



Shire of Cocos Keeling Islands

2017/2018 BUDGET

Message from the Shire President

It is my pleasure to present the Shire of Cocos (Keeling) Islands municipal budget for the 2017/18 financial year. This year's budget contains capital expenditure totalling around \$3.4 million.

A number of major projects will be undertaken throughout the course of the 2017-2018 financial year for the benefit of the community and Council will also continue to maintain its normal services and endeavour to upgrade services whilst keeping rates increases to a minimum.

Some major projects include:

Back Laneway Paving and Fencing

\$970,887 has been budgeted this year to continue the back laneway paving and fencing on Home Island so that every house will have a paved back laneway that is also fenced.

Thanks to successful lobbying of grants, construction of the PVC fencing to define the boundaries of residential housing have been put in place and will continue as the curbing and paving of the laneway progress. The Shire will also continue to assist residence to remove buildings over the 500mm distance from the boundaries.

Community Centre Upgrades

This year we'll see the Community Centre undergoing major improvements which will commence from mid-September. The project will take approximately 6 months to complete.

Works will include the replacement of the roof and wall sheeting, new entry doors, windows and screens. In addition, the stairs and ramp will also be upgraded as part of the project. The project will cost \$630,000 in total, with \$450,000 coming from grant funding, and \$180,000 as Shire contribution.

Retail Precinct

It is anticipated that the new retail precinct will also commence development this year. With a project cost totaling \$2.2M, the Shire has budgeted \$947,000 to match a \$947,000 grant funding.

The new Retail Precinct will give the opportunity for current business to expand and for those wanting to start a new business. The precinct will be constructed on the block of land where the old powerhouse used to be with the construction

of an approximately 500 m2 retail centre to replace the current small business centre. The construction of the building will introduce green principles.

Kampong Atas Sandbagging

The south end of Home Island, adjacent to Jalan Kampong Atas, area has been identified by Council as an area of priority on Home Island as it is very susceptible and prone to flooding and is in much need of protection.

There is a stretch of approximately ½ kilometre of foreshore that needs sandbagging and a project cost of \$183,814 have been budgeted this year with back filling included to raise the area and further protect Home Island.

Plant

The Shire continues maintain its plant replacements program and will continue replacing and upgrading its fleet and machinery. Amongst a number of these purchases, the Shire this year have committed to purchase a Manitou, 4 X Light Towers and a Mobi CMX1500 Cement Mixer on Trailer.

This budget has also allowed for 12 additional jobs for the following 12 months. The positions are now shared between the sandbagging and back laneways projects. Council views job creation as a priority and it is extremely pleasing that this has been able to be continued this financial year.

I would like to thank my fellow councillors and the senior staff in the compilation of this comprehensive budget and look forward to the above projects coming to fruition over the next twelve months.

Balmut Pirus

Shire President

SHIRE OF COCOS (KEELING) ISLANDS

BUDGET

FOR THE YEAR ENDED 30 JUNE 2018

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SHIRE OF COCOS (KEELING) ISLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY NATURE OR TYPE
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Revenue				
Rates	8	386,359	370,834	370,988
Operating grants, subsidies and contributions	15	2,645,054	2,673,853	2,645,098
Fees and charges	14	854,081	1,878,075	1,737,395
Interest earnings	2(a)	43,717	65,284	63,625
Other revenue	2(a)	15,000	26,853	15,000
		<u>3,944,211</u>	<u>5,014,899</u>	<u>4,832,106</u>
Expenses				
Employee costs		(2,026,971)	(2,189,640)	(2,109,384)
Materials and contracts		(1,132,678)	(941,961)	(1,324,049)
Utility charges		(143,894)	(124,583)	(113,432)
Depreciation on non-current assets	2(a)	(1,089,544)	(1,069,481)	(1,048,570)
Insurance expenses		(286,171)	(242,959)	(258,190)
Other expenditure		(80,187)	(65,693)	(81,118)
		<u>(4,759,445)</u>	<u>(4,634,317)</u>	<u>(4,934,743)</u>
		(815,234)	380,582	(102,637)
Non-operating grants, subsidies and contributions	15	970,702	897,500	720,000
Profit on asset disposals	6	0	1,799	0
Net result		155,468	1,279,881	617,363
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		<u>155,468</u>	<u>1,279,881</u>	<u>617,363</u>

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

SHIRE OF COCOS (KEELING) ISLANDS
STATEMENT OF COMPREHENSIVE INCOME
BY PROGRAM
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Revenue (refer notes 1,2,8,10 to 15)				
Governance		11,100	32,510	11,100
General purpose funding		2,948,587	2,954,544	2,940,993
Law, order, public safety		500	217	500
Health		46,258	47,486	45,750
Education and welfare		0	(1,152)	0
Housing		435,944	415,912	421,742
Community amenities		68,175	71,475	67,925
Recreation and culture		2,000	4,440	1,500
Transport		60,000	58,737	59,296
Economic services		54,328	60,066	53,350
Other property and services		317,319	1,370,664	1,229,950
		<u>3,944,211</u>	<u>5,014,899</u>	<u>4,832,106</u>
Expenses excluding finance costs (refer notes 1, 2 & 16)				
Governance		(220,835)	(428,848)	(207,448)
General purpose funding		(64,184)	(80,452)	(75,985)
Law, order, public safety		(69,178)	(57,447)	(70,597)
Health		(76,087)	(27,469)	(73,332)
Education and welfare		(465,774)	(224,880)	(266,217)
Housing		(641,304)	(601,152)	(633,726)
Community amenities		(863,017)	(692,426)	(852,251)
Recreation and culture		(870,171)	(771,411)	(622,056)
Transport		(732,152)	(650,304)	(588,509)
Economic services		(431,764)	(300,020)	(341,295)
Other property and services		(324,979)	(799,908)	(1,203,327)
		<u>(4,759,445)</u>	<u>(4,634,317)</u>	<u>(4,934,743)</u>
		(815,234)	380,582	(102,637)
Non-operating grants, subsidies and contributions	15	970,702	897,500	720,000
Profit on disposal of assets	6	0	1,799	0
		<u>970,702</u>	<u>899,299</u>	<u>720,000</u>
Net result		155,468	1,279,881	617,363
Other comprehensive income				
Changes on revaluation of non-current assets		0	0	0
Total other comprehensive income		0	0	0
Total comprehensive income		<u>155,468</u>	<u>1,279,881</u>	<u>617,363</u>

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

SHIRE OF COCOS (KEELING) ISLANDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Rates		386,359	372,973	370,988
Operating grants, subsidies and contributions		2,645,054	2,509,768	2,730,098
Fees and charges		854,081	1,878,075	1,737,395
Interest earnings		43,717	65,284	63,625
Other revenue		15,000	26,853	15,000
		<u>3,944,211</u>	<u>4,852,953</u>	<u>4,917,106</u>
Payments				
Employee costs		(2,026,971)	(2,189,640)	(2,109,384)
Materials and contracts		(1,132,678)	(872,538)	(1,424,049)
Utility charges		(143,894)	(124,583)	(113,432)
Interest expenses		0	0	(258,190)
Insurance expenses		(286,171)	(242,959)	
Other expenditure		(80,187)	(65,693)	(81,118)
		<u>(3,669,901)</u>	<u>(3,495,413)</u>	<u>(3,986,173)</u>
Net cash provided by (used in) operating activities	3(b)	<u>274,310</u>	<u>1,357,540</u>	<u>930,933</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant & equipment	5	(1,963,213)	(1,730,496)	(2,440,011)
Payments for construction of infrastructure	5	(1,453,995)	(857,194)	(912,388)
Non-operating grants, subsidies and contributions used for the development of assets		970,702	897,500	720,000
Proceeds from sale of plant & equipment	6	0	2,200	0
Net cash provided by (used in) investing activities		<u>(2,446,506)</u>	<u>(1,687,990)</u>	<u>(2,632,399)</u>
Net increase (decrease) in cash held		(2,172,196)	(330,450)	(1,701,466)
Cash at beginning of year		<u>3,594,280</u>	<u>3,924,730</u>	<u>3,944,206</u>
Cash and cash equivalents at the end of the year	3(a)	<u><u>1,422,084</u></u>	<u><u>3,594,280</u></u>	<u><u>2,242,740</u></u>

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

SHIRE OF COCOS (KEELING) ISLANDS
RATE SETTING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Net current assets at start of financial year - surplus/(deficit)	4	1,610,521	1,901,665	1,739,515
		1,610,521	1,901,665	1,739,515
Revenue from operating activities (excluding rates)				
Governance		11,100	32,510	11,100
General purpose funding		2,562,228	2,583,710	2,570,005
Law, order, public safety		500	217	500
Health		46,258	47,486	45,750
Education and welfare		0	(1,152)	0
Housing		435,944	415,912	421,742
Community amenities		68,175	71,475	67,925
Recreation and culture		2,000	4,440	1,500
Transport		60,000	58,737	59,296
Economic services		54,328	60,066	53,350
Other property and services		317,319	1,372,463	1,229,950
		3,557,852	4,645,864	4,461,118
Expenditure from operating activities				
Governance		(220,835)	(428,848)	(207,448)
General purpose funding		(64,184)	(80,452)	(75,985)
Law, order, public safety		(69,178)	(57,447)	(70,597)
Health		(76,087)	(27,469)	(73,332)
Education and welfare		(465,774)	(224,880)	(266,217)
Housing		(641,304)	(601,152)	(633,726)
Community amenities		(863,017)	(692,426)	(852,251)
Recreation and culture		(870,171)	(771,411)	(622,056)
Transport		(732,152)	(650,304)	(588,509)
Economic services		(431,764)	(300,020)	(341,295)
Other property and services		(324,979)	(799,908)	(1,203,327)
		(4,759,445)	(4,634,317)	(4,934,743)
Operating activities excluded from budget				
(Profit) on asset disposals	6	0	(1,799)	0
Depreciation on assets	2(a)	1,089,544	1,069,481	1,048,570
Amount attributable to operating activities		1,498,472	2,980,894	2,314,460
INVESTING ACTIVITIES				
Non-operating grants, subsidies and contributions	15	970,702	897,500	720,000
Purchase property, plant and equipment	5	(1,963,213)	(1,730,496)	(2,440,011)
Purchase and construction of infrastructure	5	(1,453,995)	(857,194)	(912,388)
Proceeds from disposal of assets	6	0	2,200	0
Amount attributable to investing activities		(2,446,506)	(1,687,990)	(2,632,399)
FINANCING ACTIVITIES				
Transfers to cash backed reserves (restricted assets)	9	(437,217)	(53,217)	(1,153,507)
Transfers from cash backed reserves (restricted assets)	9	998,892	0	1,100,458
Amount attributable to financing activities		561,675	(53,217)	(53,049)
Budgeted deficiency before general rates		(386,359)	1,239,687	(370,988)
Estimated amount to be raised from general rates	8	386,359	370,834	370,988
Net current assets at end of financial year - surplus/(deficit)		0	1,610,521	0

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

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The budget has been prepared in accordance with applicable Australian Accounting Standards (as they apply to local government and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations. Material accounting policies which have been adopted in the preparation of this budget are presented below and have been consistently applied unless stated otherwise.

Except for cash flow and rate setting information, the budget has also been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

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

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

The local government reporting eEntity

All funds through which the Shire of Cocos (Keeling) Islands controls resources to carry on its functions have been included in the financial statements forming part of this budget.

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 17 to the budget.

(b) 2016/17 actual balances

Balances shown in this budget as 2016/17 Actual are as forecast at the time of budget preparation and are subject to final adjustments.

(c) Rounding off figures

All figures shown in this budget, other than a rate in the dollar, are rounded to the nearest dollar.

(d) Comparative figures

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

(e) Budget comparative figures

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

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Forecast fair value adjustments

All fair value adjustments relating to remeasurement of financial assets at fair value through profit or loss (if any) and changes on revaluation of non-current assets are impacted upon by external forces and not able to be reliably estimated at the time of budget adoption.

Fair value adjustments relating to the re-measurement of financial assets at fair value through profit or loss will be assessed at the time they occur with compensating budget amendments made as necessary.

It is anticipated, in all instances, any changes upon revaluation of non-current assets will relate to non-cash transactions and as such, have no impact on this budget document.

(g) Rates, grants, donations and other contributions

the Shire of Cocos (Keeling) Islands obtains control over the assets comprising the contributions.

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

(h) Goods and services tax (GST)

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

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

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

(i) Superannuation

The Shire of Cocos (Keeling) Islands contributes to a number of superannuation funds on behalf of employees.

All funds to which the Shire of Cocos (Keeling) Islands contributes are defined contribution plans.

(j) Cash and cash equivalents

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

Bank overdrafts are shown as short term borrowings in current liabilities in Note 4 - Net Current Assets.

(k) Trade and other receivables

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

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

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

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Inventories

General

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

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

Land held for resale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed on to the buyer at this point.

Land held for sale is classified as current except where it is held as non-current based on Council's intentions to release for sale.

(m) Fixed assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the *Local Government (Financial Management) Regulations* were amended and the measurement of non-current assets at Fair Value became mandatory.

During the year ended 30 June 2013, the Shire of Cocos (Keeling) Islands commenced the process of adopting fair value in accordance with the Regulations.

Whilst the amendments initially allowed for a phasing in of fair value in relation to fixed assets over three years, as at 30 June 2015 all non-current assets were carried at fair value in accordance with the requirements.

Thereafter, each asset class must be revalued in accordance with the regulatory framework established and the Shire of Cocos (Keeling) Islands revalues its asset classes in accordance with this mandatory timetable.

Relevant disclosures, in accordance with the requirements of Australian Accounting Standards, have been made in the financial report as necessary.

Initial recognition and measurement between mandatory revaluation dates

All assets are initially recognised at cost and subsequently revalued in accordance with the mandatory measurement framework detailed above.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire of Cocos (Keeling) Islands includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fixed assets (continued)

Revaluation

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Land under roads

In Western Australia, all land under roads is Crown land, the responsibility for managing which, is vested in the local government.

Effective as at 1 July 2008, Council elected not to recognise any value for land under roads acquired on or before 30 June 2008. This accords with the treatment available in *Australian Accounting Standard AASB 1051 Land Under Roads* and the fact *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

In respect of land under roads acquired on or after 1 July 2008, as detailed above, *Local Government (Financial Management) Regulation 16(a)(i)* prohibits local governments from recognising such land as an asset.

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

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

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fixed assets (continued)

Depreciation

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

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

Buildings	50 to 100 years
Furniture and Equipment	4 to 15 years
Plant and Equipment	4 to 15 years
Sealed roads and streets	
formation	not depreciated
seal	
- bituminous seals	15 years
- paved roads	50 years
Gravel roads	
formation	not depreciated
pavement	15 years
gravel sheet	15 years
Infrastructure - other	10 years
Parks and Ovals	not depreciated

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

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

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

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fair value of assets and liabilities

When performing a revaluation, the Shire of Cocos (Keeling) Islands uses a mix of both independent and management valuations using the following as a guide:

Fair value is the price that the Shire of Cocos (Keeling) Islands would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Shire of Cocos (Keeling) Islands selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

The valuation techniques selected by the Shire of Cocos (Keeling) Islands are consistent with one or more of the following valuation approaches:

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Fair value of assets and liabilities (continued)

Market approach

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

Income approach

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

Cost approach

Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire of Cocos (Keeling) Islands gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability and considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The mandatory measurement framework imposed by the *Local Government (Financial Management) Regulations* requires, as a minimum, all assets to be revalued at least every 3 years. Relevant disclosures, in accordance with the requirements of Australian Accounting Standards have been made in the budget as necessary.

(o) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Shire of Cocos (Keeling) Islands becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Shire of Cocos (Keeling) Islands commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is calculated as:

- (a) the amount in which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments and any reduction for impairment; and
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method.

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short term profit taking. Assets in this category are classified as current assets. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Loans and receivables are included in current assets where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturities and fixed or determinable payments that the Shire of Cocos (Keeling) Islands management has the positive intention and ability to hold to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

Held-to-maturity investments are included in current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as non-current.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in current assets, where they are expected to be sold within 12 months after the end of the reporting period. All other available for sale financial assets are classified as non-current.

(v) Financial liabilities

Non-derivative financial liabilities (excl. financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in the profit or loss.

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

Impairment

A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition

Financial assets are derecognised where the contractual rights for receipt of cash flows expire or the asset is transferred to another party, whereby the Shire of Cocos (Keeling) Islands no longer has any significant continual involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(p) Impairment of assets

In accordance with Australian Accounting Standards the Shire of Cocos (Keeling) Islands assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. AASB 116) whereby any impairment loss of a revaluation decrease in accordance with that other standard.

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Impairment of assets (continued)

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

At the time of adopting this budget, it is not possible to estimate the amount of impairment losses (if any) as at 30 June 2018.

In any event, an impairment loss is a non-cash transaction and consequently, has no impact on this budget document.

(q) Trade and other payables

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

(r) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations or service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire of Cocos (Keeling) Islands's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire of Cocos (Keeling) Islands does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Borrowing costs

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

(t) Provisions

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

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

(u) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Shire of Cocos (Keeling) Islands, are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(v) Investment in associates

An associate is an entity over which the Shire of Cocos (Keeling) Islands has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire of Cocos (Keeling) Islands's share of net assets of the associate. In addition, the Shire of Cocos (Keeling) Islands's share of the profit or loss of the associate is included in the

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Shire of Cocos (Keeling) Islands's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Investment in associates (continued)

Profits and losses resulting from transactions between the Shire of Cocos (Keeling) Islands and the associate are eliminated to the extent of the Shire of Cocos (Keeling) Islands's interest in the associate.

When the Shire of Cocos (Keeling) Islands's share of losses in an associate equals or exceeds its interest in the associate, the Shire of Cocos (Keeling) Islands discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Shire of Cocos (Keeling) Islands will resume recognising its share of these profits once its share of the profits equals the share of the losses not recognised.

(x) Interests in joint arrangements

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

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to note 1(o) for a description of the equity method of accounting.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Shire of Cocos (Keeling) Islands's interests, in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements. Information about the joint ventures is set out in Note 20.

(y) Current and non-current classification

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

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

REVENUES AND EXPENSES	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Net result			
The net result includes:			
Charging as an expense:			
Auditors remuneration			
Audit services	30,000	27,655	32,500
Other services	2,500	38,864	40,000
Depreciation by program			
Governance	30,000	27,554	30,000
General purpose funding	0	0	0
Law, order, public safety	150	30	30
Health	2,200	2,150	2,200
Education and welfare	7,861	7,765	4,200
Housing	173,000	169,229	171,250
Community amenities	185,300	143,019	156,000
Recreation and culture	90,531	93,013	90,150
Transport	207,527	202,932	205,990
Economic services	45,725	33,390	36,500
Other property and services	347,250	390,399	352,250
	<u>1,089,544</u>	<u>1,069,481</u>	<u>1,048,570</u>
Depreciation by asset class			
Land and buildings	271,591	255,038	250,560
Furniture and equipment	35,961	35,934	45,650
Plant and equipment	434,196	441,318	410,990
Roads	170,000	166,002	170,000
Infrastructure - Other	177,796	171,189	171,370
	<u>1,089,544</u>	<u>1,069,481</u>	<u>1,048,570</u>
Crediting as revenues:			
Interest earnings			
Investments			
- Reserve funds	29,917	53,217	27,625
- Other funds	10,000	8,072	32,000
Other interest revenue (<i>refer note 12</i>)	3,800	3,995	4,000
	<u>43,717</u>	<u>65,284</u>	<u>63,625</u>
Other revenue			
Reimbursements and recoveries	15,000	26,853	15,000
	<u>15,000</u>	<u>26,853</u>	<u>15,000</u>

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

REVENUES AND EXPENSES (Continued)

(b) Statement of objective

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

GOVERNANCE

Objective:

To provide the highest level of administrative support to all Council functions and activities as well as to elected members.

Activities:

Activities include administration and the operation of facilities and services to members of Council including fees, expenses, allowances, election expenses, conference expenses, refreshments and receptions.

The collection point for all administration expenses relating to Council operations including office equipment and administration centre maintenance and various direct and indirect costs associated with administration staff (including salaries, superannuation, housing maintenance and vehicle costs). The costs are reallocated to various sub-programs by cost allocation method determined on a usage basis.

GENERAL PURPOSE FUNDING

Objective:

To provide a solid financial platform by good financial management in order to provide a level of services expected by electors.

Activities:

Activities include rates and general grants income, expenditure relating to the collection of rates

LAW, ORDER, PUBLIC SAFETY

Objective:

To ensure that residents enjoy a standard of living as free as possible from public

Activities:

Activities include administration and enforcement of animal control, litter, camping and other local laws as required.

HEALTH

Objective:

Maintain a high standard of health control for the benefit of residents by ensuring compliance with all relevant legislation and regular health testing.

Activities:

Activities include general inspections of all food establishments ensuring compliance with relevant standards.

EDUCATION AND WELFARE

Objective:

To provide youth and community support, community information and project services.

Activities:

Activities include the provision of shire community small grant funding, assistance with community projects, school holiday program and youth activities.

HOUSING

Objective:

To provide and maintain kampong housing for the community.

Activities:

This includes the provision, administration and maintenance of rental kampong housing, the administration of Kampong Leases.

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

REVENUES AND EXPENSES (Continued)

(b) Statement of objective (Continued)

COMMUNITY AMENITIES

Objective:

To provide high quality community amenities for the use by residents and visitors to the Cocos (Keeling) Islands.

Activities:

Activities include the provision of waste management, public conveniences, cemetery maintenance and the administration of the Town Planning Scheme.

RECREATION AND CULTURE

Objective:

To provide and maintain recreation and cultural facilities.

Activities:

Activities include the administration and operation of Public Libraries, contributions to community festivals and events, and the maintenance of public reserves, the museum and other significant sites.

TRANSPORT

Objective:

To construct and maintain all streets and roads within the Shire to a high standard.

Activities:

Includes the construction and maintenance of all local roads, street signage and transport facilities.

ECONOMIC SERVICES

Objective:

The regulation and promotion of economic development, tourism, area promotion and building control.

Activities:

This includes building and planning approval, controls on building standards, assistance in tourism promotion and the development of tourism facilities.

OTHER PROPERTY & SERVICES

Objective:

To ensure that all Council plant and equipment is in good working order and to perform private works where required.

Activities:

Activities include plant operations, private works, insurance and lease administration.

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

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

	2017/18 Budget \$	2016/17 Actual \$	2016/17 Budget \$
Cash - unrestricted	(244,838)	1,365,683	14,312
Cash - restricted	1,666,922	2,228,597	2,228,428
	<u>1,422,084</u>	<u>3,594,280</u>	<u>2,242,740</u>

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

Staff Leave	320,456	314,241	311,645
Building	710,488	696,708	1,070,393
Plant Replacement	328,440	289,416	234,379
Self Insurance	565	28,554	28,319
Furniture & Equipment	179	17,133	17,119
Community	305,233	803,589	487,383
Climate Adaptation	1,561	78,956	79,191
	<u>1,666,922</u>	<u>2,228,597</u>	<u>2,228,429</u>

Reconciliation of net cash provided by operating activities to net result

Net result	155,468	1,279,881	617,363
Depreciation	1,089,544	1,069,481	1,048,570
(Profit)/loss on sale of asset	0	(1,799)	0
(Increase)/decrease in receivables	0	(161,946)	85,000
(Increase)/decrease in inventories	0	96,729	
Increase/(decrease) in payables	0	(27,306)	(100,000)
Grants/contributions for the development of assets	(970,702)	(897,500)	(720,000)
Net cash from operating activities	<u>274,310</u>	<u>1,357,540</u>	<u>930,933</u>

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	Note	2017/18 Budget \$	2016/17 Actual \$
NET CURRENT ASSETS			
Composition of estimated net current assets			
Current assets			
Cash - unrestricted	3(a)	(244,838)	1,365,683
Cash - restricted reserves	3(a)	1,666,922	2,228,597
Receivables		314,989	314,989
Inventories		97,985	97,985
		<u>1,835,058</u>	<u>4,007,254</u>
Less: current liabilities			
Trade and other payables		(168,136)	(168,136)
Provisions		(299,173)	(299,173)
		<u>(467,309)</u>	<u>(467,309)</u>
Unadjusted net current assets		1,367,749	3,539,945
Differences between the net current assets at the end of each financial year in the rate setting statement and net current assets detailed above arise from amounts which have been excluded when calculating the budget deficiency in accordance with <i>Local Government (Financial Management) Regulation 32</i> as movements for these items have been funded within the budget estimates. These differences are disclosed as adjustments below.			
Adjustments			
Less: Cash - restricted reserves	3(a)	(1,666,922)	(2,228,597)
Add: Current liabilities not expected to be cleared at end of year		299,173	299,173
Adjusted net current assets - surplus/(deficit)		<u><u>0</u></u>	<u><u>1,610,521</u></u>

SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018

5. ACQUISITION OF ASSETS

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

Asset class	Reporting program											2017/18 Budget total \$	2016/17 Actual total \$
	Governance \$	General purpose funding \$	Law, order, public safety \$	Health \$	Education and welfare \$	Housing \$	Community amenities \$	Recreation and culture \$	Transport \$	Economic services \$	Other property and services \$		
<i>Property, Plant and Equipment</i>													
Land and buildings	0	0	0	0	0	116,200	17,053	174,164	76,186	982,426	45,041	1,411,070	964,516
Furniture and equipment	56,000	0	0	0	0	0	0	15,000	0	0	0	71,000	139,195
Plant and equipment	0	0	0	0	0	0	10,000	10,000	461,143	0	0	481,143	626,785
	56,000	0	0	0	0	116,200	27,053	199,164	537,329	982,426	45,041	1,963,213	1,730,496
<i>Infrastructure</i>													
Roads	0	0	0	0	0	0	0	0	970,887	0	0	970,887	503,657
Infrastructure - Other	0	0	65,000	0	0	0	293,127	84,261	20,720	20,000	0	483,108	353,537
	0	0	65,000	0	0	0	293,127	84,261	991,607	20,000	0	1,453,995	857,194
Total acquisitions	56,000	0	65,000	0	0	116,200	320,180	283,425	1,528,936	1,002,426	45,041	3,417,208	2,587,690

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

- Plant Replacement Programme
- Capital Expenditure and Source of Funds 2017/18

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

6. DISPOSALS OF ASSETS

No Assets are anticipated to be disposed of in 2017/2018.

7. INFORMATION ON BORROWINGS

It is not anticipated that the Shire of Cocos (Keeling) Islands will have any borrowings in 2017/2018.

AASB 101.10(e)
AASB 101.51
AASB 101.112

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

LGA S6.2(4)(b)
FM Reg 23(a)

8. RATING INFORMATION

RATE TYPE	Rate in \$	Number of properties	Rateable value \$	2017/18 Budgeted rate revenue \$	2017/18 Budgeted interim rates \$	2017/18 Budgeted back rates \$	2017/18 Budgeted total revenue \$	2016/17 Actual \$
Differential general rate or general rate								
GRV - General Developed	0.107400	126	2,071,160	222,443	300	0	222,743	216,022
GRV - Undeveloped	0.212200	15	72,330	15,348	0	0	15,348	13,231
GRV - Business	0.112500	27	812,500	91,406	0	0	91,406	88,725
GRV - Holiday Accommodation	0.157600	15	268,540	42,322	0	0	42,322	39,909
Sub-Totals		183	3,224,530	371,519	300	0	371,819	357,887
Minimum payment								
	\$							
GRV - General Developed	670	1	3,540	670	0	0	670	650
GRV - Undeveloped	670	1	3,000	670	0	0	670	0
GRV - Business	670	20	74,234	13,400	0	0	13,400	12,350
GRV - Holiday Accommodation	670	0	0	0	0	0	0	0
Sub-Totals		22	80,774	14,740	0	0	14,740	13,000
		205	3,305,304	386,259	300	0	386,559	370,887
Discounts/concessions (<i>Refer note 13</i>)							(200)	(53)
Total amount raised from general rates							386,359	370,834
Specified area rates (<i>Refer note 10</i>)							0	0
Total rates							386,359	370,834

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

8(a). RATING INFORMATION

All land except exempt land in the Shire of Cocos (Keeling) Islands is rated according to its Gross Rental Value (GRV).

The general rates detailed above for the 2017/18 financial year have been determined by Council on the basis of raising the revenue required to meet the deficiency between the total estimated expenditure proposed in the budget and the estimated revenue to be received from all sources other than rates and also considering the extent of any increase in rating over the level adopted in the previous year.

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

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 rate

Description	Characteristics	Objects	Reasons
GRV General Developed	This category covers residential, special use and other properties where no commercial activity is occurring and is not being advertised as holiday accommodation.	The object of the rate for this category is to be the base rate by which all other GRV rated properties are assessed.	The reason is that the other GRV rating categories have a higher demand on Shire resources and vacant land is encouraged to be developed.
GRV Undeveloped	This category includes all properties that have no improvements other than merged improvements as defined in the <i>Valuation of Land Act 1978</i> .	The object of the rate for this category is to encourage land owners to develop residential vacant land and to reflect the different method used for the valuation of vacant residential land as compared to the GRV General Developed rate category.	The reason is that the Shire wants to promote and encourage land owners to develop vacant land to its full potential, thereby stimulating growth.
GRV Business	This applies to all properties where commercial activity is the main use. This also applies to properties within Commercial zoning that are used as holiday accommodation.	The object of the rate for this category is to raise additional revenue to fund the costs associated with the higher level of service provided to properties in this category.	The reason is that the Shire incurs higher costs to service these areas including car park infrastructure, landscaping and other amenities. In addition, extra costs are also associated with tourism and economic development activities that have a benefit to these ratepayers.
GRV Holiday Accommodation	This category allows for the use of properties within the residential zone that are used for holiday accommodation, and are being marketed as such.	The object of the rates for this category is to raise additional revenue to fund the costs associated with the higher reliance on Shire resources and the higher level of service provided to properties in this category.	The reason this category is rated higher than the base rate for GRV is to fund costs associated with the heavier use of infrastructure and other Council assets and services in addition to contribution toward tourism promotion activities.

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

9. CASH BACKED RESERVES

	2017/18 Budget Opening balance \$	2017/18 Budget Transfer to \$	2017/18 Budget Transfer (from) \$	2017/18 Budget Closing balance \$	2016/17 Actual Opening balance \$	2016/17 Actual Transfer to \$	2016/17 Actual Transfer (from) \$	2016/17 Actual Closing balance \$	2016/17 Budget Opening balance \$	2016/17 Budget Transfer to \$	2016/17 Budget Transfer (from) \$	2016/17 Budget Closing balance \$
Staff Leave	314,241	6,215	0	320,456	306,737	7,504	0	314,241	306,737	4,908		311,645
Building	696,708	13,780	0	710,488	680,072	16,636	0	696,708	680,072	390,321		1,070,393
Plant Replacement	289,416	411,024	(372,000)	328,440	282,504	6,912	0	289,416	282,504	370,875	(419,000)	234,379
Self Insurance	28,554	565	(28,554)	565	27,873	681	0	28,554	27,873	446		28,319
Furniture & Equipment	17,133	179	(17,133)	179	16,724	409	0	17,133	16,725	394		17,119
Community	803,589	3,893	(502,249)	305,233	784,399	19,190	0	803,589	784,399	384,442	(681,458)	487,383
Climate Adaptation	78,956	1,561	(78,956)	1,561	77,071	1,885	0	78,956	77,070	2,121		79,191
	<u>2,228,597</u>	<u>437,217</u>	<u>(998,892)</u>	<u>1,666,922</u>	<u>2,175,380</u>	<u>53,217</u>	<u>0</u>	<u>2,228,597</u>	<u>2,175,380</u>	<u>1,153,507</u>	<u>(1,100,458)</u>	<u>2,228,429</u>

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

Reserve name	Anticipated date of use	Purpose of the reserve
Staff Leave	Ongoing	- to be used to fund annual and long service leave requirements.
Building	Ongoing	- to be used for the construction of Council Buildings.
Plant Replacement	Ongoing	- to be used for the purchase of major plant.
Self Insurance	Ongoing	- to be used to ensure that Council has sufficient cover on all insurance policies
Furniture & Equipment	Ongoing	- to be used for the purchase of furniture and office equipment.
Community	Ongoing	- to be used for the development of Home Island facilities and infrastructure.
Climate Adaptation	Ongoing	- to be used for the purpose of providing for the needs of Climate Adaptation in the future.

**SHIRE OF COCOS (KEELING) ISLANDS
NOTES TO AND FORMING PART OF THE BUDGET
FOR THE YEAR ENDED 30 JUNE 2018**

10. SPECIFIED AREA RATE

- It is not anticipated any Specified Area Rates will be levied in 2017/18.

11. SERVICE CHARGES

- It is not anticipated there will be any Service Charges in 2017/18.

12. INTEREST CHARGES AND INSTALMENTS - RATES AND SERVICE CHARGES

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

Instalment options	Date due	Instalment plan admin charge	Instalment plan interest rate	Unpaid rates interest rates
		\$	%	%
Option one				
Four Payments	2/10/2017	\$5	5.50%	11.00%
	11/12/2017			
	12/02/2018			
	16/04/2018			
			2017/18 Budget revenue	2016/17 Actual
			\$	\$
Instalment plan admin charge revenue			450	405
Instalment plan interest earned			800	823
Unpaid rates interest earned			3,000	3,172
			<u>4,250</u>	<u>4,400</u>

13. PAYMENT DISCOUNTS, WAIVERS AND CONCESSIONS

Waivers or concessions

Rate or fee and charge to which the waiver or concession is granted	Type	Disc % or Amount (\$)	2017/18 Budget \$	2016/17 Actual \$
Rate assessment	Write-Off	N/A	200	53
			<u>200</u>	<u>53</u>

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	2017/18 Budget \$	2016/17 Actual \$
14. FEES & CHARGES REVENUE		
Governance	0	3,880
General purpose funding	530	445
Law, order, public safety	500	217
Health	46,258	47,486
Housing	369,970	353,080
Community amenities	68,175	71,475
Recreation and culture	2,000	1,850
Transport	5,000	6,286
Economic services	54,329	60,066
Other property and services	307,319	1,333,290
	<u>854,081</u>	<u>1,878,075</u>
15. GRANT REVENUE		
Grants, subsidies and contributions are included as operating revenues in the Statement of Comprehensive Income:		
By Program:		
Operating grants, subsidies and contributions		
Governance	6,100	5,000
General purpose funding	2,517,980	2,517,980
Housing	65,974	62,832
Recreation and culture	0	2,590
Transport	55,000	52,451
Other property and services	0	33,000
	<u>2,645,054</u>	<u>2,673,853</u>
Non-operating grants, subsidies and contributions		
Education and welfare	0	11,400
Community amenities	0	80,000
Recreation and culture	0	501,100
Transport	497,202	265,000
Economic services	473,500	40,000
	<u>970,702</u>	<u>897,500</u>

**SHIRE OF COCOS (KEELING) ISLANDS
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	2017/18 Budget \$	2016/17 Actual \$
16. ELECTED MEMBERS REMUNERATION		
The following fees, expenses and allowances were paid to council members and President.		
Meeting fees	35,000	35,000
President's allowance	5,000	5,000
	<u>40,000</u>	<u>40,000</u>

17. TRUST FUNDS

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

Detail	Balance 1-Jul-17 \$	Estimated amounts received \$	Estimated amounts paid (\$)	Estimated balance 30-Jun-18 \$
Cocos Island Youth Group	9,913	1,500	(500)	10,913
Bonds	720	500	(500)	720
Motor Vehicle Registry	55,935	200,000	(255,935)	0
Anchorage Fees	1,010	4,350	(5,360)	0
	<u>67,578</u>	<u>206,350</u>	<u>(262,295)</u>	<u>11,633</u>

18. MAJOR LAND TRANSACTIONS

It is not anticipated any major land transactions will occur in 2017/18.

19. TRADING UNDERTAKINGS AND MAJOR TRADING UNDERTAKINGS

It is not anticipated any trading undertakings or major trading undertakings will occur in 2017/18.

20. INTERESTS IN JOINT ARRANGEMENTS

It is not anticipated the Shire will be party to any joint venture arrangements during 2017/18.