

SHIRE OF CUE
ANNUAL BUDGET
FOR THE YEAR ENDED 30 JUNE 2020

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SHIRE'S VISION

The Shire of Cue is dedicated to providing high quality services to the community through the various service orientated programs which it has established.

**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)	2,337,128	2,350,695	2,283,636
Operating grants, subsidies and contributions	9	1,390,264	2,641,366	1,370,200
Fees and charges	8	599,780	549,413	453,500
Interest earnings	10(a)	184,500	221,186	182,000
Other revenue	10(b)	89,400	107,380	73,500
		<u>4,601,072</u>	<u>5,870,040</u>	<u>4,362,836</u>
Expenses				
Employee costs		(1,859,507)	(1,937,188)	(2,114,477)
Materials and contracts		(1,396,758)	(1,141,361)	(928,210)
Utility charges		(286,300)	(308,953)	(280,200)
Depreciation on non-current assets	5	(2,809,062)	(2,770,649)	(2,354,500)
Interest expenses	10(d)	(8,800)	0	0
Insurance expenses		(162,850)	(150,715)	(142,914)
Other expenditure		(225,700)	(123,885)	(208,500)
		<u>(6,748,977)</u>	<u>(6,432,751)</u>	<u>(6,028,801)</u>
Subtotal		(2,147,905)	(562,711)	(1,665,965)
Non-operating grants, subsidies and contributions	9	1,410,545	184,637	1,268,301
Profit on asset disposals	4(b)	64,606	6,722	5,000
(Loss) on disposal of assets	4(b)	(11,432)	(47,726)	0
Loss on revaluation of non current assets		0	(4,903)	0
		<u>1,463,719</u>	<u>138,730</u>	<u>1,273,301</u>
Net result		(684,186)	(423,981)	(392,664)
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		(684,186)	(423,981)	(392,664)

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 Cue 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 14 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 16.

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)	\$	\$	\$
General purpose funding		3,487,592	4,538,246	3,330,835
Law, order, public safety		10,500	12,916	6,500
Health		500	1,134	500
Housing		25,480	22,080	25,200
Community amenities		85,500	77,224	75,000
Recreation and culture		7,000	6,110	9,300
Transport		492,500	709,461	450,500
Economic services		371,200	371,381	299,700
Other property and services		120,800	131,488	165,300
		4,601,072	5,870,040	4,362,835
Expenses excluding finance costs	5,10(c)(d)(e)(f)(g)			
Governance		(408,911)	(360,160)	(407,576)
General purpose funding		(251,573)	(187,714)	(256,706)
Law, order, public safety		(81,399)	(60,065)	(72,890)
Health		(92,201)	(55,249)	(70,718)
Education and welfare		(16,955)	(2,035)	(15,258)
Housing		(259,910)	(226,765)	(243,270)
Community amenities		(400,186)	(268,495)	(332,172)
Recreation and culture		(988,224)	(672,255)	(704,156)
Transport		(3,492,499)	(3,872,475)	(3,276,139)
Economic services		(696,558)	(657,794)	(610,795)
Other property and services		(60,561)	(69,744)	(39,120)
		(6,748,977)	(6,432,751)	(6,028,800)
Subtotal		(2,147,905)	(562,711)	(1,665,965)
Non-operating grants, subsidies and contributions	9	1,410,545	184,637	1,268,301
Profit on disposal of assets	4(b)	64,606	6,722	5,000
(Loss) on disposal of assets	4(b)	(11,432)	(47,726)	0
Loss on revaluation of non current assets		0	(4,903)	0
		1,463,719	138,730	1,273,301
		(684,186)	(423,981)	(392,664)
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		(684,186)	(423,981)	(392,664)

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.

OBJECTIVES / ACTIVITIES**GOVERNANCE**

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

GENERAL PURPOSE FUNDING

Rates, general purpose government grants and interest revenue.

LAW, ORDER, PUBLIC SAFETY

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

HEALTH

Food quality and water control. Environmental Health Officer. Doctor Service.

EDUCATION AND WELFARE

Assistance to Cue Primary School, Thoo Thoo Wandii, Senior Citizens and Playgroup. Involvement in work experience programmes.

HOUSING

Provision and maintenance of staff and rental housing.

COMMUNITY AMENITIES

Rubbish collection services, maintenance of refuse sites, administration of the town planning scheme, control and co-ordination of cemeteries, and maintenance of public conveniences.

RECREATION AND CULTURE

Maintenance of Shire hall, recreation centre, Stan Gurney Memorial Park and various reserves. Operation of library and internet services. Co-ordination of Australia Day activities.

TRANSPORT

Construction and maintenance of streets, roads, footpaths, drainage works, parking facilities, traffic signs and median strips. Control and maintenance of Cue Airport.

ECONOMIC SERVICES

The regulation and provision of tourism and the Historical Photographic Collection. Maintenance of the Shire-owned Caravan Park. Building and vermin control. Employment programme administered on behalf of the Department of Employment, Workplace Relations and Small Business.

OTHER PROPERTY AND SERVICES

Private works operation, plant repair 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		2,337,128	2,265,737	2,283,636
Operating grants, subsidies and contributions		2,607,562	2,797,609	2,651,341
Fees and charges		599,780	549,413	453,500
Interest earnings		184,500	221,186	182,000
Goods and services tax		0	62,917	0
Other revenue		89,400	107,380	73,500
		<u>5,818,370</u>	<u>6,004,242</u>	<u>5,643,977</u>
Payments				
Employee costs		(1,859,507)	(1,867,715)	(2,114,477)
Materials and contracts		(1,396,758)	(1,521,049)	(928,210)
Utility charges		(286,300)	(308,953)	(280,200)
Interest expenses		(8,800)	0	0
Insurance expenses		(162,850)	(150,715)	(142,914)
Other expenditure		(225,700)	(123,885)	(208,500)
		<u>(3,939,915)</u>	<u>(3,972,317)</u>	<u>(3,674,301)</u>
Net cash provided by (used in) operating activities	3	<u>1,878,455</u>	<u>2,031,925</u>	<u>1,969,676</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	4(a)	(4,133,500)	(873,272)	(3,396,500)
Payments for construction of infrastructure	4(a)	(2,720,900)	(1,543,565)	(2,962,634)
Non-operating grants, subsidies and contributions	9	1,410,545	184,637	1,268,301
Proceeds from sale of plant & equipment	4(b)	210,000	123,909	163,000
Net cash provided by (used in) investing activities		<u>(5,233,855)</u>	<u>(2,108,291)</u>	<u>(4,927,833)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(45,000)	0	0
Fund Transfers to Trust		0	(7,960)	0
Proceeds from new borrowings	6(b)	980,000	0	980,000
Net cash provided by (used in) financing activities		<u>935,000</u>	<u>(7,960)</u>	<u>980,000</u>
Net increase (decrease) in cash held		<u>(2,420,400)</u>	<u>(84,326)</u>	<u>(1,978,157)</u>
Cash at beginning of year		7,796,975	7,881,301	7,880,027
Cash and cash equivalents at the end of the year	3	<u><u>5,376,575</u></u>	<u><u>7,796,975</u></u>	<u><u>5,901,870</u></u>

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

**RATE 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)	3,291,633	2,700,544	2,744,459
		3,291,633	2,700,544	2,744,459
Revenue from operating activities (excluding rates)				
General purpose funding		1,150,464	2,187,551	1,047,199
Law, order, public safety		10,500	12,916	6,500
Health		500	1,134	500
Housing		25,480	22,080	25,200
Community amenities		85,500	77,224	75,000
Recreation and culture		7,000	6,110	9,300
Transport		557,106	716,183	455,500
Economic services		371,200	371,381	299,700
Other property and services		120,800	131,488	165,300
		2,328,550	3,526,067	2,084,199
Expenditure from operating activities				
Governance		(408,911)	(360,160)	(407,576)
General purpose funding		(251,573)	(187,714)	(256,706)
Law, order, public safety		(81,399)	(60,065)	(72,890)
Health		(92,201)	(55,249)	(70,718)
Education and welfare		(16,955)	(2,035)	(15,258)
Housing		(259,910)	(226,765)	(243,270)
Community amenities		(400,186)	(268,495)	(332,172)
Recreation and culture		(988,224)	(672,255)	(704,156)
Transport		(3,503,931)	(3,920,201)	(3,276,139)
Economic services		(696,558)	(657,794)	(610,795)
Other property and services		(60,561)	(74,647)	(39,120)
		(6,760,409)	(6,485,380)	(6,028,800)
Non-cash amounts excluded from operating activities	2 (b)(ii)	2,755,888	2,840,469	2,349,500
Amount attributable to operating activities		1,615,662	2,581,700	1,149,358
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	9	1,410,545	184,637	1,268,301
Purchase property, plant and equipment	4(a)	(4,133,500)	(873,272)	(3,396,500)
Purchase and construction of infrastructure	4(a)	(2,720,900)	(1,543,565)	(2,962,634)
Proceeds from disposal of assets	4(b)	210,000	123,909	163,000
Amount attributable to investing activities		(5,233,855)	(2,108,291)	(4,927,833)
FINANCING ACTIVITIES				
Repayment of borrowings	6(a)	(45,000)	0	0
Proceeds from new borrowings	6(b)	980,000	0	980,000
Transfers to cash backed reserves (restricted assets)	7(a)	(463,135)	(447,471)	(435,161)
Transfers from cash backed reserves (restricted assets)	7(a)	809,200	915,000	950,000
Amount attributable to financing activities		1,281,065	467,529	1,494,839
Budgeted deficiency before general rates		(2,337,128)	940,938	(2,283,636)
Estimated amount to be raised from general rates	1	2,337,128	2,350,695	2,283,636
Net current assets at end of financial year - surplus/(deficit)	2 (b)(i)	0	3,291,633	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
	\$		\$	\$	\$	\$	\$	\$	\$
General Rates									
GRV Residential	0.10620	94	565,444	60,050	0	0	60,050	60,050	58,195
GRV Commercial	0.10620	5	299,208	31,776	0	0	31,776	31,776	31,776
GRV Vacant Land	0.10620	0	0	0	0	0	0	412	0
GRV M & T Workforce	0.30000	2	246,750	74,025	0	0	74,025	76,493	76,493
UV Mining	0.30000	312	6,925,502	2,077,651	0	5,000	2,082,651	2,037,936	2,027,567
UV Pastoral	0.08430	14	511,413	43,112	0	0	43,112	42,604	42,604
Sub-Totals		427	8,548,317	2,286,614	0	5,000	2,291,614	2,249,271	2,236,634
Minimum payment	\$								
Gross rental valuations									
GRV Residential	451	45	105,003	20,295	0	0	20,295	20,295	21,648
GRV Commercial	451	0	0	0	0	0	0	0	0
GRV Vacant Land	451	41	8,780	18,491	0	0	18,491	18,040	18,040
GRV M & T Workforce	451	0	0	0	0	0	0	0	0
UV Mining	451	124	95,824	55,924	0	0	55,924	62,310	51,865
UV Pastoral	451	4	11,933	1,804	0	0	1,804	1,804	1,804
Sub-Totals		214	221,540	96,514	0	0	96,514	102,449	93,357
		641	8,769,857	2,383,128	0	5,000	2,388,128	2,351,720	2,329,991
Discounts/concessions (Refer note 1(f))							(1,000)	(1,000)	(6,355)
Rates Written-off							(50,000)	(3,216)	(50,000)
Interim and Back Rates							0	3,191	10,000
Total amount raised from general rates							2,337,128	2,350,695	2,283,636
Specified area rates (Refer note 1(d))							0	0	0
Total rates							2,337,128	2,350,695	2,283,636

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

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	04 Oct 2019	15	5.00%	11%
Option two	06 Dec 2019	15	5.00%	11%
Option three	07 Feb 2020	15	5.00%	11%
Option four	10 Apr 2020	15	5.00%	11%

	2019/20 Budget revenue	2018/19 Actual revenue	2018/19 Budget revenue
	\$	\$	\$
Instalment plan interest earned	5,500	4,649	2,500
Unpaid rates and service charge interest earned	24,000	23,871	22,500
	29,500	28,520	25,000

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

1. RATES AND SERVICE CHARGES (CONTINUED)

(c) Objectives and Reasons for Differential Rating

To provide equity in the rating of properties across the Shire the following rate categories have been determined for the implementation of differential rating.

Differential general rates

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

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

The differential rates were advertised on the 28th June 2019. These rates are in accordance with the advertised schedule. Ministerial approval has been received on 14 August 2019 for the above differential rates.

Objectives and Reasons for Differential Rating

The purpose of the levying of rates is to meet Council's budget requirements in each financial year in order to deliver services and community infrastructure. Property valuations provided by the Valuer General are used as the basis for the calculation of rates each year. Section 6.33 of the *Local Government Act 1995* provides the ability to differentially rate properties based on zoning and/or land use as determined by the Shire of Cue. The application of differential rating maintains equity in the rating of properties across the Shire, enabling the Council to provide facilities, infrastructure and services to the entire community and visitors.

Gross Rental Value (GRV)

The *Local Government Act 1995* determines that properties of a Non-Rural purpose be rated using the Gross Rental Valuation (GRV) as the basis for the calculation of annual rates. The Valuer General determines the GRV for all properties within the Shire of Cue every five years and assigns a GRV. The current valuation is effective from 1 July 2015. Interim valuations are provided monthly to Council by the Valuer General for properties where changes have occurred (i.e. subdivisions or strata title of property, amalgamations, building constructions, demolition, additions and/or property rezoning). In such instances Council recalculates the rates for the affected properties and issues interim rates notices.

GRV General

Consists of properties located within the townsite boundaries with a predominant residential use and all other GRV rated properties that do not fit into the other GRV categories. This rate is considered by Council to be the GRV general rate by which all other GRV rated properties are assessed.

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

1. RATES AND SERVICE CHARGES (CONTINUED)

GRV Commercial

Properties used for Commercial, Town Centre or Industrial purposes and open to the public and passing trade on a regular basis (more than 100 days a year). The rate reflects a differentiation from the GRV General rate to encourage property owners to develop commercial enterprise and stimulate economic activity in the town centre and industrial area. To facilitate this, the rate applied will be the same rate in the dollar as the GRV General rate category and a discount provided in accordance with section 6.46 of the *Local Government Act*. The discounted rate will be twenty percent of rates levied for the category. The discount will only apply if the rates are paid in full by the due date. This discount is not available to properties that are minimum rated, zoned residential, home based businesses or businesses that do not offer an open shopfront to the public on the property.

This strategy has the benefit of ensuring commercial property owners pay their rates by the due date to take advantage of the discount, ensures they are aware that their rates are discounted substantially as Council is very supportive of local business and that the generous discount is not applied to those commercial property owners with outstanding rate arrears.

GRV Vacant

Consists of vacant properties located within the townsite boundaries excepting land zoned as Tourist, Commercial and Industrial.

GRV Mining and Transient Workforce Facilities

Properties used for high density Minesite accommodation exclusive of Lodging Houses. The rate reflects the cost of servicing a high density development that places a significant amount of financial pressure on Council to provide services such as road maintenance, parking control, heavy vehicle movements, litter control, rubbish site maintenance, airport infrastructure and maintenance and other amenities. It should be noted that, even in relation to services for which separate fees and charges are levied, many of these fees and charges do not recover the full cost of operating the facility or providing the service. In such cases, the difference between the revenue derived from fees and charges and the actual costs of providing the services and facilities has to be met from rates. So it is appropriate that the category of ratepayers that receive a significant benefit from the facilities make a fair contribution.

This differential rate maintains a proportional share of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and associated infrastructure and facilities required for developed residential and urban areas. These services and facilities are available to transient workforce workers in the same manner as they are available to other residents of the Shire and the contribution from this category has been set at a level that reflects this. Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath networks, refurbishing of public ablutions and other building maintenance programs. In addition, these properties have access to all other services and facilities provided by Council.

The average rates per transient workforce accommodation unit are less than the equivalent minimum rate for a single bedroom residence. Despite the lower rate per accommodation unit, transient workforce properties have the potential to have a greater impact on Council services and assets than other properties due to their number of occupants in a relatively small land parcel (i.e. concentrated bus and vehicle movements on local roads). In order to appropriately maintain and manage Councils asset and infrastructure in the longer term, a higher differential rate is proposed for this category to reflect the greater potential and actual intensity of use of Council assets and infrastructure.

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

1. RATES AND SERVICE CHARGES (CONTINUED)

Unimproved Value (UV)

Properties that are predominantly of a rural purpose are assigned an Unimproved Value that is supplied and updated by the Valuer General on an annual basis.

UV Pastoral

Consists of properties that are outside of the townsite that have a commercial use inclusive of pastoral leases or pastoral use. This category is rated to reflect the level of rating required to raise the necessary revenue to operate efficiently and provide for rural infrastructure and services in addition to the urban services and infrastructure which are available to be accessed by the properties in this category.

UV Mining

The object of this rate is to apply a base differential general rate to UV-Rated mining tenements and provide for the cost of operating all the facilities and services that are available to residents and ratepayers to use including rural roads upon which mining enterprises rely, other than those services and facilities for which separate fees and charges are levied on a cost-recovery basis. It should be noted that, even in relation to services for which separate fees and charges are levied, many of these fees and charges do not recover the full cost of operating the facility or providing the service. In such cases, the difference between the revenue derived from fees and charges and the actual costs of providing the services and facilities has to be met from rates. So it is appropriate that the category of ratepayers that receive a significant benefit from the facilities make a fair contribution.

In addition to contributing to the costs of facilities and services available to residents and ratepayers, the rate recognises the additional administrative burden and costs associated with administering this class of rates and the risks of non-collection due to tenement deaths and deregistration of mining companies, additional wear and tear on Shire assets as a result of frequent heavy vehicle use over extensive lengths of shire roads throughout the year, additional compliance burdens and costs, and unrecovered legal expenses.

The reason for the GRV Mining rate is to ensure that all ratepayers make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities throughout the Shire, as well as a contribution to the Shire's administrative costs proportionate to the additional risks and burdens imposed upon the Shire by Mining Ratepayers.

Minimum Rates

The setting of minimum rates within rating categories is an important method of ensuring that all properties contribute an equitable rate amount. A minimum rate of \$451.00 has been set for all rate categories.

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

1. RATES AND SERVICE CHARGES (CONTINUED)

(d) Specified Area Rate

No Specified Area Rates are expected to be levied in the 2019 / 20 financial year.

(e) Service Charges

No Service Charges are expected to be levied in the 2019 / 20 financial year.

(f) Rates discounts

Rate or fee to which discount is granted	Discount %	2019/20 Budget	2018/19 Actual	2018/19 Budget	Circumstances in which discount is granted
GRV - Commercial	20.0%	\$ 1,000	\$ 1,000	\$ 6,355	Provided to rate payers of this category whose payment of the full amount owing, including arrears and service charges is received on or before 35 days after the date appearing on the rate notice.
		<u>1,000</u>	<u>1,000</u>	<u>6,355</u>	

(g) Waivers or concessions

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		2018/19	
	Budget 30 June 2020	Budget 01 July 2019	Estimated Actual 30 June 2019	2018/19 Budget 30 June 2019
	\$	\$	\$	\$
Composition of estimated net current assets				
Current assets				
Cash - unrestricted	3	41,903	2,116,238	268,439
Cash - restricted reserves	3	5,334,672	5,680,737	5,633,431
Receivables		264,984	414,984	331,998
Accrued Income		0	1,067,298	0
Inventories		23,205	23,205	67,620
		5,664,764	9,302,462	6,301,488
Less: current liabilities				
Trade and other payables		(218,681)	(218,681)	(593,845)
Contract liabilities		0	(43,150)	0
Short term borrowings		0	0	0
Long term borrowings		(91,176)	0	(114,200)
Provisions		(111,411)	(111,411)	(74,212)
		(421,268)	(373,242)	(782,257)
Net current assets		5,243,496	8,929,220	5,519,231

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		2018/19	
	Budget 30 June 2020	Budget 01 July 2019	Estimated Actual 30 June 2019	2018/19 Budget 30 June 2019
	\$	\$	\$	\$
(i) Current assets and liabilities excluded from budgeted deficiency				
Net current assets	2	5,243,496	8,929,220	8,972,370
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	(5,334,672)	(5,680,737)	(5,633,431)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings		91,176	0	114,200
Adjusted net current assets - surplus/(deficit)		0	3,248,483	3,291,633
(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)	(64,606)	(6,722)	(5,000)
Add: Movement in employee provisions		0	23,913	23,913
Add: Loss on disposal of assets	4(b)	11,432	47,726	0
Add: Loss on revaluation of non current assets		0	4,903	0
Add: Change in accounting policies	16	0	(43,150)	0
Add: Depreciation on assets	5	2,809,062	2,770,649	2,354,500
Non cash amounts excluded from operating activities		2,755,888	2,797,319	2,840,469
				2,349,500

Adjusted net current assets - surplus/(deficit)

(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)	(64,606)	(6,722)	(5,000)
Add: Movement in employee provisions		0	23,913	23,913
Add: Loss on disposal of assets	4(b)	11,432	47,726	0
Add: Loss on revaluation of non current assets		0	4,903	0
Add: Change in accounting policies	16	0	(43,150)	0
Add: Depreciation on assets	5	2,809,062	2,770,649	2,354,500
Non cash amounts excluded from operating activities		2,755,888	2,797,319	2,840,469
				2,349,500

(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 16 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 Cue 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 Cue contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Cue 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 Cue'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 Cue'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 Cue'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 onto 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	41,903	2,116,238	268,439
Cash - restricted	5,334,672	5,680,737	5,633,431
	<u>5,376,575</u>	<u>7,796,975</u>	<u>5,901,870</u>

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

Long Service Leave Reserve	63,113	62,406	30,229
Building Maintenance Reserve	502,104	637,216	636,062
Plant Replacement Reserve	367,066	504,540	335,666
Streetscape Reserve	219,039	311,762	311,149
Sports Complex Reserve	122,846	120,041	119,824
Caravan Park Development Reserve	203,745	247,949	247,520
Water Playground Reserve	61,037	59,638	59,569
Beringarra Road Reserve	2,593,447	2,681,140	2,839,010
Tourism Reserve	100,936	121,102	120,871
Housing / Land Development Reserve	192,893	188,475	188,274
Heritage Reserve	444,042	615,854	614,783
Road Maintenance Reserve	236,244	130,614	130,474
Infrastructure Reserve	228,160	0	0
	<u>5,334,672</u>	<u>5,680,737</u>	<u>5,633,431</u>

**Reconciliation of net cash provided by
operating activities to net result**

Net result	(684,186)	(423,981)	(392,664)
Depreciation	2,809,062	2,770,649	2,354,500
(Profit)/loss on sale of asset	(53,174)	41,004	(5,000)
Loss on revaluation of non current assets	0	4,903	0
(Increase)/decrease in receivables	1,217,298	134,202	1,281,141
(Increase)/decrease in inventories	0	(3,525)	0
Increase/(decrease) in payables	0	(376,162)	0
Increase/(decrease) in employee provisions	0	69,472	0
Grants/contributions for the development of assets	(1,410,545)	(184,637)	(1,268,301)
Net cash from operating activities	<u>1,878,455</u>	<u>2,031,925</u>	<u>1,969,676</u>

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	Housing	Community amenities	Recreation and culture	Transport	Economic services	Other property and services			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<i>Property, Plant and Equipment</i>										
Land and buildings										
GROH Houses	0	980,000	0	0	0	0	0	980,000		
Railway Building Development	0	0	0	513,000	0	0	0	513,000		
Caravan Park House and Office	0	0	0	0	0	400,000	0	400,000		
Staff Housing Units	0	257,000	0	0	0	0	0	257,000		
Staff housing	0	250,000	0	0	0	0	0	250,000		
Great Fingal Mine Office	0	0	0	250,000	0	0	0	250,000		
Town Hall Upgrades	0	0	0	190,000	0	0	0	190,000		
Old Gaol Development	0	0	0	0	0	105,000	0	105,000		
Unassisted Living Units	0	100,000	0	0	0	0	0	100,000		
Old Municipal Building	0	0	0	0	0	60,000	0	60,000		
Heritage Building (Bank Building)	0	0	0	50,000	0	0	0	50,000		
Depot Improvements	0	0	0	0	50,000	0	0	50,000		
Administration Building	0	0	0	0	0	0	35,000	35,000		
Historical Cottage Renovation	0	0	0	10,500	0	0	0	10,500		
Town Hall Landscaping	0	0	0	10,000	0	0	0	10,000		
	0	1,587,000	0	1,023,500	50,000	565,000	35,000	3,260,500	176,219	2,539,000
Furniture and equipment										
Administration Equipment	0	0	0	0	0	0	25,000	25,000		
Furniture and Fixtures	0	15,000	0	0	0	10,000	0	25,000		
Office Equipment	10,000	0	0	0	0	0	0	10,000		
	10,000	15,000	0	0	0	10,000	25,000	60,000	21,797	45,000

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

4. FIXED ASSETS (CONTINUED)

(a) Acquisition of Assets (Continued)

Asset class	Reporting program							2019/20 Budget total	2018/19 Actual total	2018/19 Budget total
	Governance	Housing	Community amenities	Recreation and culture	Transport	Economic services	Other property and services			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Plant and equipment										
Prime Mover	0	0	0	0	318,000	0	0	318,000		
Skid Steer Loader	0	0	0	0	100,000	0	0	100,000		
Street Sweeper	0	0	0	0	75,000	0	0	75,000		
CEO Vehicle	0	0	0	0	90,000	0	0	90,000		
DCEO Vehicle	0	0	0	0	60,000	0	0	60,000		
Works Vehicle	0	0	0	0	50,000	0	0	50,000		
Road Crew Vehicle	0	0	0	0	45,000	0	0	45,000		
Works Vehicle	0	0	0	0	35,000	0	0	35,000		
Workshop Equipment	0	0	0	0	25,000	0	0	25,000		
Ride-on Mower	0	0	0	0	15,000	0	0	15,000		
	0	0	0	0	813,000	0	0	813,000	675,256	812,500
Total Property, Plant and Equipment	10,000	1,602,000	0	1,023,500	863,000	575,000	60,000	4,133,500	873,272	3,396,500
Infrastructure										
Road Infrastructure										
Roads to Recovery	0	0	0	0	400,000	0	0	400,000		
Flood Damage Restoration	0	0	0	0	153,400	0	0	153,400		
Municipal Funded Construction	0	0	0	0	180,000	0	0	180,000		
MRWA Construction - RRG	0	0	0	0	180,000	0	0	180,000		
Cue - Beringarra Road	0	0	0	0	150,000	0	0	150,000		
Grid Widening Program	0	0	0	0	20,000	0	0	20,000		
	0	0	0	0	1,083,400	0	0	1,083,400	1,236,131	1,878,301

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

4. FIXED ASSETS (CONTINUED)

(a) Acquisition of Assets (Continued)

Asset class	Reporting program						Other property and services	2019/20 Budget total	2018/19 Actual total	2018/19 Budget total
	Governance	Housing	Community amenities	Recreation and culture	Transport	Economic services				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Other Infrastructure										
Deep Sewerage System	0	0	240,000	0	0	0	0	240,000		
Playground and Outdoor Fitness Equipment	0	0	0	220,000	0	0	0	220,000		
Heydon Place Industrial Development	0	0	0	0	0	207,000	0	207,000		
Airport Runway Resealing	0	0	0	0	196,000	0	0	196,000		
Tourism & Area Promotion	0	0	0	0	0	140,000	0	140,000		
Austin St Development	0	0	0	0	0	100,000	0	100,000		
Skate Park	0	0	0	85,000	0	0	0	85,000		
Sporting Facilities	0	0	0	25,500	0	0	0	25,500		
Waste Site - Fencing and Improvements	0	0	75,000	0	0	0	0	75,000		
Streetscape	0	0	0	0	0	74,000	0	74,000		
MRVC - Dog Fence	52,000	0	0	0	0	0	0	52,000		
Artificial Lawn and Retic Town Streets	0	0	0	0	45,000	0	0	45,000		
Tourist Park Improvements	0	0	0	0	0	40,000	0	40,000		
Cemetery Niche Wall	0	0	35,000	0	0	0	0	35,000		
RV Site	0	0	0	0	0	30,000	0	30,000		
CCTV	0	0	0	0	0	25,000	0	25,000		
Oasis Visitor Parking Project	0	0	0	0	0	23,000	0	23,000		
Standpipe Automation	0	0	0	0	0	15,000	0	15,000		
Waste Oil Shelter (Rubbish Tip)	0	0	10,000	0	0	0	0	10,000		
	52,000	0	360,000	330,500	241,000	654,000	0	1,637,500	307,434	1,084,333
Total Infrastructure	52,000	0	360,000	330,500	1,324,400	654,000	0	2,720,900	1,543,565	2,962,634
Total acquisitions	62,000	1,602,000	360,000	1,354,000	2,187,400	1,229,000	60,000	6,854,400	2,416,837	6,359,134

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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Asset class												
<i>Property, Plant and Equipment</i>												
Transport												
Mitsubishi Pajero Wagon 4x4 (CEO)	26,663	40,000	13,337	0								
Mitsubishi Pajero Wagon 4x4 (DCEO)	26,663	40,000	13,337	0								
P34 2012 Caterpillar 226B3SC Skid Steer	22,689	40,000	17,311	0								
Isuzu D-Max Space Cab 4x4 (Works Manager)	24,011	35,000	10,989	0								
Isuzu D-Max Dual Cab Ute 4x4 (Roads Crew)	20,368	30,000	9,632	0								
P66 - S20 Ride-on Street Sweeper	26,368	15,000	0	(11,368)								
P72 Iveco Eurotech MP4500 Prime Mover	10,064	10,000	0	(64)								
	156,826	210,000	64,606	(11,432)	164,913	123,909	6,722	(47,726)	158,000	163,000	5,000	0
Total Disposal of Assets	156,826	210,000	64,606	(11,432)	164,913	123,909	6,722	(47,726)	158,000	163,000	5,000	0

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

5. ASSET DEPRECIATION

By Program

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Law, order, public safety	227	225	300
Health	909	900	900
Housing	35,796	35,447	31,000
Community amenities	9,530	9,420	8,800
Recreation and culture	103,850	102,342	91,000
Transport	2,115,500	2,084,953	1,788,900
Economic services	179,000	176,037	98,500
Other property and services	364,250	361,325	335,100
	2,809,062	2,770,649	2,354,500

By Class

Land and Buildings	217,243	212,505	168,200
Furniture and equipment	22,760	18,809	17,400
Plant and equipment	311,659	312,728	287,600
Road Infrastructure	1,985,000	1,954,713	1,623,100
Other Infrastructure	272,400	271,894	258,200
	2,809,062	2,770,649	2,354,500

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:

Land and Buildings	30 to 50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Sealed roads and streets	
formation	not depreciated
pavement	50 years
seal	
bituminous seals	20 years
asphalt surfaces	25 years
Gravel Roads	
formation	not depreciated
pavement	50 years
gravel sheet	12 years
Formed roads	
formation	not depreciated
pavement	50 years
Footpaths - slab	40 years
Sewerage Piping	50 years
Water Supply Piping Systems	75 years
Water Supply Drainage Systems	75 years
Parks and Ovals	12 to 35 years
Other Infrastructure	12 to 60 years

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 1 July 2019	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
		\$	\$	\$	\$			\$	\$	\$			\$	\$	\$
Housing															
GROH House (WATC*)	0	980,000	45,000	8,800	935,000	0	0	0	0	0	0	980,000	0	0	980,000
	0	980,000	45,000	8,800	935,000	0	0	0	0	0	0	980,000	0	0	980,000

All borrowing repayments, other than self supporting loans, will be financed by general purpose revenue.

* - WATC - Western Australia Treasury Corporation

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
GROH House (WATC*)	WATC*	Fixed Rate Annuity	10	1.78%	\$ 980,000	\$ 94,149	\$ 980,000	\$ 0
					980,000	94,149	980,000	0

* - WATC - Western Australia Treasury Corporation

** - Does not include variable annual loan fee charged by WATC

(c) Credit Facilities

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
Undrawn borrowing facilities			
credit standby arrangements			
Bank overdraft limit	0	0	0
Bank overdraft at balance date	0	0	0
Credit card limit	15,000	15,000	15,000
Credit card balance at balance date	0	0	0
Total amount of credit unused	15,000	15,000	15,000
Loan facilities			
Loan facilities in use at balance date	935,000	0	980,000
Unused loan facilities at balance date	0	0	980,000

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				2018/19 Actual				2018/19 Budget			
	Opening Balance	Budget Transfer to	Transfer (from)	Closing Balance	Opening Balance	Actual Transfer to	Transfer (from)	Closing Balance	Opening Balance	Budget Transfer to	Transfer (from)	Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Long Service Leave Reserve	62,406	707	0	63,113	29,580	32,826	0	62,406	29,580	649	0	30,229
Building Maintenance Reserve	637,216	14,888	(150,000)	502,104	573,476	63,740	0	637,216	573,476	62,586	0	636,062
Plant Replacement Reserve	504,540	12,526	(150,000)	367,066	524,100	12,557	(32,117)	504,540	524,100	11,566	(200,000)	335,666
Streetscape Reserve	311,762	7,277	(100,000)	219,039	304,467	7,295	0	311,762	304,467	6,682	0	311,149
Sports Facilities Reserve	120,041	2,805	0	122,846	107,466	12,575	0	120,041	107,466	12,358	0	119,824
Caravan Park Development Reserve	247,949	5,796	(50,000)	203,745	212,849	35,100	0	247,949	212,849	34,671	0	247,520
Water Playground Reserve	59,638	1,399	0	61,037	33,827	25,811	0	59,638	33,827	25,742	0	59,569
Beringarra Road Reserve	2,681,140	62,307	(150,000)	2,593,447	3,511,994	84,146	(915,000)	2,681,140	3,511,998	77,012	(750,000)	2,839,010
Tourism Reserve	121,102	2,834	(23,000)	100,936	92,720	28,382	0	121,102	92,720	28,151	0	120,871
Housing / Land Development Reserve	188,475	4,418	0	192,893	121,562	66,913	0	188,475	121,562	66,712	0	188,274
Heritage Reserve	615,854	14,388	(186,200)	444,042	557,497	58,357	0	615,854	557,497	57,286	0	614,783
Road Maintenance Reserve	130,614	105,630	0	236,244	78,728	51,886	0	130,614	78,728	51,746	0	130,474
Infrastructure Reserve	0	228,160	0	228,160	0	0	0	0	0	0	0	0
	5,680,737	463,135	(809,200)	5,334,672	6,148,266	479,588	(947,117)	5,680,737	6,148,270	435,161	(950,000)	5,633,431

**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
Long Service Leave Reserve	as required	to be used to fund long service leave requirements
Building Maintenance Reserve	as required	to be used to fund maintenance and capital expenditure on Council owned building
Plant Replacement Reserve	as required	to be used for the purchase or significant overhaul of major plant
Streetscape Reserve	as required	to be used to fund streetscape improvements within the town centre of Cue
Sports Facilities Reserve	as required	to be used to fund maintenance and capital expenditure on the sports facilities
Caravan Park Development Reserve	as required	to be used to fund the development of the Cue Tourist Park
Water Playground Reserve	as required	to be used to fund the maintenance of the Water Playground
Beringarra Road Reserve	as required	to be used for maintenance and capital expenditure on Beringarra Road
Tourism Reserve	as required	to be used to fund and maintain Tourism related infrastructure and programs
Housing / Land Development Reserve	as required	to be used to assist with the provision of affordable housing and the establishment of an incubator hub
Heritage Reserve	as required	to be used to maintain / renovate / promote heritage places and buildings owned or under a Shire management order
Road Maintenance Reserve	as required	to be used for maintenance and capital expenditure on Shire roads
Infrastructure Reserve	as required	to be used to fund maintenance and capital expenditure for Shire's infrastructure assets

(c) Cash Backed Reserves - Change in Use

The Shire has resolved to make the following changes in the use of part of the money in a reserve account. This money is to be used or set aside for a purpose other than the purpose for which the account was established.

Cash Backed Reserve	Proposed new purpose of the reserve	Reasons and Objects of changing of the reserve	2019/20 Budget amount to be used	2019/20 Budget amount change of purpose
Sports Facilities Reserve (Previously Sports Complex Reserve)	To be used to fund maintenance and capital expenditure on the sports facilities	Clarifying the proposed purpose of the Reserve. The previous purpose of the Reserve stated 'To be used to fund maintenance and capital expenditure on the sports complex'	\$ 0	\$ 0
			0	0

**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
	\$	\$	\$
General purpose funding	500	770	1,500
Law, order, public safety	3,000	2,514	3,000
Health	500	1,134	500
Housing	25,480	22,080	25,200
Community amenities	85,500	77,224	75,000
Recreation and culture	1,800	1,339	1,800
Transport	102,000	88,553	35,000
Economic services	357,200	340,219	285,700
Other property and services	23,800	15,580	25,800
	599,780	549,413	453,500

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

General purpose funding	941,964	1,951,626	838,700
Law, order, public safety	7,500	10,402	3,500
Recreation and culture	800	535	7,500
Transport	390,000	625,000	415,000
Economic services	0	0	14,000
Other property and services	50,000	53,803	91,500
	1,390,264	2,641,366	1,370,200

Non-operating grants, subsidies and contributions

Community amenities	120,000	0	0
Recreation and culture	691,545	0	217,000
Transport	569,000	141,487	1,018,301
Economic services	30,000	43,150	33,000
	1,410,545	184,637	1,268,301

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

10. OTHER INFORMATION

	2019/20 Budget	2018/19 Actual	2018/19 Budget
	\$	\$	\$
The net result includes as revenues			
(a) Interest earnings			
Investments			
- Reserve funds	133,000	167,216	135,000
- Other funds	22,000	25,449	22,000
Other interest revenue (refer note 1b)	29,500	28,520	25,000
	184,500	221,186	182,000
(b) Other revenue			
Reimbursements and recoveries	20,400	35,398	0
Other	69,000	71,982	73,500
	89,400	107,380	73,500
The net result includes as expenses			
(c) Auditors remuneration			
Audit services	35,750	35,750	37,500
	35,750	35,750	37,500
(d) Interest expenses (finance costs)			
Borrowings (refer Note 6(a))	8,800	0	0
	8,800	0	0
(e) Elected members remuneration			
Meeting fees	30,500	18,853	30,500
Mayor/President's allowance	10,900	9,900	10,800
Deputy Mayor/President's allowance	2,800	2,700	2,700
Travelling expenses	25,000	23,370	25,000
Telecommunications allowance	24,500	23,490	24,500
	93,700	78,313	93,500
(f) Write offs			
General rate	50,000	3,216	50,000
	50,000	3,216	50,000
(g) Low Value lease expenses			
	0	0	0

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.

12. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is not anticipated any trading undertakings or major trading undertakings will occur in 2019/20.

13. INTERESTS IN JOINT ARRANGEMENTS

The Shire is not involved in any joint venture arrangements.

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 Cue'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**

14. 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
	\$	\$	\$	\$
Cue LCDC	2,080	0	0	2,080
	2,080	0	0	2,080

**NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30TH JUNE 2020****15. 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 16.

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

**16. 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 Cue adopted AASB 15 on 1 July 2019 resulting in changes in accounting policies. In accordance with the transition provisions AASB 15, the Shire of Cue 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
Contract liabilities - current			
Unspent grants, contributions and reimbursements	0	43,150	43,150
Developer contributions	0		0
Adjustment to retained surplus from adoption of AASB 15		(43,150)	

LEASES

On adoption of AASB 16, for leases which had previously been classified as an 'operating lease' when applying AASB 117, the Shire of Cue 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)*.

INCOME FOR NOT-FOR-PROFIT ENTITIES

The Shire of Cue 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 Cue 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	0	0	0
Adjustment to retained surplus from adoption of AASB 1058		0	

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 Cue. When the taxable event occurs the financial liability is extinguished and the Shire of Cue 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 Cue 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 Cue of the changes as at 1 July 2019 is as follows:

	2019	
	\$	
Retained surplus - 30/06/2019		
Adjustment to retained surplus from adoption of AASB 15	(43,150)	
Adjustment to retained surplus from adoption of AASB 1058	0	(43,150)
Retained surplus - 01/07/2019		(43,150)