27,296,129	26,399,920

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

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.

All properties in the Shire were subject to a revaluation, which was undertaken by Landgate. The revised values provided by Landgate have been used to calculate the rates payable for all properties in 2017/18.

For non-minimum rated properties the valuations changed as per the table below.

Rate Type	Average increase/(decrease)
GRV - Commercial	4.5%
GRV - Light Industrial	-9.7%
GRV - Residential	-0.6%
GRV - Rural Residential	2.4%
UV - Rural	-7.3%

The rate in the dollar for GRV properties has been increased by 2.95%, whilst the rate in the dollar for UV properties has been increased by 11.5%.

For non-minimum rated properties the average increase per assessment for 2017/18 is as per the table below.

Rate Type	2016/17 \$	2017/18 \$	increase/(decrease)
GRV - Commercial	6,525	7,017	7.5%
GRV - Light Industrial	4,976	4,620	-7.2%
GRV - Residential	1,530	1,565	2.3%
GRV - Rural Residential	1,627	1,713	5.3%
UV - Rural	3,224	3,331	3.3%

The minimum rates for GRV and UV properties has been increased by 3.3%.

**SHIRE OF MUNDARING
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	667,091	873,971	(691,500)	849,562	831,353	806,973	(971,235)	667,091	701,196	809,849	(971,515)	539,530
Civic Facilities Reserve	9,027,431	2,243,199	(5,317,034)	5,953,596	13,706,248	230,372	(4,909,189)	9,027,431	14,625,567	351,437	(12,057,270)	2,919,734
Information Technology Reserve	792,734	61,356	(160,000)	694,090	871,196	54,643	(133,105)	792,734	870,464	60,916	(210,000)	721,380
Long Service Leave Reserve	114,623	403,088	(219,000)	298,711	301,702	165,071	(352,150)	114,623	377,823	169,079	(75,792)	471,110
Children Services Reserve	2,060,793	55,518	(50,000)	2,066,311	2,998,563	50,399	(988,169)	2,060,793	2,979,380	71,591	(733,200)	2,317,771
Gravel Pit Rehabilitation Reserve	56,532	90,523	(36,000)	111,055	69,077	1,161	(13,706)	56,532	93,906	91,256	(150,000)	35,162
Capital Investment Reserve	3,962,099	2,396,739	0	6,358,838	3,896,605	65,494	0	3,962,099	5,024,015	120,722	0	5,144,737
Capital Income Reserve	2,575,824	492,393	(320,000)	2,748,217	2,611,068	466,886	(502,130)	2,575,824	2,378,404	543,150	(654,130)	2,267,424
Unspent Grants Reserve	183,198	0	(183,198)	0	1,271,954	0	(1,088,756)	183,198	406,175	0	(406,175)	0
	<u>19,440,325</u>	<u>6,616,787</u>	<u>(6,976,732)</u>	<u>19,080,380</u>	<u>26,557,766</u>	<u>1,840,999</u>	<u>(8,958,440)</u>	<u>19,440,325</u>	<u>27,456,930</u>	<u>2,218,000</u>	<u>(15,258,082)</u>	<u>14,416,848</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	Anticipated date of use	Purpose of the reserve
Plant Replacement Reserve	Ongoing	To fund the replacement and purchase of works plant and light vehicles.
Civic Facilities Reserve	Ongoing	To fund the construction and/or purchase of public buildings and facilities.
Information Technology Reserve	Ongoing	To fund the upgrade and replacement of the Shire's information technology.
Long Service Leave Reserve	Ongoing	To fund the Shire's Long Service Leave Liability.
Children Services Reserve	Ongoing	To provide funds for the purchase of capital items, preventative maintenance for Children Service's buildings and employee entitlements. Also allows cash surpluses to be quarantined to fund operations for future years.
Gravel Pit Rehabilitation Reserve	Ongoing	To fund the production of gravel and the rehabilitation of gravel pits.
Capital Investment Reserve	Ongoing	To fund the advancement of the Shire's Property Strategy.
Capital Income Reserve	Ongoing	To fund the development of Shire facilities and infrastructure.
Unspent Grants Reserve	2017/18	To isolate any unspent grant funds at the end of each financial year.

SHIRE OF MUNDARING
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FOR THE YEAR ENDED 30 JUNE 2018

10. SPECIFIED AREA RATE

The Shire of Mundaring will not levy any Specified Area Rates in 2017/18.

11. SERVICE CHARGES

The Shire of Mundaring will not levy any Service Charges in 2017/18.

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	7 September 2017	0	0.00%	11.00%
Option two				
First instalment	7 September 2017	0	0.00%	11.00%
Second instalment	9 November 2017	\$ 9.00	0.00%	11.00%
Third instalment	11 January 2018	\$ 9.00	0.00%	11.00%
Fourth instalment	15 March 2018	\$ 9.00	0.00%	11.00%

Option three

A payment arrangement agreed under section 6.49 of the *Local Government Act 1995*.

Ratepayers who enter an agreement to pay rates as provided in Section 6.49 of the Act are not levied an administrative charge but interest (11%) is paid on the rates balance outstanding until it is paid in full.

	2017/18 Budget revenue \$	2016/17 Actual \$
Instalment plan admin charge revenue	145,000	144,912
Unpaid rates interest earned	165,000	161,000
	<u>310,000</u>	<u>305,912</u>

**SHIRE OF MUNDARING
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FOR THE YEAR ENDED 30 JUNE 2018**

13. PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS

	Type	2017/18 Budget \$	2016/17 Actual \$
Rates	Write-Off	1,500	1,500
Rates - Penalty Interest	Write-Off	1,500	1,500
Waste Charges	Write-Off	1,000	1,000
Legal Fees	Write-Off	50	50
Infringements	Write-Off	3,250	3,250
Sundry Debts	Write-Off	500	500
		7,800	7,800

No discount on rates is available.

The cost to the Shire for the early payment of rates incentive will be \$4,300 being \$2,500 towards the first prize, \$1,500 towards the second prize and \$300 for pool entry.

SHIRE OF MUNDARING
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FOR THE YEAR ENDED 30 JUNE 2018

	2017/18	2016/17
	Budget	Actual
	\$	\$
14. FEES & CHARGES REVENUE		
Governance	0	57
General purpose funding	145,000	144,912
Law, order, public safety	170,200	237,761
Health	55,700	61,922
Education and welfare	3,117,700	2,732,988
Community amenities	7,975,885	7,782,285
Recreation and culture	1,103,160	984,224
Transport	16,000	26,773
Economic services	332,185	280,483
Other property and services	1,000	1,000
	<u>12,916,830</u>	<u>12,252,405</u>
15. GRANT REVENUE		
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:		
By Program:		
Operating grants, subsidies and contributions		
General purpose funding	1,070,202	3,379,402
Law, order, public safety	349,000	428,000
Education and welfare	2,006,384	1,699,819
Community amenities	0	2,500
Recreation and culture	83,000	67,427
Transport	32,000	92,000
Other property and services	6,250	10,795
	<u>3,546,836</u>	<u>5,679,943</u>
Non-operating grants, subsidies and contributions		
Law, order, public safety	902,000	0
Recreation and culture	770,000	2,334,000
Transport	1,592,108	2,415,851
	<u>3,264,108</u>	<u>4,749,851</u>

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

	2017/18	2016/17
	Budget	Actual
	\$	\$
16. ELECTED MEMBERS REMUNERATION		
The following fees, expenses and allowances were paid to council members.		
Meeting fees	255,420	255,420
President's allowance	50,852	50,852
Deputy President's allowance	12,713	12,713
Travelling expenses	11,500	11,500
Telecommunications allowance	42,000	42,000
	<u>372,485</u>	<u>372,485</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	Estimated	Estimated	Estimated
	1-Jul-17	amounts	amounts	balance
	\$	received	paid	30-Jun-18
	\$	\$	(\$)	\$
Deposits, Bonds & Retentions	835,717	620,000	(800,000)	655,717
POS & Road Construction	4,436,799	540,000	(120,000)	4,856,799
Scheme 7 Costs	40,523	550	0	41,073
BCITF Levy	0	170,000	(170,000)	0
Building Services Levy	0	180,000	(180,000)	0
	<u>5,313,039</u>	<u>1,510,550</u>	<u>(1,270,000)</u>	<u>5,553,589</u>

SHIRE OF MUNDARING
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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

The Shire has an 11% share in the net assets of the Eastern Metropolitan Regional Council (EMRC) as a member Council. The value of this investment is based on the Shire's share of the net assets as disclosed in the financial statements of the EMRC.