

SHIRE OF PINGELLY
BUDGET
FOR THE YEAR ENDED 30 JUNE 2020

TABLE OF CONTENTS

Statement of Comprehensive Income by Nature or Type	2
Basis of Preparation	3
Statement of Comprehensive Income by Program	4
Statement of Cash Flows	6
Rate Setting Statement by Program	7
Rates and Service Charges	8
Net Current Assets	14
Reconciliation of Cash	17
Fixed Assets	18
Asset Depreciation	20
Borrowings	21
Cash Backed Reserves	23
Fees and Charges	24
Grant Revenue	24
Other Information	25
Major Land Transactions	26
Major Trading Undertaking	27
Interests in Joint Arrangements	28
Trust	28
Significant Accounting Policies - Other	29
Significant Accounting Policies - Change in Accounting Policies	30

SHIRE'S VISION

The Shire will endeavour to provide community services and facilities to meet the needs of members of the community and enable them to enjoy a pleasant and healthy way of life.

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

BY NATURE OR TYPE

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
Revenue				
Rates	1(a)	2,084,538	1,983,146	1,994,784
Operating grants, subsidies and contributions	9	1,038,067	1,725,761	1,109,566
Fees and charges	8	333,001	337,708	494,266
Service charges	1(c)	0	0	0
Interest earnings	10(a)	45,285	41,194	64,875
Other revenue	10(b)	81,951	88,918	62,066
		3,582,842	4,176,727	3,725,557
Expenses				
Employee costs		(1,528,119)	(1,801,018)	(1,695,002)
Materials and contracts		(1,312,197)	(1,351,923)	(1,221,608)
Utility charges		(149,304)	(163,334)	(168,682)
Depreciation on non-current assets	5	(2,472,000)	(2,360,311)	(1,755,000)
Interest expenses	10(d)	(199,234)	(133,155)	(129,622)
Insurance expenses		(180,846)	(166,385)	(178,508)
Other expenditure		(98,081)	(73,399)	(92,155)
		(5,939,781)	(6,049,525)	(5,240,577)
Subtotal				
		(2,356,939)	(1,872,798)	(1,515,020)
Non-operating grants, subsidies and contributions	9	2,001,730	1,193,075	1,334,006
Profit on asset disposals	4(b)	0	78,024	78,000
Loss on asset disposals	4(b)	(385,719)	(3,666)	(386,049)
		1,616,011	1,267,433	1,025,957
Net result				
		(740,928)	(605,365)	(489,063)
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income				
		(740,928)	(605,365)	(489,063)

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

FOR THE YEAR ENDED 30TH JUNE 2020

BASIS OF PREPARATION

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

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

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire of Pingelly 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 12 to the budget.

2018/19 ACTUAL BALANCES

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

CHANGE IN ACCOUNTING POLICIES

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

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

Explanation of the changes arising from these standards is provided at Note 14.

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

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

SERVICE CHARGES

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

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

PROFIT ON ASSET DISPOSAL

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

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

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

NON-OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS

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

FEES AND CHARGES

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

INTEREST EARNINGS

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

OTHER REVENUE / INCOME

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

EXPENSES**EMPLOYEE COSTS**

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

MATERIALS AND CONTRACTS

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

UTILITIES (GAS, ELECTRICITY, WATER, ETC.)

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

INSURANCE

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

LOSS ON ASSET DISPOSAL

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

DEPRECIATION ON NON-CURRENT ASSETS

Depreciation expense raised on all classes of assets.

INTEREST EXPENSES

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

OTHER EXPENDITURE

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

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

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
Revenue	1, 8, 9, 10(a),(b)	\$	\$	\$
Governance		38,385	73,161	85,669
General purpose funding		2,742,245	3,307,592	2,691,085
Law, order, public safety		70,802	94,360	65,902
Health		1,636	1,526	6,936
Education and welfare		28,425	12,737	11,175
Community amenities		211,850	210,008	343,650
Recreation and culture		36,618	30,182	12,860
Transport		355,834	373,494	406,480
Economic services		45,820	25,394	24,050
Other property and services		51,227	48,273	77,750
		3,582,842	4,176,727	3,725,557
Expenses excluding finance costs	5,10(c)(e)(f)(g)			
Governance		(293,458)	(539,043)	(291,458)
General purpose funding		(198,531)	(174,790)	(225,373)
Law, order, public safety		(236,557)	(232,566)	(207,056)
Health		(140,955)	(102,673)	(121,072)
Education and welfare		(103,234)	(56,109)	(113,124)
Community amenities		(417,533)	(365,509)	(408,119)
Recreation and culture		(1,200,831)	(1,190,078)	(1,214,797)
Transport		(2,817,866)	(2,904,186)	(2,225,141)
Economic services		(305,418)	(237,135)	(264,077)
Other property and services		(26,164)	(114,281)	(40,738)
		(5,740,547)	(5,916,370)	(5,110,955)
Finance costs	6, 10(d)			
Governance		0	(1,409)	0
Education and welfare		(16,129)	(11,506)	(5,879)
Recreation and culture		(183,105)	(120,240)	(123,743)
		(199,234)	(133,155)	(129,622)
Subtotal		(2,356,939)	(1,872,798)	(1,515,020)
Non-operating grants, subsidies and contributions	9	2,001,730	1,193,075	1,334,006
Profit on disposal of assets	4(b)	0	78,024	78,000
(Loss) on disposal of assets	4(b)	(385,719)	(3,666)	(386,049)
		1,616,011	1,267,433	1,025,957
Net result		(740,928)	(605,365)	(489,063)
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		(740,928)	(605,365)	(489,063)

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

FOR THE YEAR ENDED 30TH JUNE 2020

KEY TERMS AND DEFINITIONS - REPORTING PROGRAMS

In order to discharge its responsibilities to the community, Council has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision, and for each of its broad activities/programs.

OBJECTIVE**GOVERNANCE**

Effective leadership and governance

GENERAL PURPOSE FUNDING

A financially sustainable Shire.

LAW, ORDER, PUBLIC SAFETY

A safe community.

HEALTH

Health and family support services that are accessible and meet the needs of the community.

EDUCATION AND WELFARE

Quality of life for the aged and disabled.

Development and participation of young people.

COMMUNITY AMENITIES

Appropriate development which is diverse in nature and protects local heritage.

RECREATION AND CULTURE

Access to recreation, sporting and leisure opportunities.

TRANSPORT

Safe and reliable transport infrastructure.

ECONOMIC SERVICES

Support the promotion and marketing of local businesses and tourism initiatives.

OTHER PROPERTY AND SERVICES

Provide support services for works and plant operations.

ACTIVITIES

Administration and operation of facilities and services to members of Council; other costs that relate to the tasks of assisting elected members and ratepayers on matters which do not

Rates, general purpose government grants and interest revenue.

Fire prevention, animal control and assistance to emergency services.

Food quality control, provision of doctor services.

Maintenance of a daycare centre and assistance to the provision of aged care accommodation.

Rubbish and recyclables collection and disposal services, operation of the refuse site, administration of the town planning scheme, maintenance of the cemetery, maintenance of public toilets and maintenance of storm water drainage.

Maintenance of the Town Hall, Pingelly Recreation and Cultural Centre, recreation ground, swimming pool complex, reserves, operation of the library together with support of cultural events.

Construction and maintenance of streets, roads, bridges, cleaning and lighting of streets and depot maintenance.

The regulation and provision of building control, control of noxious weeds and vermin, standpipe water supplies and area promotion.

Private works operations, plant repairs and operation costs.

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

BY NATURE OR TYPE

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		2,034,538	2,011,208	2,039,784
Operating grants, subsidies and contributions		1,038,067	1,800,533	1,189,566
Fees and charges		333,001	337,708	494,266
Interest earnings		45,285	41,194	64,875
Goods and services tax		0	78,086	410,000
Other revenue		81,951	88,918	62,066
		3,532,842	4,357,647	4,260,557
Payments				
Employee costs		(1,528,119)	(1,728,211)	(1,695,002)
Materials and contracts		(1,393,178)	(1,463,292)	(1,173,303)
Utility charges		(149,304)	(163,334)	(168,682)
Interest expenses		(199,234)	(108,048)	(129,622)
Insurance expenses		(180,846)	(166,385)	(178,508)
Goods and services tax		0	0	(360,000)
Other expenditure		(98,081)	(73,399)	(92,155)
		(3,548,762)	(3,702,669)	(3,797,272)
Net cash provided by (used in) operating activities	3	(15,920)	654,978	463,285
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	4(a)	(285,364)	(2,189,082)	(2,272,058)
Payments for construction of infrastructure	4(a)	(2,109,327)	(955,755)	(1,091,572)
Non-operating grants, subsidies and contributions used for the development of assets	9	2,001,730	1,193,075	1,334,006
Proceeds from sale of plant & equipment	4(b)	120,430	145,417	113,600
Net cash provided by (used in) investing activities		(272,531)	(1,806,345)	(1,916,024)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(1,389,880)	(98,336)	(98,336)
Proceeds from self supporting loans	6(a)	24,300	7,599	7,598
Proceeds from new borrowings	6(b)	1,200,000	700,000	700,000
Net cash provided by (used in) financing activities		(165,580)	609,263	609,262
Net increase (decrease) in cash held		(454,031)	(542,104)	(843,477)
Cash at beginning of year		531,852	1,073,956	1,073,956
Cash and cash equivalents at the end of the year	3	77,821	531,852	230,479

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

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

	NOTE	2019/20 Budget	2018/19 Actual	2018/19 Budget
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	2 (b)(i)	282,356	740,010	740,010
		282,356	740,010	740,010
Revenue from operating activities (excluding rates)				
Governance		38,385	73,947	85,669
General purpose funding		657,947	1,305,889	696,541
Law, order, public safety		70,802	94,360	65,902
Health		1,636	1,526	6,936
Education and welfare		28,425	12,737	11,175
Community amenities		211,850	210,008	343,650
Recreation and culture		36,618	30,182	12,860
Transport		355,834	450,732	484,480
Economic services		45,820	25,394	24,050
Other property and services		51,227	48,273	77,750
		1,498,544	2,253,048	1,809,013
Expenditure from operating activities				
Governance		(669,607)	(544,118)	(677,507)
General purpose funding		(198,531)	(174,790)	(225,373)
Law, order, public safety		(236,557)	(232,566)	(207,056)
Health		(140,955)	(102,673)	(121,072)
Education and welfare		(119,363)	(67,615)	(119,003)
Community amenities		(417,533)	(365,509)	(408,119)
Recreation and culture		(1,383,936)	(1,310,318)	(1,338,540)
Transport		(2,817,866)	(2,904,186)	(2,225,141)
Economic services		(314,988)	(237,135)	(264,077)
Other property and services		(26,164)	(114,281)	(40,738)
		(6,325,500)	(6,053,191)	(5,626,626)
Non-cash amounts excluded from operating activities	2 (b)(ii)	2,857,719	2,342,035	2,063,049
Amount attributable to operating activities		(1,686,881)	(718,098)	(1,014,554)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	9	2,001,730	1,193,075	1,334,006
Purchase property, plant and equipment	4(a)	(285,364)	(2,189,082)	(2,272,058)
Purchase and construction of infrastructure	4(a)	(2,109,327)	(955,755)	(1,091,572)
Proceeds from disposal of assets	4(b)	120,430	145,417	113,600
Amount attributable to investing activities		(272,531)	(1,806,345)	(1,916,024)
FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(1,389,880)	(98,336)	(98,336)
Proceeds from new borrowings	6(b)	1,200,000	700,000	700,000
Proceeds from self supporting loans	6(a)	24,300	7,599	7,598
Transfers to cash backed reserves (restricted assets)	7(a)	(23,956)	(9,226)	(28,996)
Transfers from cash backed reserves (restricted assets)	7(a)	64,650	296,040	355,768
Amount attributable to financing activities		(124,886)	896,077	936,034
Budgeted deficiency before general rates		(2,084,298)	(1,628,366)	(1,994,544)
Estimated amount to be raised from general rates	1	2,084,298	2,001,703	1,994,544
Net current assets at end of financial year - surplus/(deficit)	2 (b)(i)	0	373,337	0

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

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

1. RATES AND SERVICE CHARGES

(a) Rating Information

RATE TYPE	Rate in	Number of properties	Rateable value	2019/20 Budgeted rate revenue	2019/20 Budgeted interim rates	2019/20 Budgeted back rates	2019/20 Budgeted total revenue	2018/19 Actual total revenue	2018/19 Budget total revenue
	\$		\$	\$	\$	\$	\$	\$	\$
Differential general rate or general rate									
Gross rental valuations									
GRV - Residential	0.12060	321	3,647,465	439,884	0	0	439,884	413,368	407,247
GRV - Rural Residential	0.12060	66	813,163	98,067	0	0	98,067	94,233	93,644
GRV - Commercial/Industrial	0.12060	27	329,552	39,744	0	0	39,744	60,266	60,250
GRV - Townsites	0.12060	12	143,915	17,356	0	0	17,356	18,440	16,725
Unimproved valuations									
UV - Broadacre Rural	0.01034	247	130,804,500	1,352,519	(72)	0	1,352,447	1,291,196	1,292,478
Sub-Totals		673	135,738,595	1,947,570	(72)	0	1,947,498	1,877,503	1,870,344
Minimum									
Minimum payment									
\$									
Gross rental valuations									
GRV - Residential	900	62	96,900	55,800	0	0	55,800	52,200	52,200
GRV - Rural Residential	900	23	52,909	20,700	0	0	20,700	18,000	18,000
GRV - Commercial/Industrial	900	14	36,200	12,600	0	0	12,600	7,200	7,200
GRV - Townsites	900	8	44,160	7,200	0	0	7,200	6,300	6,300
Unimproved valuations									
UV - Broadacre Rural	900	45	2,753,000	40,500	0	0	40,500	40,500	40,500
Sub-Totals		152	2,983,169	136,800	0	0	136,800	124,200	124,200
		825	138,721,764	2,084,370	(72)	0	2,084,298	2,001,703	1,994,544
Discounts/concessions (Refer note 1(d))							0	0	0
Total amount raised from general rates							2,084,298	2,001,703	1,994,544
Movement in Excess Rates							0	(18,790)	0
Ex Gratia rates							240	233	240
Total rates							2,084,538	1,983,146	1,994,784

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

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

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

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

1. RATES AND SERVICE CHARGES (CONTINUED)

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

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

Instalment options	Date due	Instalment plan admin charge	Instalment plan interest rate	Unpaid rates interest rates
		\$	%	%
Option one				
Full Payment	27/08/2019			11.0%
Option two				
First Instalment	27/08/2019			11.0%
Second Instalment	6/01/2020	10	5.5%	11.0%
Option three				
First Instalment	27/08/2019			11.0%
Second Instalment	28/10/2019	10	5.5%	11.0%
Third Instalment	6/01/2020	10	5.5%	11.0%
Fourth Instalment	9/03/2020	10	5.5%	11.0%

	2019/20 Budget revenue	2018/19 Actual revenue	2018/19 Budget revenue
	\$	\$	\$
Instalment plan admin charge revenue	4,500	4,220	4,700
Instalment plan interest earned	6,800	6,744	6,800
Unpaid rates and service charge interest earned	17,000	17,971	18,200
	28,300	28,935	29,700

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

1. RATES AND SERVICE CHARGES (CONTINUED)

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

(c) Service Charges

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

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

1. RATES AND SERVICE CHARGES (CONTINUED)

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

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

2 (a). NET CURRENT ASSETS

Note	2019/20	2019/20	2018/19	2018/19
	Budget 30 June 2020	Budget 01 July 2019	Estimated Actual 30 June 2019	Budget 30 June 2019
	\$	\$	\$	\$
Composition of estimated net current assets				
Current assets				
Cash - unrestricted	3	(122,245)	291,092	29,677
Cash - restricted reserves	3	200,066	240,760	200,803
Cash - restricted unspent borrowings	6 (b)	0	0	0
Receivables		276,736	251,036	252,356
Contract assets		0	0	0
Inventories		8,744	8,744	8,380
		363,301	791,632	491,216
Less: current liabilities				
Trade and other payables		(163,234)	(153,234)	(282,815)
Contract liabilities		0	0	0
Short term borrowings		0	0	0
Long term borrowings		(167,697)	(1,367,697)	(1,298,336)
Provisions		(329,149)	(329,149)	(303,871)
		(660,080)	(1,850,080)	(1,885,022)
Net current assets		(296,779)	(1,058,448)	(1,393,806)

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

2 (b). NET CURRENT ASSETS (CONTINUED)

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

Operating activities excluded from budgeted deficiency

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

Note	2019/20	2019/20	2018/19	2018/19
	Budget 30 June 2020	Budget 01 July 2019	Estimated Actual 30 June 2019	Budget 30 June 2019
	\$	\$	\$	\$
(i) Current assets and liabilities excluded from budgeted deficiency				
Net current assets	2	(296,779)	(1,058,448)	(1,393,806)
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement.				
Adjustments to net current assets				
Less: Cash - restricted reserves	3	(200,066)	(240,760)	(200,803)
Less: Current assets not expected to be received at end of year - current portion of self supporting loans receivable		0	(24,300)	(7,598)
Add: Current liabilities not expected to be cleared at end of year - Current portion of borrowings - Employee benefit provisions		167,697	1,367,697	1,298,336
		329,148	329,148	303,871
Adjusted net current assets - surplus/(deficit)		0	373,337	0
(ii) Operating activities excluded from budgeted deficiency				
The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.				
Adjustments to operating activities				
Less: Profit on asset disposals	4(b)	0	(78,024)	(78,000)
Less: Non-cash grants and contributions for assets		0	(90,981)	0
Less: Movement in liabilities associated with restricted cash		0	68,182	0
Less: Movement in deferred pensioner rates (non-current)		0	(12,100)	0
Add: Loss on disposal of assets	4(b)	385,719	3,666	386,049
Add: Change in accounting policies	14	0	90,981	0
Add: Depreciation on assets	5	2,472,000	2,360,311	1,755,000
Non cash amounts excluded from operating activities		2,857,719	2,285,953	2,063,049

(iii) Reason for adjustment to Adjusted net current assets - surplus/(deficit) on 1 July 2019

The Shire has elected to retrospectively apply the cumulative effect of applying AASB 1058 Income of Not-for-Profit Entities at the date of initial application of the standard, being 1 July 2019. The impact of applying the standard was to recognise unspent grants and contributions for construction of recognisable non-financial assets controlled by the Shire as a liability. The opening budgeted surplus/deficit on 1 July 2019 has been amended accordingly from the estimated actual closing surplus/deficit. Refer to note 14 for further explanation of the impact of the changes in accounting policies

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

2 (c). NET CURRENT ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES

CURRENT AND NON-CURRENT CLASSIFICATION

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for sale where it is held as non-current based on the Shire's intentions to release for sale.

TRADE AND OTHER PAYABLES

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

CONTRACT ASSETS

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

PROVISIONS

Provisions are recognised when the Shire has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

INVENTORIES

General

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Superannuation

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

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

TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

CONTRACT LIABILITIES

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

EMPLOYEE BENEFITS

Short-term employee benefits

Provision is made for the Shire of Pingelly'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 Pingelly'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 Pingelly's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

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.

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

3. RECONCILIATION OF CASH

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

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Cash - unrestricted	(122,245)	291,092	29,677
Cash - restricted	200,066	240,760	200,803
	77,821	531,852	230,480
The following restrictions have been imposed by regulation or other externally imposed requirements:			
Leave Reserve	25,718	35,203	35,653
Plant Reserve	66,683	65,722	65,041
Building & Recreation Reserve	23,753	3,747	23,387
Community Bus Reserve	11,675	11,619	11,444
Electronic Equipment Reserve	3,194	3,190	3,087
Swimming Pool Reserve	53,111	51,988	46,590
Joint Venture Housing Reserve	0	53,463	0
Refuse Site Rehab/Closure Reserve	15,932	15,828	15,601
	200,066	240,760	200,803
Reconciliation of net cash provided by operating activities to net result			
Net result	(740,928)	(605,365)	(489,063)
Depreciation	2,472,000	2,360,311	1,755,000
(Profit)/loss on sale of asset	385,719	(74,358)	308,049
(Increase)/decrease in receivables	(50,000)	180,920	175,000
(Increase)/decrease in contract assets	0	0	0
(Increase)/decrease in inventories	0	(364)	0
Increase/(decrease) in payables	(171,962)	(81,274)	48,305
Increase/(decrease) in contract liabilities	0	0	0
Increase/(decrease) in employee provisions	0	68,183	0
Change in accounting policies transferred to retained surplus (refer to Note 14)	90,981	0	0
Grants/contributions for the development of assets	(2,001,730)	(1,193,075)	(1,334,006)
Net cash from operating activities	(15,920)	654,978	463,285

SIGNIFICANT ACCOUNTING POLICES

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities in Note 2 - Net Current Assets.

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

4. FIXED ASSETS

(a) Acquisition of Assets

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

Asset class	Reporting program											2019/20 Budget total	2018/19 Actual total	2018/19 Budget total
	Governance	General purpose funding	Law, order, public safety	Health	Education and welfare	Housing	Community amenities	Recreation and culture	Transport	Economic services	Other property and services			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Property, Plant and Equipment</i>														
Buildings - non-specialised	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Buildings - specialised	0	0	0	0	0	0	0	0	0	0	0	0	0	5,000
Furniture and equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plant and equipment	80,000	0	0	0	0	0	0	0	2,500	44,400	0	126,900	300,539	273,000
Works in Progress	0	0	0	0	10,000	0	0	148,464	0	0	0	158,464	1,888,543	1,994,058
	80,000	0	0	0	10,000	0	0	148,464	2,500	44,400	0	285,364	2,189,082	2,272,058
<i>Infrastructure</i>														
Infrastructure - Roads	0	0	0	0	0	0	0	1,903,851	0	0	0	1,903,851	682,809	833,572
Infrastructure - Footpaths	0	0	0	0	0	0	0	12,000	0	0	0	12,000	0	6,000
Infrastructure - Bridges	0	0	0	0	0	0	0	101,888	0	0	0	101,888	152,540	252,000
Infrastructure - Kerbs & Drainage	0	0	0	0	0	0	0	91,588	0	0	0	91,588	0	0
Infrastructure - Other	0	0	0	0	0	0	0	0	0	0	0	0	120,406	0
	0	0	0	0	0	0	0	2,109,327	0	0	0	2,109,327	955,755	1,091,572
Total acquisitions	80,000	0	0	0	10,000	0	0	148,464	2,111,827	44,400	0	2,394,691	3,144,837	3,363,630

A detailed breakdown of acquisitions on an individual asset basis can be found in the supplementary information attached to this budget document as follows:
Capital Works & New Assets - Source of Funding

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

4. FIXED ASSETS (CONTINUED)

(b) Disposals of Assets

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

	2019/20 Budget Net Book Value	2019/20 Budget Sale Proceeds	2019/20 Budget Profit	2019/20 Budget Loss	2018/19 Actual Net Book Value	2018/19 Actual Sale Proceeds	2018/19 Actual Profit	2018/19 Actual Loss	2018/19 Budget Net Book Value	2018/19 Budget Sale Proceeds	2018/19 Budget Profit	2018/19 Budget Loss
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
By Program												
Governance	474,149	98,000	0	(376,149)	62,297	59,417	786	(3,666)	413,649	27,600	0	(386,049)
Transport	0	0	0	0	8,762	86,000	77,238	0	8,000	86,000	78,000	0
Economic services	32,000	22,430	0	(9,570)	0	0	0	0	0	0	0	0
	506,149	120,430	0	(385,719)	71,059	145,417	78,024	(3,666)	421,649	113,600	78,000	(386,049)
By Class												
<u>Property, Plant and Equipment</u>												
Land - freehold land	48,506	20,000	0	(28,506)	0	0	0	0	57,506	20,000	0	(37,506)
Buildings - non-specialised	115,043	0	0	(115,043)	0	0	0	0	115,043	0	0	(115,043)
Buildings - specialised	230,600	0	0	(230,600)	0	0	0	0	230,600	0	0	(230,600)
Plant and equipment	112,000	100,430	0	(11,570)	71,059	145,417	78,024	(3,666)	18,500	93,600	78,000	(2,900)
	506,149	120,430	0	(385,719)	71,059	145,417	78,024	(3,666)	421,649	113,600	78,000	(386,049)

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

- Plant replacement programme

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

5. ASSET DEPRECIATION

By Program

Governance
Law, order, public safety
Health
Education and welfare
Community amenities
Recreation and culture
Transport
Economic services
Other property and services

By Class

Buildings - non-specialised
Buildings - specialised
Furniture and equipment
Plant and equipment
Infrastructure - Roads
Infrastructure - Footpaths
Infrastructure - Bridges
Infrastructure - Kerbs & Drainage
Infrastructure - Other

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
	65,000	66,117	97,000
	50,000	50,195	22,000
	4,000	3,989	6,000
	19,000	21,409	39,000
	24,000	23,981	20,000
	360,000	385,620	375,000
	1,805,000	1,660,037	1,031,000
	55,000	57,568	40,000
	90,000	91,395	125,000
	2,472,000	2,360,311	1,755,000
	35,000	37,546	81,000
	160,000	184,025	257,000
	16,000	16,439	28,000
	135,000	174,601	211,000
	1,340,000	1,116,999	840,000
	36,000	37,499	26,000
	290,000	269,774	112,000
	200,000	214,907	30,000
	260,000	308,521	170,000
	2,472,000	2,360,311	1,755,000

SIGNIFICANT ACCOUNTING POLICIES

DEPRECIATION

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

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

Buildings - non-specialised	50 years
Buildings - specialised	50 years
Furniture and equipment	10 years
Plant and equipment	3-15 years
Works in Progress	not depreciated
Infrastructure - Roads	40 years
Infrastructure - Footpaths	40 years
Infrastructure - Bridges	50 years
Infrastructure - Kerbs & Drainage	40 years
Infrastructure - Other	various

DEPRECIATION (CONTINUED)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period which they arise.

RECOGNITION OF ASSETS

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

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

6. INFORMATION ON BORROWINGS

(a) Borrowing repayments

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

Purpose	Budget Principal	2019/20 Budget New loans	2019/20 Budget Principal repayments	2019/20 Budget Interest repayments	Budget Principal outstanding 30 June 2020	Actual Principal 1 July 2018	2018/19 Actual New loans	2018/19 Actual Principal repayments	2018/19 Actual Interest repayments	Actual Principal outstanding 30 June 2019	Budget Principal 1 July 2018	2018/19 Budget New loans	2018/19 Budget Principal repayments	2018/19 Budget Interest repayments	Budget Principal outstanding 30 June 2019
	1 July 2019	\$	\$	\$	\$	1 July 2018	\$	\$	\$	\$	1 July 2018	\$	\$	\$	\$
Recreation and culture															
Loan 123	2,198,287	0	143,397	135,845	2,054,890	2,289,025	0	90,738	93,502	2,198,287	2,289,025	0	90,738	95,423	2,198,287
S/T Loan	1,200,000	0	1,200,000	29,440	0	500,000	700,000	0	26,738	1,200,000	500,000	700,000	0	28,320	1,200,000
Loan 124	0	1,200,000	22,183	17,820	1,177,817	0	0	0	0	0	0	0	0	0	0
	3,398,287	1,200,000	1,365,580	183,105	3,232,707	2,789,025	700,000	90,738	120,240	3,398,287	2,789,025	700,000	90,738	123,743	3,398,287
Self Supporting Loans															
Education and welfare															
Loan 120	174,120	0	24,300	16,129	149,820	181,718	0	7,598	11,506	174,120	181,718	0	7,598	5,879	174,120
	174,120	0	24,300	16,129	149,820	181,718	0	7,598	11,506	174,120	181,718	0	7,598	5,879	174,120
	3,572,407	1,200,000	1,389,880	199,234	3,382,527	2,970,743	700,000	98,336	131,746	3,572,407	2,970,743	700,000	98,336	129,622	3,572,407

All borrowing repayments, other than self supporting loans, will be financed by general purpose revenue.
The self supporting loan(s) repayment will be fully reimbursed.

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

6. INFORMATION ON BORROWINGS (CONTINUED)

(b) New borrowings - 2019/20

Particulars/Purpose	Institution	Loan type	Term (years)	Interest rate	Amount borrowed budget	Total interest & charges	Amount used budget	Balance unspent
Recreation Centre	WATC	Deb	20	2.97%	\$ 1,200,000	\$ 17,820	\$ 1,200,000	\$ 0
					1,200,000	17,820	1,200,000	0

NB: The Loan 124 principal being raised will extinguish existing Short Term Loan with WATC principal for \$1.2M and will have a nil affect on the Rate Setting Statement.

(c) Unspent borrowings

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

(d) Credit Facilities

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Undrawn borrowing facilities credit standby arrangements			
Bank overdraft limit	500,000	500,000	500,000
Bank overdraft at balance date	0	0	0
Credit card limit	15,000	15,000	10,000
Credit card balance at balance date	0	(250)	0
Total amount of credit unused	515,000	514,750	510,000
Loan facilities			
Loan facilities in use at balance date	3,382,527	3,572,407	3,572,407
Unused loan facilities at balance date	0	0	0

SIGNIFICANT ACCOUNTING POLICIES

BORROWING COSTS

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset until such time as the asset is substantially ready for its intended use or sale.

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

7. CASH BACKED RESERVES

(a) Cash Backed Reserves - Movement

	2019/20 Budget Opening Balance	2019/20 Budget Transfer to	2019/20 Budget Transfer (from)	2019/20 Budget Closing Balance	2018/19 Actual Opening Balance	2018/19 Actual Transfer to	2018/19 Actual Transfer (from)	2018/19 Actual Closing Balance	2018/19 Budget Opening Balance	2018/19 Budget Transfer to	2018/19 Budget Transfer (from)	2018/19 Budget Closing Balance
Leave Reserve	\$ 35,203	\$ 515	\$ (10,000)	\$ 25,718	\$ 113,223	\$ 1,980	\$ (80,000)	\$ 35,203	\$ 113,223	\$ 2,430	\$ (80,000)	\$ 35,653
Plant Reserve	65,722	961	0	66,683	246,256	4,306	(184,840)	65,722	246,256	5,285	(186,500)	65,041
Building & Recreation Reserve	3,747	20,006	0	23,753	31,201	546	(28,000)	3,747	31,202	20,185	(28,000)	23,387
Community Bus Reserve	11,619	56	0	11,675	11,419	200	0	11,619	11,419	25	0	11,444
Electronic Equipment Reserve	3,190	4	0	3,194	6,280	110	(3,200)	3,190	6,280	7	(3,200)	3,087
Swimming Pool Reserve	51,988	1,123	0	53,111	51,095	893	0	51,988	51,095	495	(5,000)	46,590
Joint Venture Housing Reserve	53,463	1,187	(54,650)	0	52,544	919	0	53,463	52,544	524	(53,068)	0
Refuse Site Rehab/Closure Reserve	15,828	104	0	15,932	15,556	272	0	15,828	15,556	45	0	15,601
	240,760	23,956	(64,650)	200,066	527,574	9,226	(296,040)	240,760	527,575	28,996	(355,768)	200,803

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

7. CASH BACKED RESERVES (CONTINUED)

(b) Cash Backed Reserves - Purposes

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

Reserve name	Anticipated date of use	Purpose of the reserve
Leave Reserve	Ongoing	- to be used to fund annual and long service leave requirements.
Plant Reserve	Ongoing	- to be used for the purchase of major plant.
Building & Recreation Reserve	Ongoing	- to be used to fund the renovation/purchase of Shire of Pingelly buildings and Recreation Infrastructure.
Community Bus Reserve	Ongoing	- to be used to fund the change-over of the community bus.
Electronic Equipment Reserve	Ongoing	- to be used to fund the purchase of administration computer system equipment.
Swimming Pool Reserve	Ongoing	- to be used to fund the upgrading of the swimming pool complex
Joint Venture Housing Reserve	Ongoing	- to be used for the future maintenance of the Joint Venture units
Refuse Site Rehab/Closure Reserve	Ongoing	- to be used to facilitate the rehabilitation/closure of the town refuse site.

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

7. CASH BACKED RESERVES (CONTINUED)

(c) Cash Backed Reserves - Change in Use

The Shire has not resolved to make any changes in the use of any part of the money in reserve account.

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

8. FEES & CHARGES REVENUE

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Governance	18,000	38,248	39,630
General purpose funding	8,400	7,980	8,700
Law, order, public safety	4,520	5,694	8,290
Health	1,636	1,526	1,936
Education and welfare	3,000	3,500	3,000
Community amenities	211,850	210,008	343,650
Recreation and culture	31,518	18,692	11,510
Economic services	23,850	23,894	24,050
Other property and services	30,227	28,165	53,500
	333,001	337,707	494,266

9. GRANT REVENUE

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

By Program:

Operating grants, subsidies and contributions

Governance	0	6,155	20,000
General purpose funding	609,951	1,266,315	628,424
Law, order, public safety	66,282	69,120	57,612
Education and welfare	1,000	0	1,000
Recreation and culture	5,000	8,095	950
Transport	355,834	373,494	377,994
Economic services	0	1,500	0
Other property and services	0	1,082	1,600
	1,038,067	1,725,761	1,087,580

Non-operating grants, subsidies and contributions

Recreation and culture	20,667	705,156	699,594
Transport	1,981,063	487,919	634,412
	2,001,730	1,193,075	1,334,006

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

10. OTHER INFORMATION

The net result includes as revenues

(a) Interest earnings

Investments

- Reserve funds

- Other funds

Other interest revenue (refer note 1b)

(b) Other revenue

Reimbursements and recoveries

The net result includes as expenses

(c) Auditors remuneration

Audit services

Other services

(d) Interest expenses (finance costs)

Borrowings (refer Note 6(a))

Other

(e) Elected members remuneration

Meeting fees

President's allowance

Deputy President's allowance

Telecommunications allowance

(f) Write offs

Fees and charges

(g) Low Value lease expenses

Office equipment

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
(a) Interest earnings			
Investments			
- Reserve funds	3,956	9,225	8,996
- Other funds	17,529	7,254	30,879
Other interest revenue (refer note 1b)	23,800	24,715	25,000
	45,285	41,194	64,875
(b) Other revenue			
Reimbursements and recoveries	81,951	88,918	62,066
	81,951	88,918	62,066
(c) Auditors remuneration			
Audit services	24,000	16,809	50,000
Other services	23,915	11,341	0
	47,915	28,150	50,000
(d) Interest expenses (finance costs)			
Borrowings (refer Note 6(a))	199,234	131,746	129,622
Other	0	1,409	0
	199,234	133,155	129,622
(e) Elected members remuneration			
Meeting fees	38,400	38,400	38,400
President's allowance	1,200	1,200	1,200
Deputy President's allowance	300	300	300
Telecommunications allowance	1,000	0	1,000
	40,900	39,900	40,900
(f) Write offs			
Fees and charges	0	3,519	0
	0	3,519	0
(g) Low Value lease expenses			
Office equipment	21,810	21,807	21,810
	21,810	21,807	21,810

SIGNIFICANT ACCOUNTING POLICIES

LEASES

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability.

At the commencement date, a lessee shall measure the right-of-use asset at cost.

LEASES (CONTINUED)

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

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

11. MAJOR LAND TRANSACTIONS

It is not anticipated any land transactions or major land transactions will occur in 2019/20.

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

11. MAJOR LAND TRANSACTIONS, TRADING UNDERTAKINGS AND INTERESTS IN JOINT ARRAN

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

12. INTERESTS IN JOINT ARRANGEMENTS

The Shire of Pingelly entered into a Joint Venture arrangement with the Department of Housing during the 2009/10 financial year for the construction of four x 2 bedroom units. Construction was completed in the 2011/12 financial year. The provision of this housing aims to provide accommodation for singles and childless couples. The Shire of Pingelly has a 18.28% interest in the assets and liabilities of this joint venture under the auspices of Homeswest. All revenue and expenses of the joint venture are recognised in the relevant financial statements of Council.

Council is required to set aside 1% of the current replacement cost of the properties from the rental income each year for the long term maintenance of the properties.

All profits derived from the operation of the Joint Venture Housing are to be recognised as Restricted Assets to provide for future maintenance or the provision of future housing.

Lot 602 (38) and Lot 603 (36) Sharow Street Singles Units

- Opening Balance
- Profits From Operations
- Interest Earned
- Funds Utilised
- transfer to Pingelly Cottage Homes
- Closing Balance JV Reserve Fund

	2019	2018
	\$	\$
	52,544	51,293
	0	0
	919	1,251
	0	0
	0	0
	<u>53,463</u>	<u>52,544</u>

Non-current assets

Freehold land at:

- Independent valuation 2017 - level 2

9,506 9,506

Non-Specialised buildings at:

- Independent valuation 2017 - level 2

116,992 116,992

Less: accumulated depreciation

(4,896) (2,340)

121,602 124,158

NB: Proposed to Transfer Joint Venture to the Pingelly Cottage Homes (Somerset Alliance) in 2019/20

SIGNIFICANT ACCOUNTING POLICIES

INTERESTS IN JOINT ARRANGEMENTS

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

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

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

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

12. TRUST FUNDS

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

Detail	Balance 1 July 2019	Estimated amounts received	Estimated amounts paid	Estimated balance 30 June 2020
	\$	\$	\$	\$
Transport Licensing	0	420,000	(420,000)	0
Funds Held on Behalf of Groups	40	0	0	40
Unclaimed Monies	1,052	0	0	1,052
Nomination Deposits	0	320	(320)	0
Bond Monies (Including Key Deposits)	7,150	5,000	(4,500)	7,650
	8,242	425,320	(424,820)	8,742

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

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

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a budget in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

ROUNDING OFF FIGURES

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

COMPARATIVE FIGURES

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

BUDGET COMPARATIVE FIGURES

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

REVENUE RECOGNITION

Accounting Policies for the recognition of income and revenue from contracts with customers is described in Note 14.

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

**14. SIGNIFICANT ACCOUNTING POLICIES - CHANGE
IN ACCOUNTING POLICIES**

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Shire of Pingelly adopted AASB 15 on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire of Pingelly has adopted the new rules retrospectively with the cumulative effect of initially applying these rules recognised on 1 July 2019. In summary the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 July 2019):

	AASB 118 carrying amount 30 June 19	Reclassification	AASB 15 carrying amount 01 July 19
	\$	\$	\$
Contract assets	0	0	0
Contract liabilities - current			
Unspent grants, contributions and reimbursements	0	0	0
Developer contributions	0	0	0
Contract liabilities non-current			
Developer contributions	0	0	0
Cash in lieu of parking	0	0	0
Adjustment to retained surplus from adoption of AASB 15		0	

LEASES

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

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

**14. SIGNIFICANT ACCOUNTING POLICIES - CHANGE
IN ACCOUNTING POLICIES (Continued)**

INCOME FOR NOT-FOR-PROFIT ENTITIES

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

In applying AASB 1058 retrospectively with the cumulative effect of initially applying the Standard on 1 July 2019 changes occurred to the following financial statement line items by application of AASB as compared to AASB 1004 Contributions before the change:

	AASB 1004 carrying amount 30 June 19	Reclassification	AASB 1058 carrying amount 01 July 19
	\$	\$	\$
Trade and other payables	153,234	90,981	244,215
Adjustment to retained surplus from adoption of AASB 1058		(90,981)	

Prepaid rates are, until the taxable event for the rates has occurred, refundable at the request of the ratepayer. Therefore the rates received in advance give rise to a financial liability that is within the scope of AASB 9. On 1 July 2019 the prepaid rates were recognised as a financial asset and a related amount was recognised as a financial liability and no income was recognised by the Shire of Pingelly. When the taxable event occurs the financial liability is extinguished and the Shire of Pingelly recognises income for the prepaid rates that have not been refunded.

Assets that were acquired for consideration that was significantly less than fair value principally to enable the Shire of Pingelly to further its objectives may have been measured on initial recognition under other Australian Accounting Standards at a cost that was significantly less than fair value. Such assets are not required to be remeasured at fair value.

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

The impact on the Shire of Pingelly of the changes as at 1 July 2019 is as follows:

	2019
	\$
Retained surplus - 30/06/2019	32,622,177
Adjustment to retained surplus from adoption of AASB 15	0
Adjustment to retained surplus from adoption of AASB 1058	(90,981)
Retained surplus - 01/07/2019	32,531,196

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

15. BUDGET RATIOS

	2019/20 Budget	2018/19 Actual	2017/18 Actual	2016/17 Actual
Operating Surplus	(41.0400)	(24.0600)	(0.4600)	(3.7100)
Funds After Operations	14.2900	40.9300	55.9200	31.640
PPE	3.4600	11.2100	46.7700	(1.500)
Infrastructure	3.1600	78.1000	2.7100	4.4100
Cash Reserves	7.1900	6.3400	13.9900	95.3800
Borrowings	122.2200	90.1300	87.3800	61.2200
Debt Servicing	12.5600	39.5200	21.9800	5.5600
Average Rates (UV)	5,475	5,165	4,904	4,755
Average Rates (GRV)	1,397	1,348	1,259	1,206

The ratios are calculated as follows:

OPERATIONS

Operating Surplus $\frac{\text{Adjusted underlying surplus (or deficit)}}{\text{Adjusted underlying revenue}}$

Funds After Operations $\frac{\text{Funds remaining after operations}}{\text{General funds}}$

ASSET RATIOS

PPE $\frac{\text{Closing WDV value of PPE less Opening WDV value of PPE}}{\text{Opening WDV value of PPE}}$

Infrastructure $\frac{\text{Closing WDV Infrastructure less Opening WDV infrastructure}}{\text{Opening WDV Infrastructure}}$

FINANCING RATIOS

Cash Reserves $\frac{\text{Discretionary Reserve Balance}}{\text{General Funds}}$

Borrowings $\frac{\text{Principal outstanding}}{\text{General funds}}$

Debt Servicing $\frac{\text{Principal and interest due}}{\text{General funds}}$

RATES RATIOS

Average Rates $\frac{\text{Rate revenue per category}}{\text{Number of properties per category}}$

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

BY NATURE OR TYPE

	NOTE	2018/19 Budget	2017/18 Actual	2017/18 Budget
		\$	\$	\$
OPERATING ACTIVITIES				
Net current assets at start of financial year - surplus/(deficit)	2 (b)(i)	282,356	740,010	740,010
		282,356	740,010	740,010
Revenue from operating activities (excluding rates)				
Operating grants, subsidies and contributions	9	1,038,067	1,725,761	1,109,566
Rate revenue other than revenue raised from general rates	1	240	(18,557)	240
Fees and charges	8	333,001	337,708	494,266
Interest earnings	10(a)	45,285	41,194	64,875
Other revenue	10(b)	81,951	88,918	62,066
Profit on asset disposals	4(b)	0	78,024	78,000
		1,498,544	2,253,048	1,809,013
Expenditure from operating activities				
Employee costs		(1,528,119)	(1,801,018)	(1,695,002)
Materials and contracts		(1,312,197)	(1,351,923)	(1,221,608)
Utility charges		(149,304)	(163,334)	(168,682)
Depreciation on non-current assets	5	(2,472,000)	(2,360,311)	(1,755,000)
Interest expenses	10(d)	(199,234)	(133,155)	(129,622)
Insurance expenses		(180,846)	(166,385)	(178,508)
Other expenditure		(98,081)	(73,399)	(92,155)
Loss on asset disposals	4(b)	(385,719)	(3,666)	(386,049)
		(6,325,500)	(6,053,191)	(5,626,626)
Operating activities excluded from budgeted deficiency				
Non-cash amounts excluded from operating activities	2 (b)(ii)	2,857,719	2,342,035	2,063,049
Amount attributable to operating activities		(1,686,881)	(718,098)	(1,014,554)
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	9	2,001,730	1,193,075	1,334,006
Purchase property, plant and equipment	4(a)	(285,364)	(2,189,082)	(2,272,058)
Purchase and construction of infrastructure	4(a)	(2,109,327)	(955,755)	(1,091,572)
Proceeds from disposal of assets	4(b)	120,430	145,417	113,600
Amount attributable to investing activities		(272,531)	(1,806,345)	(1,916,024)
FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(1,389,880)	(98,336)	(98,336)
Proceeds from new borrowings	6	1,200,000	700,000	700,000
Proceeds from self supporting loans	6(a)	24,300	7,599	7,598
Transfers to cash backed reserves (restricted assets)	7(a)	(23,956)	(9,226)	(28,996)
Transfers from cash backed reserves (restricted assets)	7(a)	64,650	296,040	355,768
Amount attributable to financing activities		(124,886)	896,077	936,034
Budgeted deficiency before general rates		(2,084,298)	(1,628,366)	(1,994,544)
Estimated amount to be raised from general rates	1	2,084,298	2,001,703	1,994,544
Net current assets at end of financial year - surplus/(deficit)	2 (b)(i)	0	373,337	0

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