



# Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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“To be a focused community valuing  
Gunnedah’s identity and quality lifestyle”.



# Gunnedah Shire Council

## General Purpose Financial Statements for the year ended 30 June 2016

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Gunnedah Shire Council.
- (ii) Gunnedah Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 19 October 2016. Council has the power to amend and reissue these financial statements.
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## Gunnedah Shire Council

### General Purpose Financial Statements for the year ended 30 June 2016

#### Understanding Council's financial statements

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##### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

##### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

##### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

##### 3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

##### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's 'net wealth'.

##### 5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

##### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

##### Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

## Gunnedah Shire Council

### General Purpose Financial Statements for the year ended 30 June 2016

### Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

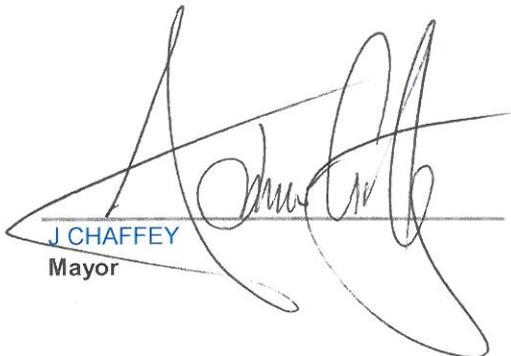
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

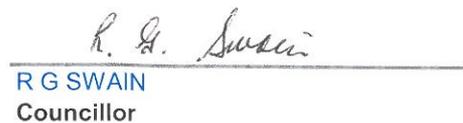
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 19 October 2016.



J CHAFFEY  
Mayor



R G SWAIN  
Councillor



E J GROTH  
General Manager



E J GROTH  
Responsible Accounting Officer

## Gunnedah Shire Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
15,959	Rates and annual charges	3a	16,157	14,864
10,249	User charges and fees	3b	11,800	10,985
1,400	Interest and investment revenue	3c	1,693	1,597
727	Other revenues	3d	819	814
10,159	Grants and contributions provided for operating purposes	3e,f	12,218	10,478
1,828	Grants and contributions provided for capital purposes	3e,f	8,864	2,197
<i>Other income:</i>				
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>40,322</b>	<b>Total income from continuing operations</b>		<b>51,551</b>	<b>40,935</b>
<b>Expenses from continuing operations</b>				
13,196	Employee benefits and on-costs	4a	13,215	12,950
909	Borrowing costs	4b	728	541
10,242	Materials and contracts	4c	9,741	9,036
9,255	Depreciation and amortisation	4d	9,341	9,035
–	Impairment	4d	57	–
3,110	Other expenses	4e	2,809	2,621
–	Net losses from the disposal of assets	5	497	230
<b>36,712</b>	<b>Total expenses from continuing operations</b>		<b>36,388</b>	<b>34,413</b>
<b>3,610</b>	<b>Operating result from continuing operations</b>		<b>15,163</b>	<b>6,522</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>3,610</b>	<b>Net operating result for the year</b>		<b>15,163</b>	<b>6,522</b>
3,610	Net operating result attributable to Council		15,163	6,522
–	Net operating result attributable to non-controlling interests		–	–
<b>1,782</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>6,299</b>	<b>4,325</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Gunnedah Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>15,163</b>	<b>6,522</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	3,075	71,771
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>3,075</b>	<b>71,771</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>3,075</b>	<b>71,771</b>
<b>Total comprehensive income for the year</b>		<b>18,238</b>	<b>78,293</b>
<b>Total comprehensive income attributable to Council</b>		<b>18,238</b>	<b>78,293</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Gunnedah Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	3,777	4,454
Investments	6b	52,294	44,294
Receivables	7	5,092	5,886
Inventories	8	470	404
Other	8	238	44
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>61,871</b>	<b>55,082</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	31	33
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	392,616	380,597
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>392,647</b>	<b>380,630</b>
<b>TOTAL ASSETS</b>		<b>454,518</b>	<b>435,712</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	3,226	3,463
Borrowings	10	308	291
Provisions	10	4,523	4,212
<b>Total current liabilities</b>		<b>8,057</b>	<b>7,966</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	8,881	9,189
Provisions	10	7,563	6,778
<b>Total non-current liabilities</b>		<b>16,444</b>	<b>15,967</b>
<b>TOTAL LIABILITIES</b>		<b>24,501</b>	<b>23,933</b>
<b>Net assets</b>		<b>430,017</b>	<b>411,779</b>
<b>EQUITY</b>			
Retained earnings	20	193,853	178,690
Revaluation reserves	20	236,164	233,089
Council equity interest		430,017	411,779
Non-controlling equity interests		–	–
<b>Total equity</b>		<b>430,017</b>	<b>411,779</b>

## Gunnedah Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		178,690	233,089	411,779	–	411,779
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>178,690</b>	<b>233,089</b>	<b>411,779</b>	<b>–</b>	<b>411,779</b>
<b>c. Net operating result for the year</b>		<b>15,163</b>	<b>–</b>	<b>15,163</b>	<b>–</b>	<b>15,163</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	3,075	3,075	–	3,075
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>3,075</b>	<b>3,075</b>	<b>–</b>	<b>3,075</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>15,163</b>	<b>3,075</b>	<b>18,238</b>	<b>–</b>	<b>18,238</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>193,853</b>	<b>236,164</b>	<b>430,017</b>	<b>–</b>	<b>430,017</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		171,760	161,318	333,078	–	333,078
a. Correction of prior period errors	20 (c)	408	–	408	–	408
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>172,168</b>	<b>161,318</b>	<b>333,486</b>	<b>–</b>	<b>333,486</b>
<b>c. Net operating result for the year</b>		<b>6,522</b>	<b>–</b>	<b>6,522</b>	<b>–</b>	<b>6,522</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	71,771	71,771	–	71,771
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>71,771</b>	<b>71,771</b>	<b>–</b>	<b>71,771</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>6,522</b>	<b>71,771</b>	<b>78,293</b>	<b>–</b>	<b>78,293</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>178,690</b>	<b>233,089</b>	<b>411,779</b>	<b>–</b>	<b>411,779</b>

This statement should be read in conjunction with the accompanying notes.

## Gunnedah Shire Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
15,896	Rates and annual charges		16,242	15,165
9,939	User charges and fees		13,819	9,845
1,357	Investment and interest revenue received		1,599	1,452
12,010	Grants and contributions		13,954	12,974
661	Other		1,591	2,225
<b>Payments:</b>				
(13,193)	Employee benefits and on-costs		(13,500)	(12,277)
(10,038)	Materials and contracts		(11,992)	(10,538)
(760)	Borrowing costs		(549)	(368)
(3,111)	Other		(2,609)	(2,899)
<u>12,761</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>18,555</u>	<u>15,579</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
3,840	Sale of investment securities		67,500	57,541
608	Sale of infrastructure, property, plant and equipment		406	473
3	Deferred debtors receipts		2	6
<b>Payments:</b>				
–	Purchase of investment securities		(75,500)	(61,490)
(25,260)	Purchase of infrastructure, property, plant and equipment		(11,349)	(12,498)
<u>(20,809)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(18,941)</u>	<u>(15,968)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
10,500	Proceeds from borrowings and advances		–	4,000
<b>Payments:</b>				
(458)	Repayment of borrowings and advances		(291)	(516)
<u>10,042</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(291)</u>	<u>3,484</u>
1,994	<b>Net increase/(decrease) in cash and cash equivalents</b>		(677)	3,095
1,000	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	4,454	1,359
<u>2,994</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>3,777</u>	<u>4,454</u>
Additional Information:				
	plus: <b>Investments on hand – end of year</b>	6b	52,294	44,294
<b>Total cash, cash equivalents and investments</b>			<u>56,071</u>	<u>48,748</u>

**Please refer to Note 11 for information on the following:**

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

# Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

###### (iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### **(vii) Critical accounting estimates**

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

##### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed note relating to developer contributions can be found at Note 17.

#### User charges, fees and other income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

#### Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

#### Interest and rents

Rental income is accounted for on a straight-line basis over the lease term.

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

#### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- *General Fund*
- *Gunnedah Water Supply Local Fund*
- *Curlewis Water Supply Local Fund*
- *Mullaley Water Supply Local Fund*
- *Tambar Springs Water Supply Local Fund*
- *Gunnedah Sewerage Local Fund*
- *Curlewis Sewerage Local Fund*

#### (ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

#### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Associates

Council has no interest in any associates.

##### County councils

Council is not a member of any county councils.

#### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

##### Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as

to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

##### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

#### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

#### (f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

##### **(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

##### **(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.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

##### **(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

##### **(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

##### **Financial assets – reclassification**

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### General accounting and measurement of financial instruments:

##### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

##### (ii) Subsequent measurement

**Available-for-sale financial assets and financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables and held-to-maturity investments** are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value

adjustments are included in the income statement as gains and losses from investment securities.

#### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

##### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Council has now disposed of all Investments no longer prescribed by the Ministers order.

#### **(g) Fair value estimation – financial instruments**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### **(h) Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### **(i) Inventories**

##### **(i) Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods in respect of business undertakings

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### (ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

##### (iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, property, plant and equipment (I,PP&E)

##### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land under roads (Post 30/6/08)** (external valuation)
- **Buildings – specialised/non-specialised**  
(external valuation)
- **Other structures** (external valuation)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (internal valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets**  
(external valuation)
- **Other infrastructure** (external valuation)
- **Other assets**  
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

##### Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

#### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

#### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

<b>Plant &amp; Equipment</b>	
Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant & Equipment	> \$2,000

<b>Buildings &amp; Land Improvements</b>	
Park Furniture & Equipment	> \$5,000

<b>Building</b>	
- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$2,000
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<b>Water &amp; Sewer Assets</b>	
Reticulation extensions	> \$5,000
Other	> \$5,000

<b>Stormwater Assets</b>	
Drains & Culverts	> \$5,000
Other	> \$5,000

<b>Transport Assets</b>	
Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Bridge construction & reconstruction > \$10,000

#### Other Infrastructure Assets

Swimming Pools > \$ 2,000  
Other Open Space/Recreational Assets > \$ 2,000  
Other Infrastructure > \$ 5,000

#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

#### Plant & Equipment

- Office Equipment 3 to 10 years  
- Office furniture 5 to 10 years  
- Computer Equipment 3 years  
- Vehicles 5 to 8 years  
- Heavy Plant/Road Making equip. 5 to 10 years  
- Other plant and equipment 5 to 15 years

#### Other Equipment

- Playground equipment 5 to 15 years  
- Benches, seats etc 10 to 20 years

#### Buildings

- Buildings: Masonry 50 to 100 years  
- Buildings: Other 20 to 80 years

#### Stormwater Drainage

- Drains 100 to 120 years  
- Culverts 50 to 100 years

#### Transportation Assets

- Sealed Roads: Surface 21 to 28 years  
- Sealed Roads: Structure 60 to 75 years  
- Unsealed roads 60 to 75 years  
- Bridge: Concrete 100 years  
- Bridge: Other 100 years  
  
- Road Formation 150 years (Urban)  
- Road Formation Indefinite (Rural)  
- Kerb, Gutter & Paths 80 years

#### Water & Sewer Assets

- Dams and reservoirs 80 to 100 years

- Bores 20 to 60 years

- Reticulation pipes: PVC 80 years  
- Reticulation pipes: Other 80 to 110 years  
- Pumps and telemetry 10 to 20 years

#### Other Infrastructure Assets

- Bulk earthworks Infinite  
  
- Swimming Pools 50 years  
- Other Open Space/  
Recreational Assets 30 to 60 years  
  
- Other Infrastructure 20 to 100 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

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 – refer Note 1 (s) on asset impairment.

#### Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

#### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

#### (l) Land under roads

Land under roads is land under roadways and road reserves, including land under footpaths, nature strips and median strips.

## Gunnedah Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

#### (m) Intangible assets

Council has not classified any assets as intangible.

#### (n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

#### (o) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997*, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the

assets, their values and depreciation charges from these financial statements.

#### (p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Council does not classify any land or buildings as Investment Property.

#### (q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

#### **(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

##### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

##### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

#### **(x) Employee benefits**

##### **(i) Short-term obligations**

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

Council hold 30% of Employee Entitlement Funds in a ELE reserve.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

##### **(ii) Other long-term obligations**

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### **(iii) Retirement benefit obligations**

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### **Defined benefit plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016.

The amount of additional contributions included in the total employer contribution advised above is \$ 186,380.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

#### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

#### (y) Self-insurance

Council does not self-insure.

#### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as 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 Council's operational cycle.

#### Exceptions

In the case of liabilities where Council 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 it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Goods and Services Tax (GST)

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

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

##### (ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

##### AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

##### AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Council is yet to undertake a detailed assessment of the impact of AASB 15.

##### **AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

##### **AASB16 – Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

##### **AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

##### **(ac) Rounding of amounts**

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

##### **(ad) Comparative figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### **(ae) Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	1	2	38	683	600	668	(682)	(598)	(630)	–	–	92	50
Administration	92	221	425	1,583	1,262	5,813	(1,491)	(1,041)	(5,388)	2	25	9,564	9,523
Public order and safety	83	265	115	558	632	552	(475)	(367)	(437)	8	–	1,544	1,485
Health	31	48	64	44	64	33	(13)	(16)	31	17	33	416	343
Environment	3,721	3,819	3,189	3,784	3,701	2,945	(63)	118	244	169	359	36,298	34,078
Community services and education	3,612	4,604	4,201	3,962	4,099	3,343	(350)	505	858	4,396	4,083	3,447	2,807
Housing and community amenities	715	970	717	1,128	1,106	1,282	(413)	(136)	(565)	125	119	7,970	6,941
Water supplies	3,306	4,816	4,293	3,051	3,251	2,664	255	1,565	1,629	39	40	55,601	52,548
Sewerage services	2,624	3,586	3,707	1,924	1,645	1,269	700	1,941	2,438	36	37	44,385	41,586
Recreation and culture	677	904	793	4,509	4,424	3,120	(3,832)	(3,520)	(2,327)	110	94	39,963	39,221
Mining, manufacturing and construction	7	8	5	1,150	902	873	(1,143)	(894)	(868)	–	–	2,089	1,300
Transport and communication	7,477	14,348	6,783	12,292	12,808	10,461	(4,815)	1,540	(3,678)	2,667	1,166	236,504	227,960
Economic affairs	1,475	1,382	1,276	2,044	1,894	1,390	(569)	(512)	(114)	–	–	7,117	7,168
<b>Total functions and activities</b>	<b>23,821</b>	<b>34,973</b>	<b>25,606</b>	<b>36,712</b>	<b>36,388</b>	<b>34,413</b>	<b>(12,891)</b>	<b>(1,415)</b>	<b>(8,807)</b>	<b>7,569</b>	<b>5,956</b>	<b>444,990</b>	<b>425,010</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	16,501	16,578	15,329	–	–	–	16,501	16,578	15,329	4,190	4,186	9,528	10,702
<b>Operating result from continuing operations</b>	<b>40,322</b>	<b>51,551</b>	<b>40,935</b>	<b>36,712</b>	<b>36,388</b>	<b>34,413</b>	<b>3,610</b>	<b>15,163</b>	<b>6,522</b>	<b>11,759</b>	<b>10,142</b>	<b>454,518</b>	<b>435,712</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 2(b). Council functions/activities – component descriptions

**Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:**

##### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's' services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

## Gunnedah Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		3,557	3,223
Farmland		4,494	4,109
Mining		1,468	1,229
Business		1,936	1,789
<b>Total ordinary rates</b>		<b>11,455</b>	<b>10,350</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		2,002	1,892
Stormwater management services		94	95
Water supply services		796	787
Sewerage services		1,810	1,740
<b>Total annual charges</b>		<b>4,702</b>	<b>4,514</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>16,157</b>	<b>14,864</b>

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		501	575
Water supply services		2,865	2,316
Sewerage services		561	563
Waste management services (non-domestic)		44	44
<b>Total user charges</b>		<b>3,971</b>	<b>3,498</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		321	232
Private works – section 67		177	223
Regulatory/ statutory fees		67	53
Registration fees		22	28
Section 149 certificates (EPA Act)		35	34
Section 603 certificates		31	38
<b>Total fees and charges – statutory/regulatory</b>		<b>653</b>	<b>608</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		13	19
Aged care		106	92
Caravan park		5	11
Cemeteries		112	110
Library and art gallery		7	7
Noxious weeds		20	25
Park rents		71	82
Public halls		7	4
RMS (formerly RTA) charges (state roads not controlled by Council)		5,545	5,206
Saleyards		789	916
Swimming pools		165	176
Theatre		194	199
Tourism		28	22
Events		106	–
Other		8	10
<b>Total fees and charges – other</b>		<b>7,176</b>	<b>6,879</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>11,800</b>	<b>10,985</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		79	83
– Interest earned on investments (interest and coupon payment income)		1,614	1,505
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		–	9
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>1,693</b>	<b>1,597</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		79	67
General Council cash and investments		854	726
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		49	58
– Section 64		91	97
Water fund operations		250	274
Sewerage fund operations		239	273
Domestic waste management operations		131	102
<b>Total interest and investment revenue recognised</b>		<b>1,693</b>	<b>1,597</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		185	86
Fines		19	19
Fines – parking		2	2
Legal fees recovery – rates and charges (extra charges)		114	127
Commissions and agency fees		51	40
Diesel rebate		37	34
Insurance claim recoveries		17	3
Reimbursements		75	53
Sales – tourism		29	12
Sales – theatre		68	75
Sales – swimming pools		85	96
Sales – domestic waste		15	102
Government paid parental leave		36	30
Workers compensation – wages recoveries		64	105
Other		22	30
<b>TOTAL OTHER REVENUE</b>		<b>819</b>	<b>814</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,610	2,599	–	–
Financial assistance – local roads component	1,491	1,499	–	–
Pensioners' rates subsidies – general component	89	88	–	–
<b>Total general purpose</b>	<b>4,190</b>	<b>4,186</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	39	40	–	–
– Sewerage	36	37	–	–
– Domestic waste management	36	37	–	–
Community care	4,413	4,083	–	–
Environmental protection	–	52	–	–
Library	47	52	–	–
Noxious weeds	116	154	–	–
Recreation and culture	26	6	37	55
Street lighting	19	19	–	–
Transport (roads to recovery)	2,020	595	–	–
Transport (other roads and bridges funding)	647	571	–	–
Domestic waste management	–	–	17	150
Other	116	105	–	–
<b>Total specific purpose</b>	<b>7,515</b>	<b>5,751</b>	<b>54</b>	<b>205</b>
<b>Total grants</b>	<b>11,705</b>	<b>9,937</b>	<b>54</b>	<b>205</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,779	7,107	–	–
– State funding	2,757	2,714	54	205
– Other funding	169	116	–	–
	<b>11,705</b>	<b>9,937</b>	<b>54</b>	<b>205</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 93F – contributions using planning agreements	–	–	76	–
S 94 – contributions towards amenities/services	–	–	256	159
S 64 – water supply contributions	–	–	468	186
S 64 – sewerage service contributions	–	–	317	108
S 64 – stormwater contributions	–	–	79	10
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>1,196</b>	<b>463</b>
<b>Other contributions:</b>				
Community services	2	3	–	–
Drainage	–	–	893	–
ELE contributions – other councils	–	2	–	–
Emergency services	197	80	–	–
Kerb and gutter	–	–	982	–
Paving	–	–	7	–
Recreation and culture	2	45	75	–
Riverine project	–	20	–	–
Roads and bridges	183	316	4,835	–
Saleyards	76	70	–	–
Sewerage (excl. section 64 contributions)	–	–	552	914
Water supplies (excl. section 64 contributions)	53	–	261	615
Weeds	–	5	–	–
Waste	–	–	9	–
<b>Total other contributions</b>	<b>513</b>	<b>541</b>	<b>7,614</b>	<b>1,529</b>
<b>Total contributions</b>	<b>513</b>	<b>541</b>	<b>8,810</b>	<b>1,992</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>12,218</b>	<b>10,478</b>	<b>8,864</b>	<b>2,197</b>

\$ '000	Actual 2016	Actual 2015
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**(g) Restrictions relating to grants and contributions****Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	8,511	6,914
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	2,652	2,072
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(1,070)	(475)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>1,582</b>	<b>1,597</b>
<b>Unexpended and held as restricted assets</b>	<b>10,093</b>	<b>8,511</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	3,811	3,168
– Developer contributions	6,282	5,343
	<b>10,093</b>	<b>8,511</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		11,101	10,863
Travel expenses		105	139
Employee leave entitlements (ELE)		1,335	1,320
Superannuation		1,342	1,277
Workers' compensation insurance		218	290
Fringe benefit tax (FBT)		47	40
Payroll tax		35	36
Training costs (other than salaries and wages)		211	223
Protective clothing		54	–
Other		38	79
<b>Total employee costs</b>		<b>14,486</b>	<b>14,267</b>
Less: capitalised costs		(1,271)	(1,317)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>13,215</b>	<b>12,950</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>170</b>	<b>175</b>
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		<b>174</b>	<b>179</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on overdraft		1	–
Interest on loans		549	369
<b>Total interest bearing liability costs expensed</b>		<b>550</b>	<b>369</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	178	172
<b>Total other borrowing costs</b>		<b>178</b>	<b>172</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>728</b>	<b>541</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts</b>			
Raw materials and consumables		17,383	16,958
Contractor and consultancy costs			
– Environmental consultants		–	1
– Domestic waste management		10	27
– Community services		63	81
– Tourism/economic development		1	8
– Community planning and development		14	13
– Human resources		39	31
– Swimming Pools		26	–
– Finance		–	4
– Engineering		–	27
– Planning		68	11
– Parking		–	1
– Information technology		20	30
– Governance		5	62
– Contractor and consultancy costs		11	–
Auditors remuneration <sup>(1)</sup>		69	24
Legal expenses:			
– Legal expenses: planning and development		22	19
– Legal expenses: debt recovery		137	128
– Legal expenses: other		14	12
<b>Total materials and contracts</b>		<b>17,882</b>	<b>17,437</b>
Less: capitalised costs		(8,141)	(8,401)
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>9,741</u></b>	<b><u>9,036</u></b>
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		32	24
– Due diligence services		27	–
– Other audit and assurance services - Asset Preparedness		10	–
<b>Remuneration for audit and other assurance services</b>		<b>69</b>	<b>24</b>
<b>Total Auditor remuneration</b>		<b>69</b>	<b>24</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		4	–	1,581	1,629
Office equipment		8	–	255	239
Furniture and fittings		45	–	92	63
Infrastructure:					
– Buildings – non-specialised		–	–	276	250
– Buildings – specialised		–	–	386	319
– Other structures		–	–	101	100
– Roads		–	–	3,952	3,963
– Bridges		–	–	137	98
– Footpaths		–	–	88	52
– Stormwater drainage		–	–	308	222
– Water supply network		–	–	884	875
– Sewerage network		–	–	735	692
– Swimming pools		–	–	47	27
– Other open space/recreational assets		–	–	51	47
Other assets					
– Library books		–	–	15	12
– Other		–	–	84	99
Asset reinstatement costs	9 & 26	–	–	349	348
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>57</u></b>	<b><u>–</u></b>	<b><u>9,341</u></b>	<b><u>9,035</u></b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Advertising		105	70
Bad and doubtful debts		15	4
Bank charges		39	35
Computer software charges		240	205
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		21	18
– NSW Rural Fire Service levy		237	158
Councillor expenses – mayoral fee		35	34
Councillor expenses – councillors' fees		72	85
Councillors' expenses (incl. mayor) – other (excluding fees above)		45	40
Donations, contributions and assistance to other organisations (Section 356)		29	35
– Donations, contributions and assistance		149	47
Electricity and heating		669	740
Gas		8	8
Insurance		432	469
Postage		44	39
Printing and stationery		146	104
Street lighting		176	187
Subscriptions and publications		143	119
Telephone and communications		155	145
Valuation fees		47	46
Other		28	33
<b>Total other expenses</b>		<b>2,835</b>	<b>2,621</b>
Less: capitalised costs		(26)	–
<b>TOTAL OTHER EXPENSES</b>		<b>2,809</b>	<b>2,621</b>

## Note 5. Gains or losses from the disposal of assets

<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		380	499
Less: carrying amount of plant and equipment assets sold/written off		(152)	(292)
<b>Net gain/(loss) on disposal</b>		<b>228</b>	<b>207</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(725)	(437)
<b>Net gain/(loss) on disposal</b>		<b>(725)</b>	<b>(437)</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		67,500	57,541
Less: carrying amount of financial assets sold/redeemed/matured		(67,500)	(57,541)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(497)</b>	<b>(230)</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		477	–	454	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		3,300	–	4,000	–
<b>Total cash and cash equivalents</b>		<b>3,777</b>	<b>–</b>	<b>4,454</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		52,294	–	44,294	–
<b>Total investments</b>		<b>52,294</b>	<b>–</b>	<b>44,294</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>56,071</b>	<b>–</b>	<b>48,748</b>	<b>–</b>
<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.					
<b>Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:</b>					
<b>Cash and cash equivalents</b>					
a. 'At fair value through the profit and loss'		3,777	–	4,454	–
<b>Investments</b>					
b. 'Held to maturity'	6(b-ii)	52,294	–	44,294	–
<b>Investments</b>		<b>52,294</b>	<b>–</b>	<b>44,294</b>	<b>–</b>
<b>Note 6(b-i)</b>					
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>					
Balance at the beginning of the year		–	–	1,532	–
Revaluations (through the Income Statement)		–	–	9	–
Disposals (sales and redemptions)		–	–	(1,541)	–
<b>Balance at end of year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Note 6(b-ii)</b>					
<b>Reconciliation of investments classified as 'held to maturity'</b>					
Balance at the beginning of the year		44,294	–	38,804	–
Additions		75,500	–	61,490	–
Disposals (sales and redemptions)		(67,500)	–	(56,000)	–
<b>Balance at end of year</b>		<b>52,294</b>	<b>–</b>	<b>44,294</b>	<b>–</b>
<b>Comprising:</b>					
– Long term deposits		52,294	–	44,294	–
<b>Total</b>		<b>52,294</b>	<b>–</b>	<b>44,294</b>	<b>–</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	56,071	–	48,748	–
<b>attributable to:</b>				
External restrictions (refer below)	34,182	–	29,755	–
Internal restrictions (refer below)	13,055	–	10,064	–
Unrestricted	8,834	–	8,929	–
	<b>56,071</b>	<b>–</b>	<b>48,748</b>	<b>–</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general	(D)	1,895	460	(397)	1,958
Developer contributions – water fund	(D)	2,476	533	–	3,009
Developer contributions – sewer fund	(D)	972	343	–	1,315
Specific purpose unexpended grants	(F)	3,168	643	–	3,811
Water supplies	(G)	8,889	1,489	–	10,378
Sewerage services	(G)	8,261	731	–	8,992
Domestic waste management	(G)	4,089	625	–	4,714
Other		5	–	–	5
<b>External restrictions – other</b>		<b>29,755</b>	<b>4,824</b>	<b>(397)</b>	<b>34,182</b>
<b>Total external restrictions</b>		<b>29,755</b>	<b>4,824</b>	<b>(397)</b>	<b>34,182</b>

**D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

**F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

**G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	961	–	–	961
Employees leave entitlement	1,276	85	–	1,361
Strategic planning	164	–	–	164
Storm water – contingency	123	55	–	178
Saleyards	1,046	106	–	1,152
Roads	318	–	–	318
Parking areas	83	–	–	83
Information technology	155	–	–	155
Land	45	–	–	45
Gravel pit restoration	253	–	–	253
Future works	3,693	6,668	(3,693)	6,668
Contract works	189	–	–	189
Community facilities fund	571	–	(100)	471
Business partnering program	15	32	–	47
Aerodrome	481	–	(74)	407
Tourism	186	–	–	186
Depot refuelling upgrade	142	–	–	142
Cycleways	38	–	–	38
Kerb and gutter works	77	–	(77)	–
Noxious weeds washdown bay	100	–	(100)	–
Other	148	89	–	237
<b>Total internal restrictions</b>	<b>10,064</b>	<b>7,035</b>	<b>(4,044)</b>	<b>13,055</b>
<b>TOTAL RESTRICTIONS</b>	<b>39,819</b>	<b>11,859</b>	<b>(4,441)</b>	<b>47,237</b>

## Gunnedah Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		716	–	801	–
Interest and extra charges		159	–	155	–
User charges and fees		1,030	–	4,002	–
Private works		2,123	–	429	–
Contributions to works		401	–	21	–
Capital debtors (being sale of assets)					
– Other asset sales		–	–	26	–
Accrued revenues					
– Interest on investments		568	–	460	–
– Other income accruals		13	–	9	–
Deferred debtors		–	31	–	33
Government grants and subsidies		111	–	5	–
Net GST receivable		58	–	50	–
<b>Total</b>		<b>5,179</b>	<b>31</b>	<b>5,958</b>	<b>33</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(11)	–	(11)	–
Interest and extra charges		(76)	–	(58)	–
User charges and fees		–	–	(3)	–
<b>Total provision for impairment – receivables</b>		<b>(87)</b>	<b>–</b>	<b>(72)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>5,092</b>	<b>31</b>	<b>5,886</b>	<b>33</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		67	–	86	–
– Other		468	–	425	–
<b>Sewerage services</b>					
– Rates and availability charges		140	–	158	–
– Other		61	–	59	–
<b>Total external restrictions</b>		<b>736</b>	<b>–</b>	<b>728</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>4,356</b>	<b>31</b>	<b>5,158</b>	<b>33</b>
<b>TOTAL NET RECEIVABLES</b>		<b>5,092</b>	<b>31</b>	<b>5,886</b>	<b>33</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Gunnedah Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		470	–	404	–
<b>Total inventories at cost</b>		<b>470</b>	<b>–</b>	<b>404</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>470</b>	<b>–</b>	<b>404</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		238	–	44	–
<b>TOTAL OTHER ASSETS</b>		<b>238</b>	<b>–</b>	<b>44</b>	<b>–</b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Stores and materials		123	–	113	–
<b>Total water</b>		<b>123</b>	<b>–</b>	<b>113</b>	<b>–</b>
<b>Sewerage</b>					
Nil					
<b>Domestic waste management</b>					
Nil					
<b>Other</b>					
Nil					
<b>Total externally restricted assets</b>		<b>123</b>	<b>–</b>	<b>113</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>585</b>	<b>–</b>	<b>335</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>708</b>	<b>–</b>	<b>448</b>	<b>–</b>

**Other disclosures****Inventory write downs**

\$ -7,250 was recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

## Gunnedah Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period						as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment										depreciation	impairment	
Capital work in progress	2,901	–	–	–	2,901	333	865	–	–	–	–	4,099	–	–	–	4,099
Plant and equipment	–	18,788	10,651	–	8,137	–	1,948	(152)	(1,581)	(4)	–	–	19,336	10,988	–	8,348
Office equipment	–	2,417	1,513	–	904	–	101	–	(255)	(8)	–	–	2,353	1,611	–	742
Furniture and fittings	–	1,057	500	–	557	–	5	–	(92)	(45)	–	–	997	572	–	425
<b>Land:</b>																
– Operational land	–	8,432	–	–	8,432	–	40	–	–	–	–	–	8,472	–	–	8,472
– Community land	–	5,797	–	–	5,797	–	–	–	–	–	198	–	5,995	–	–	5,995
– Land under roads (post 30/6/08)	–	–	–	–	–	–	3,268	–	–	–	–	–	3,268	–	–	3,268
<b>Infrastructure:</b>																
– Buildings – non-specialised	–	20,176	7,734	–	12,442	93	153	–	(276)	–	–	–	20,422	8,010	–	12,412
– Buildings – specialised	–	30,174	10,395	–	19,779	1	–	–	(386)	–	–	–	30,175	10,781	–	19,394
– Other structures	–	4,791	1,269	–	3,522	–	–	–	(101)	–	510	–	6,120	2,189	–	3,931
– Roads	–	285,880	84,340	–	201,540	4,818	2,570	(267)	(3,952)	–	–	–	292,736	88,027	–	204,709
– Bridges	–	13,697	6,081	–	7,616	–	–	–	(137)	–	–	–	13,697	6,218	–	7,479
– Footpaths	–	7,089	1,353	–	5,736	101	7	(58)	(88)	–	–	–	7,112	1,414	–	5,698
– Stormwater drainage	–	31,545	8,355	–	23,190	–	982	–	(308)	–	–	–	32,528	8,664	–	23,864
– Water supply network	–	65,876	26,048	–	39,828	1,483	261	(400)	(884)	–	578	–	67,870	27,004	–	40,866
– Sewerage network	–	52,923	22,134	–	30,789	–	1,141	–	(735)	–	461	–	54,875	23,219	–	31,656
– Swimming pools	–	1,912	921	–	991	–	–	–	(47)	–	1,154	–	3,973	1,875	–	2,098
– Other open space/recreational assets	–	1,952	781	–	1,171	103	136	–	(51)	–	174	–	3,447	1,914	–	1,533
<b>Other assets:</b>																
– Library books	–	159	36	–	123	23	–	–	(15)	–	–	–	183	52	–	131
– Other	–	1,893	427	–	1,466	35	100	–	(84)	–	–	–	2,029	512	–	1,517
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>																
– Tip assets	–	5,208	362	–	4,846	–	–	–	(309)	–	–	–	5,208	671	–	4,537
– Quarry assets	–	1,066	236	–	830	652	–	–	(40)	–	–	–	1,718	276	–	1,442
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>2,901</b>	<b>560,832</b>	<b>183,136</b>	<b>–</b>	<b>380,597</b>	<b>7,642</b>	<b>11,577</b>	<b>(877)</b>	<b>(9,341)</b>	<b>(57)</b>	<b>3,075</b>	<b>4,099</b>	<b>582,514</b>	<b>193,997</b>	<b>–</b>	<b>392,616</b>

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
WIP	178	–	–	178	751	–	–	751
Plant and equipment	–	418	273	145	–	481	285	196
Office equipment	–	21	10	11	–	22	10	12
Land								
– Operational land	–	164	–	164	–	164	–	164
– Community land	–	9	–	9	–	–	–	–
Infrastructure	–	67,870	27,003	40,867	–	65,876	26,048	39,828
<b>Total water supply</b>	<b>178</b>	<b>68,482</b>	<b>27,286</b>	<b>41,374</b>	<b>751</b>	<b>66,543</b>	<b>26,343</b>	<b>40,951</b>
<b>Sewerage services</b>								
WIP	1,482	–	–	1,482	1,023	–	–	1,023
Plant and equipment	–	137	85	52	–	196	134	62
Office equipment	–	94	68	26	–	96	61	35
Land								
– Operational land	–	465	–	465	–	465	–	465
– Community land	–	110	–	110	–	–	–	–
Infrastructure	–	54,874	23,219	31,655	–	52,924	22,134	30,790
<b>Total sewerage services</b>	<b>1,482</b>	<b>55,680</b>	<b>23,372</b>	<b>33,790</b>	<b>1,023</b>	<b>53,681</b>	<b>22,329</b>	<b>32,375</b>
<b>Domestic waste management</b>								
WIP	41	–	–	41	19	–	–	19
Plant and equipment	–	341	292	49	–	341	285	56
Office equipment	–	2	2	–	–	2	2	–
Furniture and fittings	–	25	9	16	–	25	6	19
Land								
– Operational land	–	661	–	661	–	661	–	661
– Community land	–	113	–	113	–	134	–	134
Buildings	–	1,250	229	1,021	–	1,097	206	891
Other structures	–	320	112	208	–	163	76	87
Other assets	–	557	75	482	–	297	34	263
<b>Total DWM</b>	<b>41</b>	<b>3,269</b>	<b>719</b>	<b>2,591</b>	<b>19</b>	<b>2,720</b>	<b>609</b>	<b>2,130</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>1,701</b>	<b>127,431</b>	<b>51,377</b>	<b>77,755</b>	<b>1,793</b>	<b>122,944</b>	<b>49,281</b>	<b>75,456</b>

## Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2016	Actual 2015
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## (i) Impairment losses recognised in the Income Statement:

IplanIt Pilot Program GoCo not used	(8)	–
Jackaroo Toolbox - Destroyed Car Accident	(1)	–
Visitor Centre Display Room - Obsolete	(6)	–
Tourist Office - Refurbishment - now included in revalued Asset	(40)	–
Showground Lighting Towers - Removed not replaced.	(2)	–

**IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L**

4(d)

**(57)**

## Gunnedah Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		1,399	–	1,715	–
Goods and services – capital expenditure		1,302	–	787	–
Payments received in advance		266	–	208	–
Accrued expenses:					
– Borrowings		11	–	10	–
– Salaries and wages		248	–	743	–
<b>Total payables</b>		<b>3,226</b>	<b>–</b>	<b>3,463</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		305	8,866	289	9,174
Government advances		3	15	2	15
<b>Total borrowings</b>		<b>308</b>	<b>8,881</b>	<b>291</b>	<b>9,189</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		1,569	–	1,422	–
Long service leave		2,779	187	2,601	231
Rostered days off		121	–	136	–
Wages – time in lieu		47	–	46	–
<b>Sub-total – aggregate employee benefits</b>		<b>4,516</b>	<b>187</b>	<b>4,205</b>	<b>231</b>
Asset remediation/restoration (future works)	26	–	7,376	–	6,547
Other		7	–	7	–
<b>Total provisions</b>		<b>4,523</b>	<b>7,563</b>	<b>4,212</b>	<b>6,778</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>8,057</u></b>	<b><u>16,444</u></b>	<b><u>7,966</u></b>	<b><u>15,967</u></b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		9	–	7	–
Sewer		1	–	1	–
<b>Liabilities relating to externally restricted assets</b>		<b>10</b>	<b>–</b>	<b>8</b>	<b>–</b>
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>10</b>	<b>–</b>	<b>8</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>8,047</b>	<b>16,444</b>	<b>7,958</b>	<b>15,967</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>8,057</u></b>	<b><u>16,444</u></b>	<b><u>7,966</u></b>	<b><u>15,967</u></b>

<sup>1</sup> Loans are secured over the general rating income of Council  
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2016	Actual 2015
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**(ii) Current liabilities not anticipated to be settled within the next twelve months**

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	3,777	3,444
Other liabilities	7	7
	<u>3,784</u>	<u>3,451</u>

## Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	1,422	853	(706)	–	–	1,569
Long service leave	2,832	395	(261)	–	–	2,966
Other leave (enter detai	182	464	(478)	–	–	168
Asset remediation	6,547	177	–	652	–	7,376
Other	7	–	–	–	–	7
<b>TOTAL</b>	<b>10,990</b>	<b>1,889</b>	<b>(1,445)</b>	<b>652</b>	<b>–</b>	<b>12,086</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.
- c. Provision for replacement of the Community Transport Bus

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	3,777	4,454
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>3,777</b>	<b>4,454</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>15,163</b>	<b>6,522</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		9,341	9,035
Net losses/(gains) on disposal of assets		497	230
Non-cash capital grants and contributions		(7,355)	(1,504)
Impairment losses recognition – I,PP&E		57	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	(9)
– Other non cash - developer contributions (water and sewer assets)		–	1,504
Unwinding of discount rates on reinstatement provisions		178	172
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		753	(1,327)
Increase/(decrease) in provision for doubtful debts		15	(45)
Decrease/(increase) in inventories		(66)	7
Decrease/(increase) in other assets		(194)	(16)
Increase/(decrease) in payables		(316)	224
Increase/(decrease) in accrued interest payable		1	1
Increase/(decrease) in other accrued expenses payable		(495)	293
Increase/(decrease) in other liabilities		58	38
Increase/(decrease) in employee leave entitlements		267	454
Increase/(decrease) in other provisions		651	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>18,555</b>	<b>15,579</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Non-cash investing and financing activities</b>			
Other non-cash items		6,717	–
Developer Contributions to the Gunnedah Sewerage Network		377	913
Developer Contributions to the Gunnedah Water Network		261	591
<b>Total non-cash investing and financing activities</b>		<b>7,355</b>	<b>1,504</b>

**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>(1)</sup>		500	500
Credit cards/purchase cards		50	50
<b>Total financing arrangements</b>		<b>550</b>	<b>550</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

**(ii) Secured loan liabilities**

Loans are secured by a mortgage over future years rate revenue only.

## Note 12. Commitments for expenditure

**(a) Capital commitments (exclusive of GST)**

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

**Property, plant and equipment**

Plant and equipment		292	–
<b>Total commitments</b>		<b>292</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		292	–
<b>Total payable</b>		<b>292</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>			
Future grants and contributions		292	–
<b>Total sources of funding</b>		<b>292</b>	<b>–</b>

**(b) Finance lease commitments**

Nil

**(c) Operating lease commitments (non-cancellable)**

Nil

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>6,796</u>	<b>15.92%</b>	11.74%	10.31%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>42,687</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>30,469</u>	<b>59.10%</b>	69.03%	73.08%
Total continuing operating revenue <sup>(1)</sup>	<u>51,551</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>26,830</u>	<b>6.29x</b>	5.43x	4.95x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>4,263</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>16,922</u>	<b>16.61x</b>	13.36x	22.49x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,019</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>788</u>	<b>4.57%</b>	5.46%	7.96%
Rates, annual and extra charges collectible	<u>17,237</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>56,071</u>	<b>23.25 mths</b>	22.0 mths	20.0 mths
Payments from cash flow of operating and financing activities	<u>2,412</u>			

## Notes

<sup>(1)</sup> Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# Gunnedah Shire Council

## Notes to the Financial Statements for the year ended 30 June 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2015/16 result**

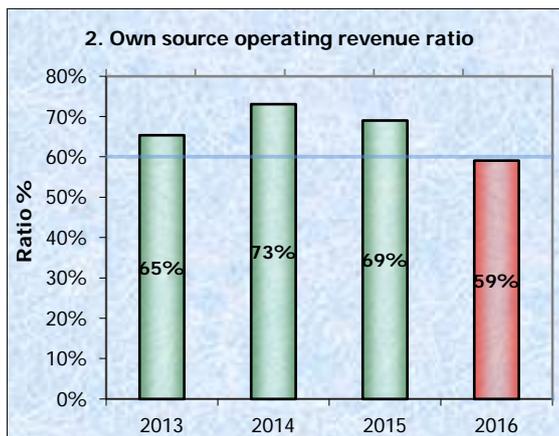
**2015/16 ratio 15.92%**

Council continues to maintain operating expenditures within operating revenues. The result is an improvement on the previous year and reflects increased revenues reflecting increased operating expenditures. Additional revenue has been received due to the Special Rate Variation.

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2015/16 result**

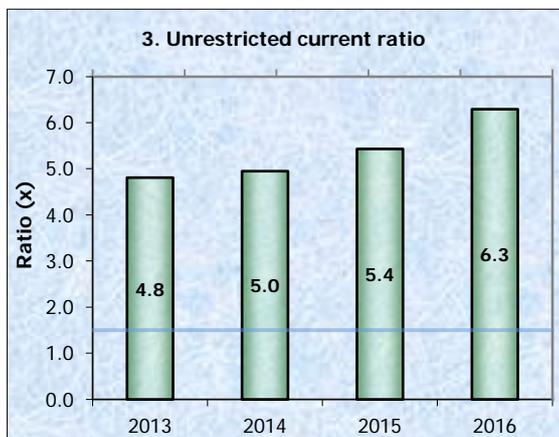
**2015/16 ratio 59.10%**

This ratio reflects councils reliance on Rating income. This result reflects the greater amount of income received by Grants and Contributions. This year council recognised and additional \$7.355 million in developer contributed assets.

Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2015/16 result**

**2015/16 ratio 6.29x**

Council continues to remain in a very healthy situation with regards to the Unrestricted Current Ratio. Council should have no problems in meeting it's short term obligations as they fall due. Council is well above the Local Government Benchmark of 1.5.

Benchmark: ——— Minimum  $\geq 1.50$

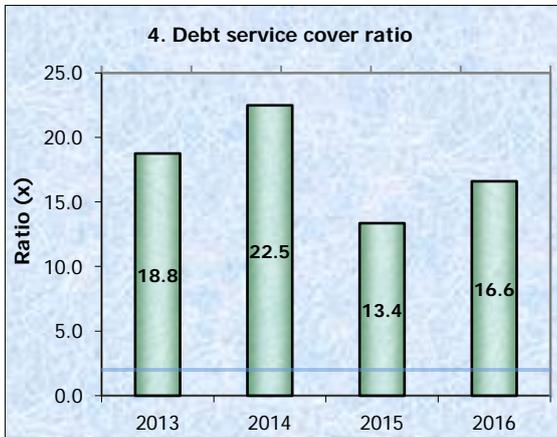
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Gunnedah Shire Council

## Notes to the Financial Statements for the year ended 30 June 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of debt service cover ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

**Commentary on 2015/16 result**

**2015/16 ratio 16.61x**

This result has been effected by the improved operating result for the year. Council has deferred the 2015/16 borrowing to 2016/17 in line with the expected out expenditure. Council is still well above th Local Government benchmark of 2%. This keeps Council in a strong position to borrow in the future in line with the Long Term Financial Plan.

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

**Commentary on 2015/16 result**

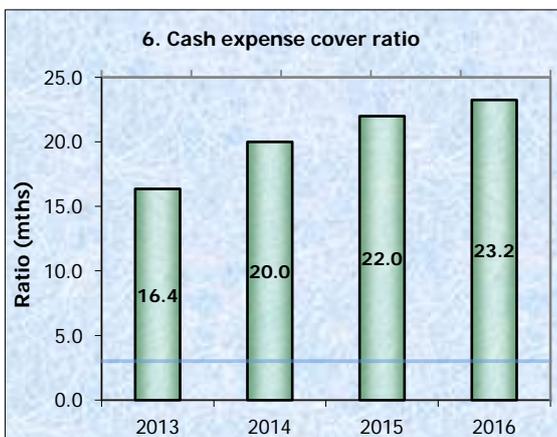
**2015/16 ratio 4.57%**

This year has seen an additional decrease in this ratio. Council Rating staff are continuing there concerted push to collect outstanding debts. This ratio reflects a great improvement over a number of years and is well below the country councils benchmark of 10%.

Benchmark: Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

**Commentary on 2015/16 result**

**2015/16 ratio 23.25 mths**

Councils Cash Expense Ratio is well above the benchmark of 3 months. This is reflected by Council investing in safe and liquid term deposits. The Council Investment Portfolio has increased by \$7.3million over the past 12 months.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>34.42%</b>	<b>41.53%</b>	<b>11.53%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 11.23%	31.73%	10.12%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>84.07%</b>	<b>74.86%</b>	<b>54.77%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 82.01%	71.53%	66.88%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	<b>1226.22x</b>	<b>9193.00x</b>	<b>6.29x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: No liabilities	No liabilities	5.43x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>0.00</b>	<b>0.00</b>	<b>12.29x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	0.00x	10.60x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>8.10%</b>	<b>7.68%</b>	<b>3.98%</b>
Rates, annual and extra charges collectible	prior period: 10.54%	9.02%	4.70%
<b>6. Cash expense cover ratio</b>			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>0.00</b>	<b>0.00</b>	<b>23.08 mths</b>
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	21.72 mths

## Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

## Gunnedah Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

##### Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	3,777	4,454	3,777	4,454
Investments				
– 'Held to maturity'	52,294	44,294	52,294	44,294
Receivables	5,123	5,919	5,036	5,703
<b>Total financial assets</b>	<b>61,194</b>	<b>54,667</b>	<b>61,107</b>	<b>54,451</b>
<b>Financial liabilities</b>				
Payables	2,960	3,255	2,960	3,255
Loans/advances	9,189	9,480	9,189	9,480
<b>Total financial liabilities</b>	<b>12,149</b>	<b>12,735</b>	<b>12,149</b>	<b>12,735</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

#### (a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 1% movement in interest rates	536	536	(536)	(536)
<b>2015</b>				
Possible impact of a 1% movement in interest rates	424	424	(424)	(424)

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	100%	0%	100%
Overdue	100%	0%	100%	0%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	–	3,791	–	4,219
< 1 year overdue	0 – 30 days overdue	525	247	567	216
1 – 2 years overdue	30 – 60 days overdue	121	40	115	202
2 – 5 years overdue	60 – 90 days overdue	43	15	90	268
> 5 years overdue	> 90 days overdue	27	401	29	285
		<b>716</b>	<b>4,494</b>	<b>801</b>	<b>5,190</b>

	2016	2015
<b>(iii) Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	72	117
+ new provisions recognised during the year	18	4
– amounts already provided for and written off this year	–	(49)
– amounts provided for but recovered during the year	(3)	–
<b>Balance at the end of the year</b>	<b>87</b>	<b>72</b>

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	–	2,960	–	–	–	–	–	2,960	<b>2,960</b>
Loans and advances	–	308	328	347	366	389	7,451	9,189	<b>9,189</b>
<b>Total financial liabilities</b>	<b>–</b>	<b>3,268</b>	<b>328</b>	<b>347</b>	<b>366</b>	<b>389</b>	<b>7,451</b>	<b>12,149</b>	<b>12,149</b>
<b>2015</b>									
Trade/other payables	–	3,255	–	–	–	–	–	3,255	<b>3,255</b>
Loans and advances	–	291	308	328	347	366	7,840	9,480	<b>9,480</b>
<b>Total financial liabilities</b>	<b>–</b>	<b>3,546</b>	<b>308</b>	<b>328</b>	<b>347</b>	<b>366</b>	<b>7,840</b>	<b>12,735</b>	<b>12,735</b>

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–	8.34%	–	0.00%
Trade/other payables	2,960	0.00%	3,255	0.00%
Loans and advances – fixed interest rate	9,189	5.35%	9,480	5.50%
	<u>12,149</u>		<u>12,735</u>	

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 24 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

**Note that for variations\* of budget to actual :**

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

**F** = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>15,959</b>	<b>16,157</b>	<b>198</b>	1%	<b>F</b>
<b>User charges and fees</b>	<b>10,249</b>	<b>11,800</b>	<b>1,551</b>	15%	<b>F</b>
The user charges and fees have exceeded the budget in the following areas: Water usage charge, an additional \$842,557 reflecting the dry summer and \$795,782 additional works under the RMCC contract.					
<b>Interest and investment revenue</b>	<b>1,400</b>	<b>1,693</b>	<b>293</b>	21%	<b>F</b>
This variance is a result of the increase in Council's investment portfolio. The portfolio rose from \$48.7 million as at 30th June 2015 to \$55.8 million as at 30th June 2016.					
<b>Other revenues</b>	<b>727</b>	<b>819</b>	<b>92</b>	13%	<b>F</b>
Various factors have affected this variance including additional rent recovery on Council properties and revenue from shared services with other Council's.					
<b>Operating grants and contributions</b>	<b>10,159</b>	<b>12,218</b>	<b>2,059</b>	20%	<b>F</b>
Operating grants and contributions have increased with additional funding received for the GoCo programmes, additional Roads to Recovery Grants and various other project funding.					
<b>Capital grants and contributions</b>	<b>1,828</b>	<b>8,864</b>	<b>7,036</b>	385%	<b>F</b>
This variation has come from the recognition of various Infrastructure Assets that have been contributed to Council via developers. The areas include Land Under Roads, road additions, stormwater, kerb & gutter, water and sewerage network additions. These total \$7.3 million.					

## Gunnedah Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>13,196</b>	<b>13,215</b>	<b>(19)</b>	(0%) <b>U</b>
<b>Borrowing costs</b>	<b>909</b>	<b>728</b>	<b>181</b>	20% <b>F</b>
New loan funding was not taken out in 2015/16 and this has been revised and will be taken out in 2016/17 in line with the expenditure on the relevant projects.				
<b>Materials and contracts</b>	<b>10,242</b>	<b>9,741</b>	<b>501</b>	5% <b>F</b>
<b>Depreciation and amortisation</b>	<b>9,255</b>	<b>9,341</b>	<b>(86)</b>	(1%) <b>U</b>
<b>Impairment expenses</b>	<b>–</b>	<b>57</b>	<b>(57)</b>	0% <b>U</b>
A review of assets was undertaken in the 2015/16 year and assets have been identified as being unworkable, previously disposed or out of date.				
<b>Other expenses</b>	<b>3,110</b>	<b>2,809</b>	<b>301</b>	10% <b>F</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>497</b>	<b>(497)</b>	0% <b>U</b>
Council has traded out various plant & equipment and disposed of infrastructure assets during the year. The plant and equipment assets have resulted in a gain on disposal of \$228,457. It was necessary to dispose of footpaths, kerb & gutter and water assets during renewal of these assets with a net value of \$725,223.				
<b>Budget variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash flows from operating activities</b>	<b>12,761</b>	<b>18,555</b>	<b>5,794</b>	45.4% <b>F</b>
During the year Council has received additional Cash Flows especially from the RMCC work on State Roads, developer contributions, additional water sales with the dry summer. Council has made additional efforts to reduce outstanding rates.				
<b>Cash flows from investing activities</b>	<b>(20,809)</b>	<b>(18,941)</b>	<b>1,868</b>	(9.0%) <b>F</b>
<b>Cash flows from financing activities</b>	<b>10,042</b>	<b>(291)</b>	<b>(10,333)</b>	(102.9%) <b>U</b>
New loan funding was not taken out in 2015/16 and this has been revised and will be taken out in 2016/17 in line with the expenditure on the relevant projects.				

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	288	79	–	8	–	–	375	–
Parking	136	–	–	3	–	–	139	–
Open space	20	–	–	–	–	–	20	–
Community facilities	27	–	–	1	–	–	28	–
<b>S94 contributions – under a plan</b>	<b>471</b>	<b>79</b>	<b>–</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>562</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>1,425</b>	<b>256</b>	<b>–</b>	<b>37</b>	<b>(321)</b>	<b>–</b>	<b>1,397</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>1,896</b>	<b>335</b>	<b>–</b>	<b>49</b>	<b>(321)</b>	<b>–</b>	<b>1,959</b>	<b>–</b>
S93F planning agreements	–	76	–	–	(76)	–	–	–
S64 contributions	3,447	785	–	91	–	–	4,323	–
<b>Total contributions</b>	<b>5,343</b>	<b>1,196</b>	<b>–</b>	<b>140</b>	<b>(397)</b>	<b>–</b>	<b>6,282</b>	<b>–</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	288	79	–	8	–	–	375	–
Parking	136	–	–	3	–	–	139	–
Open space	20	–	–	–	–	–	20	–
Community facilities	27	–	–	1	–	–	28	–
<b>Total</b>	<b>471</b>	<b>79</b>	<b>–</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>562</b>	<b>–</b>

## S94A LEVIES – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 01

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	1,425	256	–	37	(321)	–	1,397	–
<b>Total</b>	<b>1,425</b>	<b>256</b>	<b>–</b>	<b>37</b>	<b>(321)</b>	<b>–</b>	<b>1,397</b>	<b>–</b>

## S93F planning agreements

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	–	76	–	–	(76)	–	–	–
<b>Total</b>	<b>–</b>	<b>76</b>	<b>–</b>	<b>–</b>	<b>(76)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Gunnedah Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

###### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

###### (iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

###### (iv) Other guarantees

Council has provided no other guarantees other than those listed above.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

##### (i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

##### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

##### (iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

##### (iii) Potential land acquisitions due to planning restrictions imposed by Council (continued)

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

##### ASSETS NOT RECOGNISED:

##### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

##### (ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

#### Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		178,690	171,760
a. Correction of prior period errors	20 (c)	–	408
b. Net operating result for the year		15,163	6,522
<b>Balance at end of the reporting period</b>		<b>193,853</b>	<b>178,690</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		236,164	233,089
<b>Total</b>		<b>236,164</b>	<b>233,089</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		233,089	161,318
– Revaluations for the year	9(a)	3,075	71,771
– <b>Balance at end of year</b>		<b>236,164</b>	<b>233,089</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>236,164</b>	<b>233,089</b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
Developer Contributions - Gunnedah Sewerage not added 2014		–	419
Developer Contributions - Gunnedah Sewerage not added 2014 (depreciation)		–	(11)
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		–	408
<b>Total prior period adjustments – prior period errors</b>		<b>–</b>	<b>408</b>
<b>(d) Voluntary changes in accounting policies</b>			
Council made no voluntary changes in any accounting policies during the year.			

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	827	1,823	13,507
User charges and fees	3,166	604	8,030
Interest and investment revenue	315	265	1,113
Other revenues	19	1	799
Grants and contributions provided for operating purposes	92	36	12,090
Grants and contributions provided for capital purposes	728	869	7,267
<b>Other income</b>			
Net gains from disposal of assets	8	2	–
Share of interests in joint ventures and associates using the equity method	–	–	–
<b>Total income from continuing operations</b>	<b>5,155</b>	<b>3,600</b>	<b>42,806</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	704	374	12,137
Borrowing costs	–	–	728
Materials and contracts	548	245	8,948
Depreciation and amortisation	929	754	7,658
Impairment	–	–	57
Other expenses	679	325	1,805
Net losses from the disposal of assets	399	–	108
<b>Total expenses from continuing operations</b>	<b>3,259</b>	<b>1,698</b>	<b>31,441</b>
<b>Operating result from continuing operations</b>	<b>1,896</b>	<b>1,902</b>	<b>11,365</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>1,896</b>	<b>1,902</b>	<b>11,365</b>
<b>Net operating result attributable to each council fund</b>	<b>1,896</b>	<b>1,902</b>	<b>11,365</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>1,168</b>	<b>1,033</b>	<b>4,098</b>

<sup>1</sup> General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

## Gunnedah Shire Council

## Notes to the Financial Statements

as at 30 June 2016

## Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	410	–	3,367
Investments	12,977	10,307	29,010
Receivables	535	201	4,356
Inventories	123	–	347
Other	–	–	238
Non-current assets classified as 'held for sale'	–	–	–
<b>Total current assets</b>	<b>14,045</b>	<b>10,508</b>	<b>37,318</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	–	–	31
Inventories	–	–	–
Infrastructure, property, plant and equipment	41,374	33,790	317,452
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>41,374</b>	<b>33,790</b>	<b>317,483</b>
<b>TOTAL ASSETS</b>	<b>55,419</b>	<b>44,298</b>	<b>354,801</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	9	1	3,216
Borrowings	–	–	308
Provisions	–	–	4,523
<b>Total current liabilities</b>	<b>9</b>	<b>1</b>	<b>8,047</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	–	–	8,881
Provisions	–	–	7,563
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>16,444</b>
<b>TOTAL LIABILITIES</b>	<b>9</b>	<b>1</b>	<b>24,491</b>
<b>Net assets</b>	<b>55,410</b>	<b>44,297</b>	<b>330,310</b>
<b>EQUITY</b>			
Retained earnings	31,614	16,277	145,962
Revaluation reserves	23,796	28,020	184,348
<b>Total equity</b>	<b>55,410</b>	<b>44,297</b>	<b>330,310</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 22. 'Held for sale' non-current assets and disposal groups

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 19/10/16.

Events that occur after the reporting period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

##### **(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

**Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.**

#### Note 24. Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

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Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

## Gunnedah Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Quarry Sites	2036	1,882	1,177
Waste Management Tip Sites	2065	5,494	5,370
<b>Balance at end of the reporting period</b>	10(a)	<b>7,376</b>	<b>6,547</b>

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

#### Reconciliation of movement in provision for year:

Balance at beginning of year	6,547	6,375
Amounts capitalised to new or existing assets:		
Quarries Revised Remediation Costs	651	–
Amortisation of discount (expensed to borrowing costs)	178	172
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>7,376</b>	<b>6,547</b>

#### Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

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\$ '000

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##### Provisions for close down and restoration and for environmental clean up costs – tips and quarries

###### **Restoration**

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

###### **Rehabilitation**

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:**

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/16	–	–	8,348	8,348
Office equipment	30/06/16	–	–	742	742
Furniture and fittings	30/06/16	–	–	425	425
Operational land	30/06/13	–	–	8,472	8,472
Community land	30/06/16	–	–	5,995	5,995
Land Under Roads (post 30/6/2008)	30/06/16	–	–	3,268	3,268
Buildings - non specialised	30/06/13	–	–	12,412	12,412
Buildings - specialised	30/06/13	–	–	19,394	19,394
Other structures	30/06/16	–	–	3,931	3,931
Roads	30/06/15	–	–	204,709	204,709
Bridges	30/06/15	–	–	7,479	7,479
Footpaths	30/06/15	–	–	5,698	5,698
Stormwater drainage	30/06/15	–	–	23,864	23,864
Water supplies networks	30/06/12	–	–	40,866	40,866
Sewerage networks	30/06/12	–	–	31,656	31,656
Swimming pools	30/06/16	–	–	2,098	2,098
Other open space/ recreational assets	30/06/16	–	–	1,533	1,533
Library books	30/06/16	–	–	131	131
Other assets	30/06/16	–	–	1,517	1,517
Tip remediation assets	30/06/14	–	–	4,537	4,537
Quarry remediation assets	30/06/16	–	–	1,442	1,442
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>388,517</b>	<b>388,517</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/11	—	—	8,137	8,137
Office equipment	30/06/11	—	—	904	904
Furniture and fittings	30/06/11	—	—	557	557
Operational land	30/06/13	—	—	8,432	8,432
Community land	30/06/13	—	—	5,797	5,797
Buildings - non specialised	30/06/13	—	—	12,442	12,442
Buildings - specialised	30/06/13	—	—	19,779	19,779
Other structures	30/06/13	—	—	3,522	3,522
Roads	30/06/15	—	—	201,540	201,540
Bridges	30/06/15	—	—	7,616	7,616
Footpaths	30/06/15	—	—	5,736	5,736
Stormwater drainage	30/06/15	—	—	23,190	23,190
Water supplies networks	30/06/12	—	—	39,828	39,828
Sewerage networks	30/06/12	—	—	30,789	30,789
Swimming pools	30/06/13	—	—	991	991
Other open space/ recreational assets	30/06/13	—	—	1,171	1,171
Library books	30/06/11	—	—	123	123
Other assets	30/06/11	—	—	1,466	1,466
Tip remediation assets	30/06/14	—	—	4,846	4,846
Quarry remediation assets	30/06/11	—	—	830	830
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>—</b>	<b>377,696</b>	<b>377,696</b>

## (2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### **(3) Valuation techniques used to derive level 2 and level 3 fair values**

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

##### **Infrastructure, property, plant and equipment (IPP&E)**

##### **Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Example of assets in these classes are as follows:

- Plant & Equipment - Graders, trucks, Motor Vehicles
- Office Equipment - Computer Equipment
- Furniture & Fittings - Desks, Chairs.

The key unobservable inputs to the valuation are the remaining life and residual value. Council reviews the classes of assets each year for signs of impairment. There has been no change in the valuation process during the reporting year.

##### **Operational Land**

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuations is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Peter Spackman Valuations, Jarad R Ewing, Registered Valuer NSW #7298 B. Comm (Property Economics).

All operational land has been valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price including but not limited to the land description, area and dimensions, planning and other constraints on development and potential for alternate use. There has been no change to the valuation process during the reporting period.

##### **Community Land**

Valuations of all Council's Community Land were performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer, QLD #3258 B.App. Sc (Property Economics) AAPI. The Council controlled Crown Land was valued using NSW Valuer General's valuations. Where there was no specific land values from the Valuer General's it was based on the pro rata valuation from adjoining properties.

All Community Land has been valued at market value (highest and best use). As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting year.

##### **Land Under Roads (Post 1 July 2008)**

The Roads have been valued in a comparison basis with reference to the Australian Accounting Standard AASB116 Property, Plant & Equipment.

Land under roads acquired after 1 July 2008 is to be recognised in accordance with AASB 116, but should be consistent with the valuation methodology for land under roads held up to 1 July 2008 where that land has been recognised.

Fair value is based on highest and best possible use. Therefore, the valuation of the land under roads would be based in its potential rather than as a road. The Land under roads have been valued by Donoghue property valuations, Thomas Donoghue AAPI (CPV) Registered Valuer NSW VAL024883.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Buildings - Non Specialised and Specialised

Valuations of all Council's Buildings Specialised & Non-Specialised were based on valuations performed by Peter Spackman valuations, Jarad R Ewing, Registered Valuer NSW 7298 B. Comm (Property Economics).

The value of non-specialised buildings, which are predominately houses and units for which there is a secondary market, have been determined on the basis of market value.

Buildings that have been determined as specialised, meaning they are designed for a particular purpose for which there is generally little or no market based evidence available, they have been valued on the basis of depreciated replacement cost taking into consideration a reduction for physical wear and tear and functional obsolescence. The valuations take into account different components of buildings and different useful lives.

While all buildings were physically inspected, inputs such as estimates of residual values and pattern of consumption required extensive judgement and impacted on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the period.

##### Other Structures

Other Structures class generally comprises memorials, weighbridges and saleyards.

Valuations of all Council's - Other Structures were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI.

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### Roads

This class of assets comprises Urban Roads, Sealed Rural Roads, Unsealed Rural Roads, Road Furniture, Islands & Pedestrian Refuges, Guard Rails, Causeways, Culverts, Parking Areas, Aerodrome, Bus Shelters & Kerb & Gutter. Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Road Infrastructure are componentised generally into surface, pavement & formation to reflect the different nature of the assets. Valuations were completed in June 2015 by the Manager of Mapping, Assets, Design and Development and reviewed Director of Infrastructure Services utilising detailed pavement information residing in councils BizeAssets Management System.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Roads have been completed as at 30th June 2015.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

###### Bridges

Bridges were valued in 30th June 2015 by the Director of Infrastructure Services using the cost approach.

The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails. The information is maintained in the BizeAssets Management System.

Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. A full revaluation of Bridges have been completed as at 30th June 2015.

###### Footpaths

Footpaths were valued in June 2015 by the Manager of Mapping, Assets, Design & Development and reviewed by the Director of Infrastructure and Services using the cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a physical inspection by the Roads inspector. The information is maintained in the BizeAssets Management System.

Condition are updated as changes in the networks are observed through regular inspections. There has been a full revaluation of Footpaths as at 30th June 2015.

###### Stormwater Drainage

Stormwater Assets comprise pits, pipes, open channels, headwalls and various types of water quality devices in the Urban Areas. Stormwater Drainage was valued by the Manager of Mapping, Assets, Design & Development and reviewed by the Director of Infrastructure and Services using the cost approach.

The 'Cost Approach' is the estimated replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with the Institute of Public Works Engineers Australia Infrastructure Management Manual (IMM). Inputs such as estimates of pattern of consumption, residual value, Asset Condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been a valuation of Stormwater Assets as at 30th June 2015.

###### Water Supplies

The valuation of the Water Supplies was completed in June 2012 by AssetVal Pty Ltd. The Water supplies comprise the Gunnedah, Curlewis, Tambar Springs & Mullaley water schemes. The components of the Water Systems include the Mains, Bores, Reservoirs and Pumping Stations. The information is maintained on the BizeAsset Management System.

Due to the nature of much of the Water Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Sewerage Systems

The valuation of the Sewerage Systems was completed in June 2012 by AssetVal Pty Ltd. The Sewerage Systems comprise the Gunnedah & Curlewis Sewerage Systems. The components include the pipelines, Treatment works and Pump Stations. The assets are maintained on the BizeAssets Management System.

Due to the nature of much of the Sewer Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

##### Swimming Pools

Swimming Pools class comprises the 3 pools, diving board & shade sails at the Gunnedah Swimming complex

Valuations of Council's Swimming Pools were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI.

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### Other Open Space/ Recreational Assets

Other Open Space/ Recreational Assets comprise tennis courts, showground structures such as lighting towers, Grandstands and Park structures such as play equipment, Rotundas, seating etc.

Valuations of Council's Other Open Space/Recreational Assets were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI.

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

##### Library Book/Other Assets

Library Books & Other Assets are valued at cost but are disclosed at fair value in the Notes

The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are the remaining life and residual value. Council reviews the classes of assets each year for signs of impairment. There has been no change in the valuation process during the reporting year.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

###### Tip Remediation

Gunnedah Shire Council has 3 landfills being at Gunnedah, Curlewis & Carroll and 3 transfer stations at Mullaey, Breeza and Tambar Springs. The Waste management service includes a wide range of waste disposal services, resource recovery services, recycled and reclaimed products and waste management educational activities. It is recognised that there will be significant costs in the closure of the landfill sites.

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill, site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removal of infrastructure and equipment.

The evaluation of costs for the landfill closure and post closure management was prepared by the Manager of Building & Environment. The key unobservable inputs are the discount rate, cost excavation rate, actual timing of costs and future environmental requirements. This valuation was reviewed at June 2014.

###### Quarries Remediation

Gunnedah Shire Council has some 51 Quarries that will require remediation in the future. Quarries provide council with Gravel as part of the Road maintenance and construction activities.

Closure of the Quarries will require remediation including earth works to restore the quarries and reseed and plant native trees.

The Quarry remediation Valuation was completed in June 2016 by the Director of Infrastructure & Services.

The key unobservable inputs are the discount rate, Cost escalation, timing of future costs and future environmental requirement. There has been no change to the valuation process during the year.

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3)

## a. The following tables present the changes in level 3 fair value asset classes.

	Investments at fair value through P&L	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Buildings non - specialised	Buildings specialised	Total
<b>Opening balance – 1/7/14</b>	1,532	8,034	846	535	8,432	5,797	12,615	19,886	57,677
Purchases (GBV)	–	2,024	297	85	–	–	77	212	2,695
Disposals (WDV)	(1,540)	(292)	–	–	–	–	–	–	(1,832)
Depreciation and impairment	–	(1,629)	(239)	(63)	–	–	(250)	(319)	(2,500)
FV gains – Income Statement <sup>1</sup>	8	–	–	–	–	–	–	–	8
<b>Closing balance – 30/6/15</b>	<b>–</b>	<b>8,137</b>	<b>904</b>	<b>557</b>	<b>8,432</b>	<b>5,797</b>	<b>12,442</b>	<b>19,779</b>	<b>56,048</b>
Purchases (GBV)	–	1,948	102	6	40	–	246	1	2,343
Disposals (WDV)	–	(155)	(8)	(46)	–	–	–	–	(209)
Depreciation and impairment	–	(1,582)	(256)	(92)	–	–	(276)	(386)	(2,592)
Revaluations to Equity	–	–	–	–	–	198	–	–	198
<b>Closing balance – 30/6/16</b>	<b>–</b>	<b>8,348</b>	<b>742</b>	<b>425</b>	<b>8,472</b>	<b>5,995</b>	<b>12,412</b>	<b>19,394</b>	<b>55,788</b>

<sup>1</sup> FV gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 14/15	8	–	–	–	–	–	–	–	8
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## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) continued

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Other structures	Roads	Bridges	Footpaths	Stormwater	Water supplies	Sewerage network	Swimming pools	Total
<b>Opening balance – 1/7/14</b>	3,529	139,106	6,728	3,487	16,736	39,403	29,543	1,018	239,550
Purchases (GBV)	93	5,270	–	131	186	1,166	1,511	–	8,357
Disposals (WDV)	–	–	–	–	–	(437)	–	–	(437)
Depreciation and impairment	(100)	(3,963)	(98)	(52)	(222)	(875)	(692)	(27)	(6,029)
Revaluations to equity	–	61,127	986	2,170	6,490	571	427	–	71,771
<b>Closing balance – 30/6/15</b>	<b>3,522</b>	<b>201,540</b>	<b>7,616</b>	<b>5,736</b>	<b>23,190</b>	<b>39,828</b>	<b>30,789</b>	<b>991</b>	<b>313,212</b>
Purchases (GBV)	–	7,388	–	108	982	1,744	1,141	–	11,363
Disposals (WDV)	–	(267)	–	(58)	–	(400)	–	–	(725)
Depreciation and impairment	(101)	(3,952)	(137)	(88)	(308)	(884)	(735)	(47)	(6,252)
Revaluations to Equity	510	–	–	–	–	578	461	1,154	2,703
<b>Closing balance – 30/6/16</b>	<b>3,931</b>	<b>204,709</b>	<b>7,479</b>	<b>5,698</b>	<b>23,864</b>	<b>40,866</b>	<b>31,656</b>	<b>2,098</b>	<b>320,301</b>

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) continued

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Land Under Roads Post 1/7/2008	Open space recreational assets	Library books	Other assets	Tip remediation asset	Quarry remediation	Total
<b>Opening balance – 1/7/14</b>	–	1,122	103	1,565	5,155	869	8,814
Purchases (GBV)	–	96	32	–	–	–	128
Depreciation and impairment	–	(47)	(12)	(99)	(309)	(39)	(506)
<b>Closing balance – 30/6/15</b>	<b>–</b>	<b>1,171</b>	<b>123</b>	<b>1,466</b>	<b>4,846</b>	<b>830</b>	<b>8,436</b>
Purchases (GBV)	3,268	239	23	135	–	–	3,665
Depreciation and impairment	–	(51)	(15)	(84)	(309)	(40)	(499)
Restatement Quarry Assets	–	–	–	–	–	652	652
Revaluations to Equity	–	174	–	–	–	–	174
<b>Closing balance – 30/6/16</b>	<b>3,268</b>	<b>1,533</b>	<b>131</b>	<b>1,517</b>	<b>4,537</b>	<b>1,442</b>	<b>12,428</b>

## b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Nil

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) (continued)

## c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E</b>			
Plant & Equipment	19,336	Approximate Fair Value	Remaining Life, Residual Value
Office Equipment	2,353	Approximate Fair Value	Remaining Life, Residual Value
Furniture & Fittings	997	Approximate Fair Value	Remaining Life, Residual Value
Land - Operational	8,472	Market Value (highest & best use)	Price per square metre
Land - Community	5,995	Market Value (highest & best use)	Not considered to have observable market evidence
Land under roads (post 30/6/2008)	3,268	Highest and best possible use.	Based on potential rather than a road.
Buildings - non specialised	20,422	Depreciated replacement costs taking into account physical wear and tear.	Estimates of residual values and pattern of consumption require extensive judgement.
Buildings - Specialised	30,175	Depreciated replacement costs taking into account physical wear and tear.	Estimates of residual values and pattern of consumption require extensive judgement.
Other Structures	6,120	Replacement cost taking into a range of factors.	Pattern of consumption, residual value, asset condition and useful life.
Roads	292,736	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Bridges	13,697	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Footpaths	7,112	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement

## Gunnedah Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) (continued)

## c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value. (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E (continued)</b>			
Stormwater Drainage	32,528	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Water Supply Network	67,870	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement. The nature of water assets is they are unassessable being subsurface.
Sewerage Network	54,875	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement. The nature of sewer assets is they are unassessable being subsurface.
Swimming Pools	3,973	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Other Open Space	3,447	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Library Books	183	Approximate Fair Value	Remaining Life, Residual Value
Other Assets	2,029	Approximate Fair Value	Remaining Life, Residual Value
Tip Assets	5,208	Evaluation of costs for the landfill closure as per closure plan	Discount Rates, excavation rates, timing and future environmental requirements.
Quarry Assets	1,718	Evaluation of costs for the quarry closure.	Discount Rates, cost escalation, timing and environmental requirements.

## Gunnedah Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

\$ '000

#### (4). Fair value measurements using significant unobservable inputs (level 3) (continued)

##### d. The valuation process for level 3 fair value measurements

Gunnedah Shire Council value their assets on a fair value basis, in accordance with the NSW Department of Local Government's Guidelines and standards AASB13, AASB116 each year. For the 2016 financial year council has opted to utilise AASB 2015-7 for level 3 unobservable inputs. These assets are valued utilising the cost approach identifying actual plant, staff and material costs where available.

Construction estimates have been completed based on current Australian standards and guidelines to gain unit rates based on the various asset components within each asset class. For example Rural Sealed Roads has been broken down to Formation, Pavement and Seal. The cost to construct each asset component has been calculated on a standard length, depth and width in accordance with Austroads and RMS guidelines and then calculated to give appropriate rates for each component. Distances used for cartage etc. have been averaged over the Shire. Material costs are current prices evidenced by either invoices or current quotes.

Bridges, due to their complexity, have been calculated from tender documents provided by Tamworth Regional Council for a bridge constructed in 2013/14 and applied to Gunnedah Shire bridges at a component level by the Director of Infrastructure Services.

In the case of urban Stormwater the NSW References Rates Manual for water, sewer and stormwater was used.

All other assets have had works estimated by the Manager - Mapping, Assets, Design and Developments in consultation with the Manager - Infrastructure Works and the Director - Infrastructure Services. Once verified these rates were then applied across Council asset classes.

The resulting values were then compared against previous values and verified by the Director Infrastructure Services and Manager, Assets, Design and Development.

Valuations for Community Land were performed by AssetVal Pty Ltd and information from the NSW Valuer Generals department. AssetVal Pty Ltd also performed the valuation on other structures, pools and other openspace/recreation assets. The valuation of land under roads was undertaken by Donoghue property valuations.

Valuations have been undertaken by Gunnedah Shire Council utilising Councils Asset Management System (Biz E Asset). The unit rates and useful lives utilised in this have been compared to a variety of other rural councils.

#### (5). Highest and best use

All of Council's non-financial assets are considered to be utilised for their highest and best use.

## Gunnedah Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 28. Council information and contact details

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**Principal place of business:**

63 Elgin Street  
GUNNEDAH NSW 2380

**Contact details**

**Mailing address:**

PO Box 63  
GUNNEDAH NSW 2380

**Opening hours:**

Business Hours  
Monday to Friday  
8:30am to 5:00

**Telephone:** 02 6740 2100

**Facsimile:** 02 6740 2119

**Internet:** [www.infogunnedah.nsw.gov.au](http://www.infogunnedah.nsw.gov.au)

**Email:** [council@infogunnedah.gov.au](mailto:council@infogunnedah.gov.au)

**Officers**

**GENERAL MANAGER**

E J GROTH

**RESPONSIBLE ACCOUNTING OFFICER**

E J GROTH

**PUBLIC OFFICER**

L E ROWE

**AUDITORS**

CROWE HORWATH CENTRAL WEST  
2 COMMERCIAL AVENUE  
PO BOX 654  
DUBBO NSW 2380

**Elected members**

**MAYOR**

O HASLER

**COUNCILLORS**

H ALLGAYER (PASSED 29/8/2015)

G SWAIN

T DUDDY (RESIGNED 23/9/2015)

C FULLER

G GRIFFEN

D QUINCE

R RYAN

S SMITH

**Other information**

**ABN:** 80 183 655 793

**Crowe Horwath Auswild**

ABN 73 735 149 969  
Member Crowe Horwath International

2 Commercial Avenue  
Dubbo NSW 2830 Australia

PO Box 654  
Dubbo NSW 2830 Australia

Tel 02 6883 5600  
Fax 02 6884 2242

**Bathurst Office**

157 George Street  
Bathurst NSW 2795 Australia

PO Box 684  
Bathurst NSW 2795 Australia

Tel 02 6330 2200  
Fax 02 6330 2299

[www.crowehorwath.com.au](http://www.crowehorwath.com.au)

## **INDEPENDENT AUDITORS' REPORT TO GUNNEDAH SHIRE COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Gunnedah Shire Council ('the Council'), which comprises the statement of financial position as at 30 June 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 28 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2)(c) of the Local Government Act, 1993.

### **COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We performed the procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, cash flow statement, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules and accordingly, we express no opinion on them.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit opinion expressed in this report has been formed on the above basis.

## AUDITOR'S OPINION

In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2;
- b) the Council's financial statements:
  - have been properly prepared in accordance with the requirements of this Division;
  - are consistent with the Council's accounting records;
  - present fairly the Council's financial position and result of its operations; and
  - are in accordance with applicable Accounting Standards.
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

*Crowe Horwath Auswild*  
CROWE HORWATH AUSWILD

*Clare Wagner*

**Clare Wagner**  
**Audit Partner**

Dated at Dubbo this 20th day of October 2016

# Report on the Conduct of the Audit

Gunnedah Shire Council

Year Ended 30 June 2016

12 October 2016

Mr Eric Groth  
General Manager  
Gunnedah Shire Council  
PO Box 63  
GUNNEDAH NSW 2380

Dear Eric,

Having completed an audit examination of the books of account and associated records of the Gunnedah Shire Council for the twelve month period ended 30 June 2016 we have pleasure in submitting our report on the conduct of the audit in accordance with Section 417 (3) of the Local Government Act 1993.

## **BACKGROUND**

Council is required to prepare two sets of financial statements for audit each year, these being:

### **General Purpose Financial Statements**

These financial statements present the actual financial position and performance of the Council. Council has prepared the general purpose financial statements in accordance with:

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act 1993 and Regulations and
- the Local Government Code of Accounting Practice and Financial Reporting (the Code).

For the purpose of preparing these financial statements Council has been deemed to be a not-for-profit entity.

These financial statements have been prepared in much the same manner as those of the previous year.

### **Special Purpose Financial Statements**

These financial statements have been prepared in accordance with the requirements of the National Competition Policy which requires separate financial statements for each declared business activity. Council's declared business activities for the 2016 financial year were:

- Water Supplies
- Sewerage Service

The principle differences between the general purpose financial statements and the special purpose financial statements are that:

- certain taxes and other costs that would apply if these business activities were operating in the commercial sector have been imputed in the special purpose financial statements (ie income tax and land tax),
- the special purpose financial statements contain additional disclosures such as council subsidies, return on investments and dividends paid.

These financial statements have been prepared in much the same manner as those of the previous year.

### **Auditor's Responsibility**

As part of our role as auditor of Council, Section 415 (3) of the Local Government Act 1993 and the Local Government (General) Regulation requires us to consider and provide comment on the material items affecting the general purpose financial statements and other matters pertinent to the audit. The following section of this report provides an understanding of Council's financial position as at 30 June 2016, its performance for the year then ended its cash flows and other material financial matters.

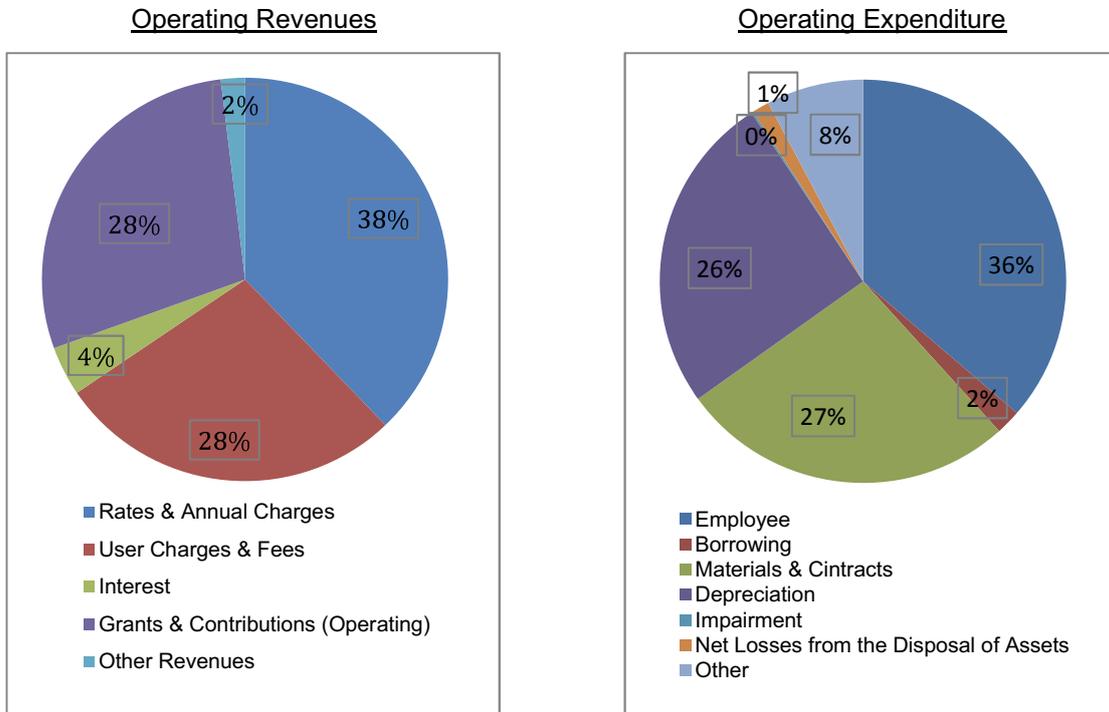
## FINANCIAL RESULTS

The net operating result for the year before grants and contributions provided for capital purposes is a \$6,299,000 surplus (2015: \$4,325,000). The significant variance in Council's reported financial results for the current year has been due to a number of major factors including:

- The increases in rates and annual charges in 2015/2016 is being attributable to the 9.5% special approval rate granted Council to achieve its "Sustainable Services" program. This contributed an additional \$1,293,000 in revenue for rates and annual charges.
- Raw materials and consumables expenditure increased by \$685,000 from \$8,557,000 (excluding capitalised costs) in 2015 to \$9,242,000 (excluding capitalised costs) in the current financial year. The contractor and consultancy costs have also increased by \$20,000. Materials and contracts overall has increase by \$705,000 (an overall increase of 7.80%).
- Employee benefits and on-costs increased by \$265,000 mainly due to an increase in salaries and wages from \$10,863,000 in 2015 to \$11,101,000 in 2016 as a result of wages increase by 2.25% across all Council staff, this increment in salaries and wages impacted on superannuation which increased from \$1,277,000 in 2015 to \$1,342,000 in 2016, employee leave entitlements increased from \$1,320,000 in 2015 to \$1,335,000 in 2016. However, this has been offset by a reduction in travel expenses by \$34,000, worker compensation by \$72,000, and a reduction in training costs by \$12,000.
- In turn Council have seen a significant increase in infrastructure, property, plant and equipment in the current financial period where a total of \$18,567,000 in asset additions and asset renewals were recognised. This is compared with \$12,620,000 in the previous year.

Excluding capital grants & contributions operating revenues for the year (\$42,687,000) have increased approximately 10.19% on those of the previous year (\$38,738,000) whilst during the same period operating expenses have also increased approximately 5.7% to \$36,388,000.

A breakdown of Council's operating revenues and expenses for the year are as follows:



In addition to operating revenues, Council received capital grants and contributions amounting to \$8,864,000 (2015: \$2,197,000). In the twelve month period to 30 June 2016 Council's operating result from continuing operations' (including capital grants and contributions) was a surplus of \$15,163,000 compared with a surplus of \$6,522,000 in the previous year.

## **BUDGET COMPARISON**

The net operating surplus for the year of \$6,299,000 was significantly higher than the original budget expectations which anticipated a surplus of \$1,782,000.

Details of material variations between the original budget and actual results are detailed in Note 16 to the General Purpose Financial Statements. In essence, the variations from the expected result have been attributed to:

### **Favourable Variances**

- Significant variance in User Charges and Fees due to water usage charge, an additional \$842,557 reflecting the dry summer and \$795,782 additional works under the RMCC contract.
- Interest and Investment Revenue was higher than budget due to Council portfolio increase from \$48.7 million in 2015 to \$55.8 million in 2016. Council's cash position has remained sound leading to interest income being greater than expected.
- Other revenue was higher than budgeted amount due to additional rent recovery on Council properties and revenue from shared services with other Council's.
- Operating grants and contributions have increased with additional funding received from the GoCo programmes and additional roads to recovery grants and various other project funding.
- Large increase in Capital Grant and Contributions due to recognition of various Infrastructure assets that have been contributed to Council via developers. The areas include Land under roads, road, stormwater, kerb & gutter, water and sewerage network.
- Borrowing costs was lower than budget as a result of anticipated new loan not taken out in 2015/16 until 2016/17.
- Decrease in Materials and Contracts reflects the Council deferred of new loan until 2016/17 as the new loan would have been spent on materials and contract as initially budgeted.
- Large variance in Cash flows from operating activities due to additional Cash flows received by Council especially from the RMCC work on State roads, developer contributions, additional water sales due to dry summer and efforts made by Council to reduce outstanding rates.

### **Unfavourable Variances**

- Employee benefits and on-cost due to there being less capitalised wages during the year.
- Net losses from disposal of assets variance relates to various plant and equipment traded and infrastructure assets disposed off during the year. The plant and equipment assets resulted in a gain on disposal of \$228,457 and infrastructure disposal resulted in loss of \$725,223.

## DETAILED AUDIT OBSERVATIONS

### OPERATING INCOME

#### Rates and Annual Charges

Revenue from rates and annual charges (excluding Council owned properties) amounted to \$16,157,000 (2015: \$14,864,000).

In setting the **ordinary rates** for the year Council resolved to adopt the special approved maximum increase available of 9.5%. This action has resulted in revenues from ordinary rates increasing from \$10,350,000 in 2014/2015 to \$11,455,000 in the current year.

Council's **ordinary rating base** remained fairly static in the current year with 6,133 assessments subject to **ordinary rates** at year end.

Council further resolved that other charges be adjusted as follows:

- Basic water availability charges increased 3.8% to \$170 per meter.
- Sewerage annual charges increased 2.6% to \$505.
- Domestic waste management access charges increased 4.1% to \$358.

Such increases have resulted in revenues as follows:

<b>Annual Charges</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Domestic Waste Management	2,002,000	1,892,000
Stormwater management services	94,000	95,000
Water Supply Services	796,000	787,000
Sewerage Services	1,810,000	1,740,000

Interest and extra charges on overdue rates for the year was \$79,000 and outstanding rates were subject to interest at the rate of 8.50% pa (2015: 8.50%).

#### User Charges and Fees

Council derived \$3,971,000 from **specific user charges** (2015: \$3,498,000 and a further \$653,000 from **fees** (2015: \$608,000) imposed during the twelve month period ended 30 June 2016.

Impacting significantly on user charges and fees revenues for the year were:

Water Consumption Charges (increased \$549,000)

Water charges for usage were increased by 3.8% as follows:

	<b>2016</b>	<b>2015</b>
	\$	\$
Usage charge 0-400 kilolitres	\$1.08 per kl	\$1.04 per kl

Revenue from water supply services amounted to \$2,865,000 (2015: \$2,316,000).

Other major revenues received from user charges and fees included:

	<b>2016</b>	<b>2015</b>
	\$	\$
Aged care	106,000	92,000
Cemeteries	112,000	110,000
RMS Charges	5,545,000	5,206,000
Saleyards	789,000	916,000
Swimming pools	165,000	176,000
Theatre	194,000	199,000
Events	106,000	-

**Interest**

Interest and investment revenues increased during the twelve month period with income being earned as follows:

	<b>2016</b>	<b>2015</b>
	\$	\$
Overdue Rates and Charges	79,000	67,000
General Council Investments	854,000	726,000
Development Contributions – s94	49,000	58,000
Development Contributions – s94	91,000	97,000
Water Fund Operations	250,000	274,000
Sewerage Fund Operations	239,000	273,000
Domestic waste management operations	131,000	102,000
	<b>1,693,000</b>	<b>1,597,000</b>

Interest on investments for the year represented approximately 14.1% (2015: 14.5%) of ordinary rating income.

### **Other Revenues**

Other revenue income in the current year (\$819,000) is slightly higher than the previous year (\$814,000). The difference was due to an increase in rental income from \$86,000 in 2015 to \$185,000 in 2016. This was partially offset by reduction in legal fees by \$13k, workers compensation by \$41k and sales in theatre & swimming pools by \$18k.

### **Grants, Subsidies and Contributions**

#### Operating Grants and Contributions

Operating grants and contributions amounting to \$12,218,000 were received in 2015/2016 compared with \$10,478,000 received in the previous year.

Other major specific purpose operating grants and contributions were received for, Community care (\$4,413,000) and RMS Contributions (\$2,667,000).

#### Capital Grants and Contributions

Total capital grants and contributions received for the year amounted to \$8,864,000 compared with \$2,197,000 received in the previous year. This increase is predominantly due to increase in capital developer contributions by \$733,000. Capital contributions have significantly increased by \$6,085,000 mainly due to contributions of \$893,000 received for drainage, \$982,000 received for kerb & gutter, \$4,835,000 received for roads and bridges. This was partially offset with a reduction contributions received for sewerage & water supplies from \$1,529,000 in 2014/15 to \$813,000 in 2015/16.

In accordance with the Code of Accounting Practice all grant and contribution monies received in 2015/2016 (both expended and unexpended) have been brought to account as income. At year end Council held unexpended grants and contributions amounting to \$3,811,000 (2015 - \$3,168,000) and such funds have been identified as an externally restricted asset.

## **OPERATING EXPENDITURE**

Expenses from continuing operations (\$36,388,000) were slightly lower than both budget expectations (\$36,712,000) and significantly higher than previous year (\$34,413,000).

Impacting significantly on operating expenses for the year were:

### **Employee Costs**

Total employee costs (\$13,215,000) increased approximately 2.05% in the twelve months period to 30 June 2016 principally due to:

- Employee benefits and on-costs increased by \$265,000 mainly due to an increase in salaries and wages from \$10,863,000 in 2015 to \$11,101,000 in 2016 as a result of wages increase by 2.25% across all Council staff, this increment in salaries and wages impacted on superannuation which increased from \$1,277,000 in 2015 to \$1,342,000 in 2016, employee leave entitlements increased from \$1,320,000 in 2015 to \$1,335,000 in 2016. However, this has been offset by a reduction in travel expenses by \$34,000, worker compensation by \$72,000, and a reduction in training costs by \$12,000.

At year end Council's full time equivalent employees numbered 170 (2014: 175).

### **Materials and Contracts**

Materials and contracts expenditure (\$9,741,000) increased by \$705,000 in the current year, due to raw materials and consumables expenditure increased by \$685,000 from \$8,557,000 (excluding capitalised costs) in 2015 to \$9,242,000 (excluding capitalised costs) in the current financial year. The contractor and consultancy costs increased by \$39,000.

### **Depreciation Expenses**

Depreciation expenses (\$9,341,000) have increased by \$306,000 from the previous year (\$9,035,000). This is comparable to the prior year and is consistent with the movement in assets. For the 2016 financial year asset additions totalled \$18,567,000.

Depreciation expenses account for approximately 26% of Council's total expenses which is comparable with most Councils with whom we are associated.

## ASSETS

### **Cash & Investments**

At balance date Council controlled cash and investments totalling \$56,071,000 (2015: \$48,748,000).

Council utilises its investments to cover both externally and internally imposed requirements and comprises of developer contributions - general (\$1,958,000), developer contributions – water fund (\$3,009,000), developer contributions – sewer fund (\$1,315,000), specific purpose unexpended grants (\$3,811,000), domestic waste management (\$4,714,000), water supplies (\$10,378,000), sewerage services (\$8,992,000), employee leave entitlements (\$1,361,000), plant and vehicle replacement (\$961,000), saleyards (\$1,152,000), and future works (\$6,668,000).

Externally restricted investments amounted to \$34,182,000 whilst internally restricted investments amounted to \$13,055,000.

Council's cash and investments were held as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash and Cash Equivalents	477,000	454,000
Deposits at Call	3,300,000	4,000,000
Long Term Deposits	52,294,000	44,294,000
	<b>56,071,000</b>	<b>48,748,000</b>

### **Debtors**

#### Rates and Annual Charges

At balance date outstanding rates and annual charges and interest amounted to \$788,000 (2015: \$887,000) which represented 4.57% of total receivable (2015: 5.46%).

It is apparent that Council has implemented and enforced stringent recovery action against ratepayers which reflects on reduction in rates and annual charges outstanding in current year compared to previous year.

Outstanding rates and annual charges have been subject to interest at the rate of 8.50% and Council has determined that a provision for doubtful debts is not necessary as all arrears are secured by a charge over the land.

### Property, Plant and Equipment

During the reporting period Council expended / acquired assets with the value of \$18,567,000 (2015: \$12,620,000).

The principal items being:

	2016	2015
	\$	\$
Plant and Equipment	1,948,000	2,024,000
Roads, Bridges, Footpaths	7,496,000	5,401,000
Water Supply Network	1,744,000	1,166,000
Sewerage Network	1,141,000	1,511,000
Land under road (post 30/06/08)	3,268,000	-

Additionally, we note that Council sold assets with a written down value of \$877,000. The sale of these assets has resulted in a loss of \$497,000 being brought to account (2015: loss of \$230,000).

Further, we report that in accordance with the requirements of the Code of Accounting Practice, Council's water and sewerage assets were indexed upwards in accordance with the latest indices provided by the NSW Office of Water.

These revaluations have resulted in Council's assets being adjusted as follows:

Water Supply Network	increased \$1,994,000 to \$67,870,000
Sewerage Network	increased \$1,952,000 to \$54,875,000

In 2016 Council was required to complete a revaluation of the community land, other assets, other structures, land improvements. The revaluation movement for each is shown below:

Community land revalued from	\$5,797,000 to \$5,995,000
Other structures revalued from	\$4,791,000 to \$6,120,000
Swimming pools revalued from	\$2,061,000 to \$3,973,000

The total amount of the revaluation was \$3,075,000 and is shown as other comprehensive income and increases the revaluation reserve from \$233,089,000 to \$234,164,000.

The combined action of asset movements and revaluations has resulted in the written down value of property plant and equipment increasing from \$380,597,000 in 2014/2015 to \$392,616,000 as at 30 June 2016.

Major acquisitions during the year were again funded from grants, contributions and cash and investments.

## Provisions

At 30 June 2016 the Provision for Employee Accrued Entitlements totalled \$4,703,000.

The components of the liability are:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Annual Leave	1,569,000	1,422,000
Long Service Leave	2,966,000	2,832,000
Rostered days off	121,000	136,000
Wages – time in lieu	47,000	46,000
	<b>4,703,000</b>	<b>4,436,000</b>

The average leave entitlement per full time employee as at 30 June 2016 was \$27,665 (2015: \$25,349).

At year end Council had set aside funds amounting to \$1,361,000 or 29% of the employees leave entitlement liability. Such funds have been identified as an internally restricted asset.

Council's provision for asset remediation/restoration increased by \$829,000 in the current year and amounted to \$7,376,000 at year end.

## Loans and Debt Servicing

During the year there were no new loans raised. Council repaid borrowings of \$291,000 and at year end Council's borrowings amounted to \$9,189,000 (2015: \$9,480,000).

The loan liability is apportioned as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Current	319,000	301,000
Non Current	8,881,000	9,189,000

Council required \$1,019,000 to service its loan commitments in 2015/2016, which has given Council a favourable debt service ratio of 16.61 against benchmark of 2.

## SUMMARY

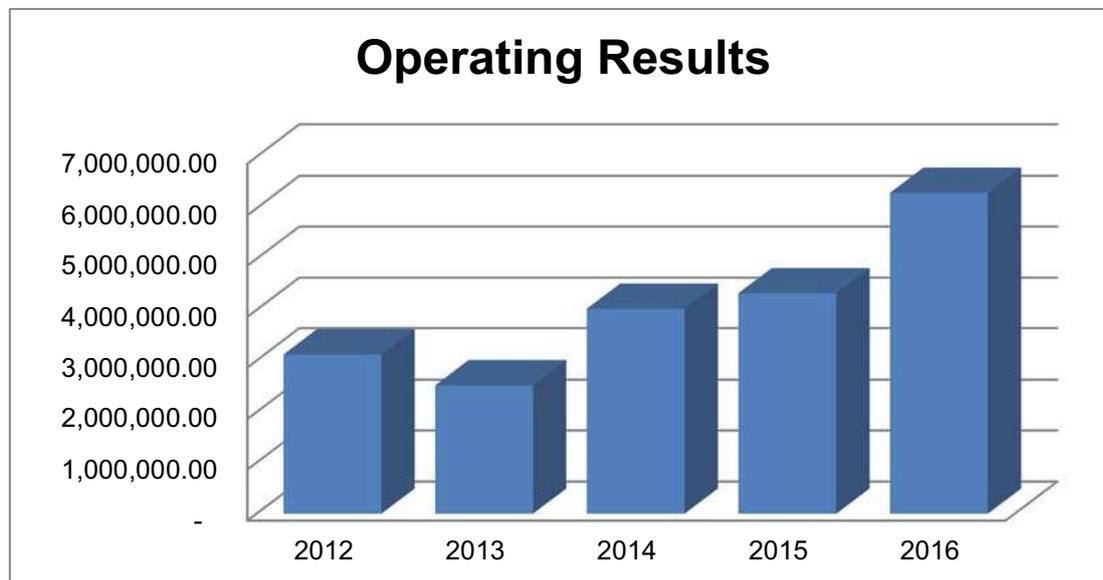
In analysing Council's financial results for the year, particular attention must be given to the following:

- Operating Result
- Cash Flow
- Reserves (internally restricted and unrestricted assets)
- Performance Ratios

### **Operating Result**

Council reported an operating surplus before capital amounts of \$6,299,000 for the twelve month period to 30 June 2016. This surplus result has been reported after allowing for depreciation expenses of \$9,341,000. The Council budgeted for an operating surplus of \$1,782,000 but the actual result is well above the budget expectations and also above the operating surplus of \$4,325,000 reported in 2014/2015.

#### Operating Surplus/(Deficit) before Capital Amounts

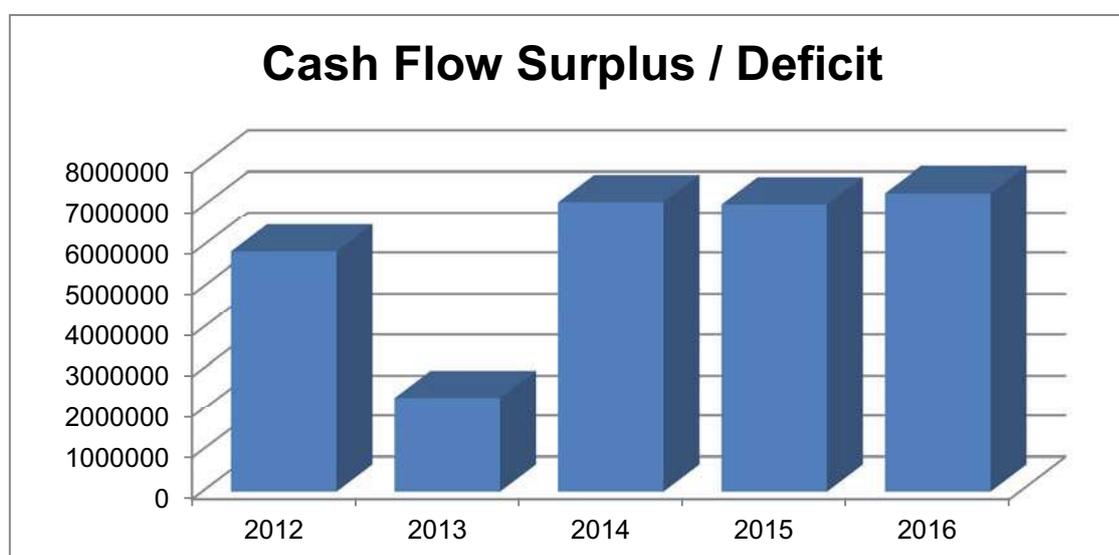


## Cash Flow

Council achieved a cash surplus of \$18,555,000 (2015: \$15,579,000) from its general operating activities which was principally utilised to purchase assets and repay loans.

These actions together with the proceeds from the sale of assets have resulted in Council having a net increase in cash and investments of \$7,323,000 for the year (2015: \$7,053,000 increase).

### Cash Flow Surplus/Deficit (movement)



For comparative purposes, we note the following factors that have impacted on the cash flow surplus in 2015/2016.

- Materials and contracts expenditure \$11,992,000 increased \$1,454,000 in the current year.
- Borrowing costs amounted to \$549,000 in the current year compared to \$368,000 in 2014/2015.
- Additional user fees and charges received \$3,974,000.

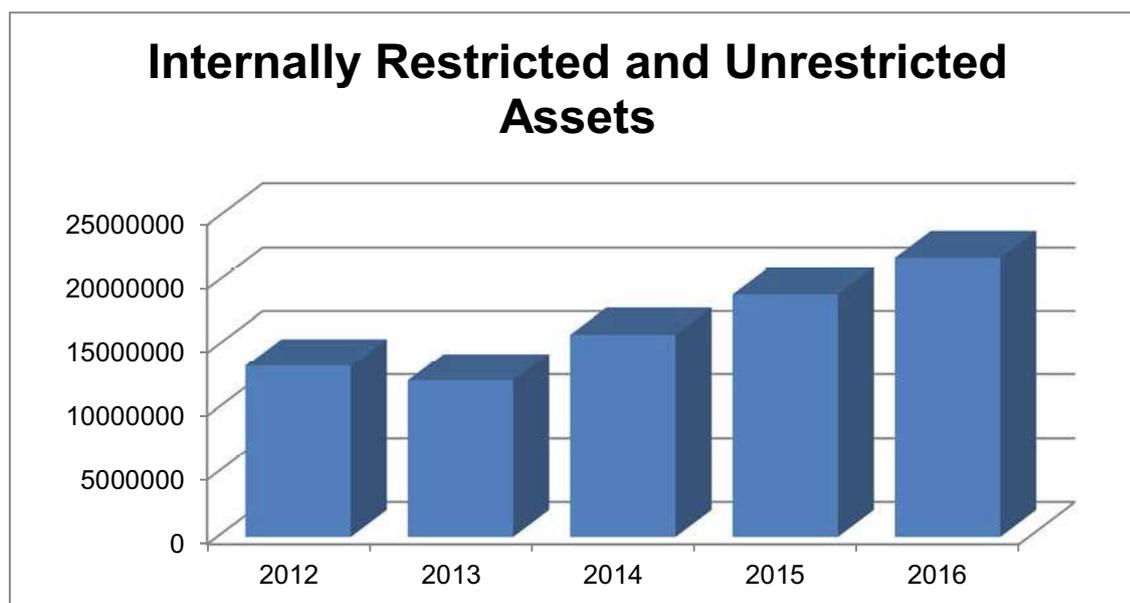
Upon analysis the cash flow deficit can be identified as follows:

<u>Activity</u>	<u>Surplus/(Deficit)</u>	
	2016 \$	2015 \$
Externally Restricted	4,427,000	3,913,000
Internally Restricted & Unrestricted	2,896,000	3,140,000

### Reserves (Internally Restricted and Unrestricted Assets)

As noted previously, Council's internal and unrestricted funds have increased by \$2,896,000 during the twelve month period and at year end Council held internally restricted investments amounting to \$13,055,000 (2015 - \$10,064,000) whilst a further \$8,834,000 was maintained as unrestricted investments (2015 - \$8,929,000).

#### Internal and Unrestricted Reserve Funds



As illustrated, Council's reserve funds have been consistently increased since 2012, except in 2013 which were slightly down. However, it appears Council has maintained reasonable reserve across the years. We still encourage Council to ensure that reserve funding is commensurable with Council's long term plans.

### Performance Ratios

Note 13 to the financial statements provide a measure of Council's performance using a number of selected ratios as follows:

#### Operating Performance Ratio

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of a surplus of 15.92% (2015 – 11.74%) is above the benchmark of 0%. Council's continues to maintain operating expenditures within operating revenues.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water, Sewer, etc.) may vary significantly.

### **Own source operating revenue**

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 59.10% (2015 – 69.03%) is slightly lower than the benchmark of 60%. It is worth noting that Council have maintained higher ratios in the past 3 years which were well above the benchmark. Therefore, it indicates Council is not reliant on government grants and contributions to provide services to the community. This year Council recognised and additional \$7.355 million in developer contributed assets.

### **Unrestricted Current Ratio**

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations in the short-term and immediate asset balances.

Council's ratio of 6.29:1 (2015 – 5.43:1) is considered strong, as the benchmark is a minimum of 1.5:1.

### **Debt Service Cover Ratio**

The debt service cover ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

Council's ratio of 16.61 (2015 – 13.36) is considered sound, as the benchmark is a minimum of 2.00. This result means that Council has \$16.61 of cash to meet every \$1 of debt. This result has been impacted by the improved operating result for the year.

### **Rates and Annual Charges Outstanding Ratio**

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Council's rates and annual charges outstanding percentage of 4.57% (2015 – 5.46%) is within the benchmark of 10%. By achieving rates recovery of 95.43% is indicative that Council is maintaining diligent recovery procedures.

### **Cash Expense Cover Ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Council's ratio of 23.25 months (2015 – 22.0 months) is well above the minimum benchmark of 3 months and indicates that Council is in a very strong cash and investment position.

## **OTHER MATTERS**

Several performance improvement observations were noted during our year end audit visits. A final audit memo will be issued to management. There were no major control deficiencies noted in Council's systems.

### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

### **Reliance on the Report**

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

*Crowe Horwath Auswild*  
CROWE HORWATH AUSWILD

*Clare Wagner*

Clare Wagner  
Audit Partner

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# Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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“To be a focused community valuing  
Gunnedah’s identity and quality lifestyle”.



# Gunnedah Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Gunnedah Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

**The attached Special Purpose Financial Statements have been prepared in accordance with:**

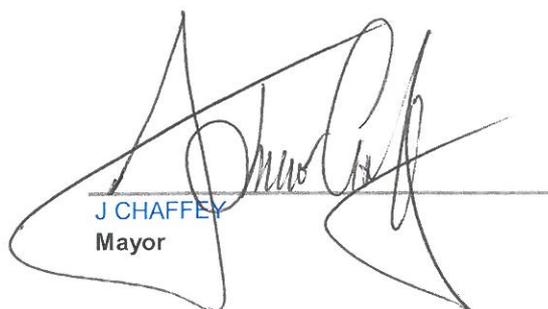
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

**To the best of our knowledge and belief, these financial statements:**

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 19 October 2016.**



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J CHAFFEY  
Mayor



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R G SWAIN  
Councillor



---

E J GROTH  
General Manager



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E J GROTH  
Responsible Accounting Officer

## Gunnedah Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	827	816
User charges	3,166	2,660
Fees	–	–
Interest	315	344
Grants and contributions provided for non-capital purposes	92	61
Profit from the sale of assets	8	–
Other income	19	4
<b>Total income from continuing operations</b>	<b>4,427</b>	<b>3,885</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	704	631
Borrowing costs	–	–
Materials and contracts	548	600
Depreciation and impairment	929	921
Water purchase charges	–	–
Loss on sale of assets	399	437
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	679	841
<b>Total expenses from continuing operations</b>	<b>3,259</b>	<b>3,430</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,168</b>	<b>455</b>
Grants and contributions provided for capital purposes	728	778
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,896</b>	<b>1,233</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,896</b>	<b>1,233</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(350)	(137)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,546</b>	<b>1,097</b>
<b>Plus opening retained profits</b>	29,718	28,483
<b>Plus/less: prior period adjustments</b>	–	2
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	350	137
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>31,614</b>	<b>29,718</b>
<b>Return on capital %</b>	<b>2.8%</b>	<b>1.1%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>782</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,546	1,097
Less: capital grants and contributions (excluding developer contributions)	(260)	(591)
<b>Surplus for dividend calculation purposes</b>	<b>1,286</b>	<b>506</b>
<b>Potential dividend calculated from surplus</b>	<b>643</b>	<b>253</b>

## Gunnedah Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	1,823	1,751
User charges	604	607
Liquid trade waste charges	–	–
Fees	–	–
Interest	265	300
Grants and contributions provided for non-capital purposes	36	37
Profit from the sale of assets	2	–
Other income	1	–
<b>Total income from continuing operations</b>	<b>2,731</b>	<b>2,695</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	374	377
Borrowing costs	–	–
Materials and contracts	245	285
Depreciation and impairment	754	711
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	325	467
<b>Total expenses from continuing operations</b>	<b>1,698</b>	<b>1,840</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,033</b>	<b>855</b>
Grants and contributions provided for capital purposes	869	1,021
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,902</b>	<b>1,876</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,902</b>	<b>1,876</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(310)	(257)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,592</b>	<b>1,620</b>
<b>Plus opening retained profits</b>	14,375	12,091
<b>Plus/less: prior period adjustments</b>	–	408
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	310	257
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>16,277</b>	<b>14,375</b>
<b>Return on capital %</b>	<b>3.1%</b>	<b>2.6%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>123</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,592	1,620
Less: capital grants and contributions (excluding developer contributions)	(552)	(913)
<b>Surplus for dividend calculation purposes</b>	<b>1,040</b>	<b>707</b>
<b>Potential dividend calculated from surplus</b>	<b>520</b>	<b>353</b>

## Gunnedah Shire Council

## Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	410	374
Investments	12,977	10,991
Receivables	535	511
Inventories	123	113
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>14,045</b>	<b>11,989</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	41,374	40,951
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>41,374</b>	<b>40,951</b>
<b>TOTAL ASSETS</b>	<b>55,419</b>	<b>52,940</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	9	7
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>9</b>	<b>7</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>9</b>	<b>7</b>
<b>NET ASSETS</b>	<b>55,410</b>	<b>52,933</b>
<b>EQUITY</b>		
Retained earnings	31,614	29,718
Revaluation reserves	23,796	23,215
Council equity interest	55,410	52,933
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>55,410</b>	<b>52,933</b>

## Gunnedah Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	239
Investments	10,307	8,994
Receivables	201	217
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>10,508</b>	<b>9,450</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	33,790	32,375
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>33,790</b>	<b>32,375</b>
<b>TOTAL ASSETS</b>	<b>44,298</b>	<b>41,825</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	1	1
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>1</b>	<b>1</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>1</b>	<b>1</b>
<b>NET ASSETS</b>	<b>44,297</b>	<b>41,824</b>
<b>EQUITY</b>		
Retained earnings	16,277	14,375
Revaluation reserves	28,020	27,449
Council equity interest	44,297	41,824
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>44,297</b>	<b>41,824</b>

## Gunnedah Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

## Gunnedah Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

(where gross operating turnover is over \$2 million)

##### a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the towns of Gunnedah, Curlewis, Mullaley & Tambar Springs.

##### b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the towns of Gunnedah & Curlewis.

##### Category 2

(where gross operating turnover is less than \$2 million)

Nil

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

#### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where

## Gunnedah Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies (continued)

this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

#### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

#### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

#### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

## Gunnedah Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies (continued)

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

#### (iii) Return on investments (rate of return)

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The rate of return on capital is calculated as follows:

**Operating result before capital income + interest expense**

**Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

#### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of

Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	14,646
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	642,800
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	146,460
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	2,853,100

2016 Surplus	1,285,600	2015 Surplus	505,500	2014 Surplus	1,062,000
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	146,460
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

## National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,832
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	75.14%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	41,044
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,931
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	806
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	4.77%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	12,126
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	520,050
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	121,260
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	2,546,900

2016 Surplus	1,040,100	2015 Surplus	706,500	2014 Surplus	800,300
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	121,260
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,333
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	33,138
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	943
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,220
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	4.84%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

---

**National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)**

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	7,775
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.96%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,026
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	4.80%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Gunnedah Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<b>-23.76%</b>
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <b>3,608</b> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: <b>- 580</b> Interest expense (w4a + s4a) – interest income (w9 + s10)		<b>&gt; 100</b>
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<b>3,798</b>
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<b>75</b>

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

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## **INDEPENDENT AUDITORS' REPORT TO GUNNEDAH SHIRE COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements, being special purpose financial statements, of Gunnedah Shire Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2016, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

### **COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Division of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines and are appropriate to meet the needs of the Council and the Division of Local Government.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

## OPINION

In our opinion the financial statements of Gunnedah Shire Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) giving a true and fair view of the Council's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

## BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Councils' financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Division of Local Government, or for any purpose other than that for which it was prepared.

*Crowe Horwath Auswild*  
CROWE HORWATH AUSWILD

*Clare Wagner*

**Clare Wagner**  
**Audit Partner**

Dated at Dubbo this 20th day of October 2016



# Gunnedah Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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“To be a focused community valuing  
Gunnedah’s identity and quality lifestyle”.



# Gunnedah Shire Council

## Special Schedules for the year ended 30 June 2016

Contents		Page
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<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	5
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## Gunnedah Shire Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>600</b>	<b>2</b>	<b>–</b>	<b>(598)</b>
<b>Administration</b>	<b>1,262</b>	<b>221</b>	<b>–</b>	<b>(1,041)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	455	212	–	(243)
Beach control	–	–	–	–
Enforcement of local government regulations	9	2	–	(7)
Animal control	168	51	–	(117)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>632</b>	<b>265</b>	<b>–</b>	<b>(367)</b>
<b>Health</b>	<b>64</b>	<b>48</b>	<b>–</b>	<b>(16)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	334	139	–	(195)
Other environmental protection	24	–	(100)	(124)
Solid waste management	2,623	2,688	26	91
Street cleaning	348	–	–	(348)
Drainage	–	–	–	–
Stormwater management	372	94	972	694
<b>Total environment</b>	<b>3,701</b>	<b>2,921</b>	<b>898</b>	<b>118</b>
<b>Community services and education</b>				
Administration and education	292	2	–	(290)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	3,552	4,527	–	975
Children's services	255	75	–	(180)
<b>Total community services and education</b>	<b>4,099</b>	<b>4,604</b>	<b>–</b>	<b>505</b>
<b>Housing and community amenities</b>				
Public cemeteries	146	112	–	(34)
Public conveniences	–	–	–	–
Street lighting	187	19	–	(168)
Town planning	738	546	256	64
Other community amenities	35	37	–	2
<b>Total housing and community amenities</b>	<b>1,106</b>	<b>714</b>	<b>256</b>	<b>(136)</b>
<b>Water supplies</b>	<b>3,251</b>	<b>4,087</b>	<b>729</b>	<b>1,565</b>
<b>Sewerage services</b>	<b>1,645</b>	<b>2,717</b>	<b>869</b>	<b>1,941</b>

## Gunnedah Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	518	53	–	(465)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	344	1	–	(343)
Performing arts venues	610	252	–	(358)
Other performing arts	–	–	–	–
Other cultural services	170	45	–	(125)
Sporting grounds and venues	839	42	175	(622)
Swimming pools	1,097	262	–	(835)
Parks and gardens (lakes)	846	37	37	(772)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>4,424</b>	<b>692</b>	<b>212</b>	<b>(3,520)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	418	8	–	(410)
Other mining, manufacturing and construction	484	–	–	(484)
<b>Total mining, manufacturing and const.</b>	<b>902</b>	<b>8</b>	<b>–</b>	<b>(894)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	1,565	926	4,340	3,701
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,322	702	494	(1,126)
Sealed rural roads (SRR) – regional	6,180	6,155	–	(25)
Unsealed rural roads (URR) – local	2,451	616	76	(1,759)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	137	–	–	(137)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	22	–	–	(22)
Footpaths	228	–	7	(221)
Aerodromes	164	13	–	(151)
Other transport and communication	(261)	36	983	1,280
<b>Total transport and communication</b>	<b>12,808</b>	<b>8,448</b>	<b>5,900</b>	<b>1,540</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	16	19	–	3
Other economic affairs	1,878	1,363	–	(515)
<b>Total economic affairs</b>	<b>1,894</b>	<b>1,382</b>	<b>–</b>	<b>(512)</b>
<b>Totals – functions</b>	<b>36,388</b>	<b>26,109</b>	<b>8,864</b>	<b>(1,415)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>16,578</b>		<b>16,578</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>36,388</b>	<b>42,687</b>	<b>8,864</b>	<b>15,163</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Gunnedah Shire Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–							–	–
Treasury corporation	–	–	–							–	–
Other state government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	289	9,173	<b>9,462</b>	–	289	–	–	548	305	8,868	<b>9,173</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>289</b>	<b>9,173</b>	<b>9,462</b>	<b>–</b>	<b>289</b>	<b>–</b>	<b>–</b>	<b>548</b>	<b>305</b>	<b>8,868</b>	<b>9,173</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	2	16	<b>18</b>	–	2	–	–	1	3	13	<b>16</b>
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>2</b>	<b>16</b>	<b>18</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>3</b>	<b>13</b>	<b>16</b>
<b>Total debt</b>	<b>291</b>	<b>9,189</b>	<b>9,480</b>	<b>–</b>	<b>291</b>	<b>–</b>	<b>–</b>	<b>549</b>	<b>308</b>	<b>8,881</b>	<b>9,189</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Gunnedah Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	366	529
b. Engineering and supervision	234	200
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	–	–
d. Maintenance expenses	627	656
– <b>Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	93	64
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	331	343
i. Maintenance expenses	186	144
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	16	14
l. Maintenance expenses	1	3
– <b>Other</b>		
m. Operation expenses	19	62
n. Maintenance expenses	29	23
o. Purchase of water	29	28
<b>3. Depreciation expenses</b>		
a. System assets	882	874
b. Plant and equipment	45	47
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	6
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	2	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>2,860</b>	<b>2,993</b>

## Gunnedah Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	689	665
b. Usage charges	2,082	1,805
<b>7. Non-residential charges</b>		
a. Access (including rates)	137	151
b. Usage charges	1,084	855
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	315	344
<b>10. Other income</b>	19	4
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	39	40
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	53	208
b. Developer provided assets	729	591
c. Other contributions	–	–
<b>13. Total income</b>	<b>5,147</b>	<b>4,663</b>
<b>14. Gain (or loss) on disposal of assets</b>	(391)	(437)
<b>15. Operating result</b>	<b>1,896</b>	<b>1,233</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	1,896	1,233

## Gunnedah Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	225	125
b. New assets for growth	26	804
c. Renewals	551	236
d. Plant and equipment	4	29
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>806</b>	<b>1,194</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	4,251	3,980
b. Residential (unoccupied, ie. vacant lot)	218	205
c. Non-residential (occupied)	409	422
d. Non-residential (unoccupied, ie. vacant lot)	4	–
<b>23. Number of ETs for which developer charges were received</b>	7 ET	22 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 70,773	\$ 72,303

## Gunnedah Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	3,009	–	3,009
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	10,378	–	10,378
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	67	–	67
c. User charges	467	–	467
d. Other	1	–	1
<b>27. Inventories</b>	123	–	123
<b>28. Property, plant and equipment</b>			
a. System assets	–	41,044	41,044
b. Plant and equipment	–	330	330
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>14,045</b>	<b>41,374</b>	<b>55,419</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	9	–	9
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>9</b>	<b>–</b>	<b>9</b>
<b>36. NET ASSETS COMMITTED</b>	<b>14,036</b>	<b>41,374</b>	<b>55,410</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			30,992
<b>38. Asset revaluation reserve</b>			24,418
<b>39. TOTAL EQUITY</b>			<b>55,410</b>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			68,048
<b>41. Accumulated current cost</b> depreciation of system assets			(27,004)
<b>42. Written down current cost</b> of system assets			<b>41,044</b>

## Gunnedah Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	256	399
b. Engineering and supervision	145	131
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	182	199
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	68	68
e. Maintenance expenses	30	45
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	4	3
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	193	206
– Other		
l. Operation expenses	17	–
m. Maintenance expenses	48	78
<b>3. Depreciation expenses</b>		
a. System assets	735	693
b. Plant and equipment	19	18
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,697</b>	<b>1,840</b>

## Gunnedah Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,823	1,751
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	560	565
<b>8. Trade waste charges</b>		
a. Annual fees	10	9
b. Usage charges	34	33
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	265	300
<b>11. Other income</b>	1	–
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	36	37
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	694	1,021
b. Developer provided assets	–	–
c. Other contributions	175	–
<b>14. Total income</b>	<b>3,598</b>	<b>3,716</b>
<b>15. Gain (or loss) on disposal of assets</b>	1	–
<b>16. Operating result</b>	<b>1,902</b>	<b>1,876</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	1,902	1,876

## Gunnedah Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	1,124	1,259
c. Renewals	96	252
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>1,220</b>	<b>1,511</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	–	–
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	3,451	3,466
b. Residential (unoccupied, ie. vacant lot)	195	146
c. Non-residential (occupied)	392	10
d. Non-residential (unoccupied, ie. vacant lot)	4	–
<b>24. Number of ETs for which developer charges were received</b>	44 ET	14 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 65,511	\$ 67,335

## Gunnedah Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	1,315	–	1,315
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,992	–	8,992
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	140	–	140
c. User charges	60	–	60
d. Other	1	–	1
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	33,138	33,138
b. Plant and equipment	–	652	652
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>10,508</u>	<u>33,790</u>	<u>44,298</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	1	–	1
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>1</u>	<u>–</u>	<u>1</u>
<b>37. NET ASSETS COMMITTED</b>	<u>10,507</u>	<u>33,790</u>	<u>44,297</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			16,111
<b>39. Asset revaluation reserve</b>			28,186
<b>40. TOTAL EQUITY</b>			<u>44,297</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			56,356
<b>42. Accumulated current cost</b> depreciation of system assets			(23,218)
<b>43. Written down current cost</b> of system assets			<u>33,138</u>

## Gunnedah Shire Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

#### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## Gunnedah Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Commercial Buildings	40	40	116	114	9,188	13,313	8%	8%	61%	23%	0%
	Community Housing	–	–	6	3	1,053	1,636	40%	40%	20%	0%	0%
	Halls, Community Centres	120	–	112	152	21,565	35,648	13%	25%	44%	13%	5%
	<b>Sub-total</b>	<b>160</b>	<b>40</b>	<b>234</b>	<b>269</b>	<b>31,806</b>	<b>50,597</b>	<b>12.6%</b>	<b>21.0%</b>	<b>47.7%</b>	<b>15.2%</b>	<b>3.5%</b>
<b>Other structures</b>	Other Structures	8	8	11	6	3,931	6,120	24%	36%	20%	20%	0%
	<b>Sub-total</b>	<b>8</b>	<b>8</b>	<b>11</b>	<b>6</b>	<b>3,931</b>	<b>6,120</b>	<b>24.0%</b>	<b>36.0%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	57	57	530	515	57,035	81,810	45%	26%	29%	0%	0%
	Unsealed roads	216	216	1,373	1,494	72,836	95,962	31%	25%	43%	1%	0%
	Bridges / Culverts	821	821	9	–	21,724	32,820	42%	34%	19%	5%	0%
	Footpaths	27	27	57	45	5,698	7,112	59%	29%	11%	1%	0%
	Other road assets	141	141	6	5	6,207	7,907	29%	21%	41%	9%	0%
	Urban Roads	318	318	298	382	39,586	54,896	45%	24%	30%	1%	0%
	Kerb & Gutter	–	–	33	31	13,342	26,948	16%	74%	10%	0%	0%
	Aerodrome	490	490	36	30	1,013	5,045	24%	2%	20%	54%	0%
	Parking Areas	–	–	5	2	445	1,043	41%	49%	10%	0%	0%
	<b>Sub-total</b>	<b>2,070</b>	<b>2,070</b>	<b>2,347</b>	<b>2,504</b>	<b>217,886</b>	<b>313,543</b>	<b>37.5%</b>	<b>29.9%</b>	<b>30.5%</b>	<b>2.1%</b>	<b>0.0%</b>

## Gunnedah Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Gunnedah Water	846	846	653	716	36,037	59,662	76%	10%	6%	8%	0%
	Curlewis Water	85	85	38	50	3,220	5,455	71%	6%	19%	3%	1%
	Mullaley Water	182	182	21	42	387	889	8%	10%	41%	41%	0%
	Tambar Springs Water	138	138	24	15	1,222	1,964	10%	64%	12%	14%	0%
	<b>Sub-total</b>	<b>1,251</b>	<b>1,251</b>	<b>736</b>	<b>823</b>	<b>40,866</b>	<b>67,970</b>	<b>72.8%</b>	<b>11.2%</b>	<b>7.7%</b>	<b>8.2%</b>	<b>0.1%</b>
Sewerage network	Gunnedah Sewerage	3,745	3,745	337	361	29,316	51,550	59%	10%	8%	22%	1%
	Curlewis Sewerage	162	162	84	72	2,340	3,325	43%	40%	3%	13%	1%
	<b>Sub-total</b>	<b>3,907</b>	<b>3,907</b>	<b>421</b>	<b>433</b>	<b>31,656</b>	<b>54,875</b>	<b>58.0%</b>	<b>11.8%</b>	<b>7.7%</b>	<b>21.5%</b>	<b>1.0%</b>
Stormwater drainage	Stormwater drainage	–	–	30	25	23,864	32,528	46%	27%	26%	0%	1%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>30</b>	<b>25</b>	<b>23,864</b>	<b>32,528</b>	<b>46.0%</b>	<b>27.0%</b>	<b>26.0%</b>	<b>0.0%</b>	<b>1.0%</b>
Open space/recreational assets	Swimming Pools	1,500	1,500	47	41	2,098	3,973	0%	0%	75%	25%	0%
	Other Recreational Assets	58	58	–	–	1,533	3,447	35%	45%	20%	0%	0%
	<b>Sub-total</b>	<b>1,558</b>	<b>1,558</b>	<b>47</b>	<b>41</b>	<b>3,631</b>	<b>7,420</b>	<b>16.3%</b>	<b>20.9%</b>	<b>49.4%</b>	<b>13.4%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>8,954</b>	<b>8,834</b>	<b>3,826</b>	<b>4,101</b>	<b>353,640</b>	<b>533,053</b>	<b>41.8%</b>	<b>24.6%</b>	<b>26.7%</b>	<b>6.4%</b>	<b>0.5%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>6,599</u>	<b>94.75%</b>	103.87%	121.79%
Depreciation, amortisation and impairment	<u>6,965</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>8,954</u>	<b>2.53%</b>	2.91%	4.27%
Carrying value of infrastructure assets	<u>353,640</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>4,101</u>	<b>1.07</b>	0.99	0.95
Required asset maintenance	<u>3,826</u>			
<b>4. Capital expenditure ratio</b>				
Annual capital expenditure	<u>18,342</u>	<b>1.96</b>	1.32	1.85
Annual depreciation	<u>9,341</u>			

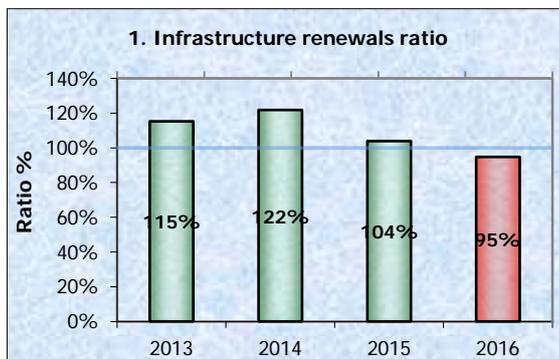
## Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

# Gunnedah Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

### Purpose of asset renewals ratio

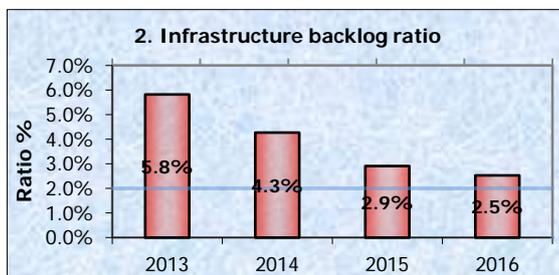
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

### Commentary on 2015/16 result

**2015/16 Ratio 94.75%**

Council's long term objective is to match spending on infrastructure renewals with their systematic deterioration. This requires the renewal ratio to approach 100% over the long term. This year council achieved 94.75%. More detailed information is available from Council's Strategic Asset Management Plans.

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

### Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

### Commentary on 2015/16 result

**2015/16 Ratio 2.53%**

The Ratio shows a positive trend as Council continues to tackle its Infrastructure Back log.

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



Benchmark: — Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

### Purpose of asset maintenance ratio

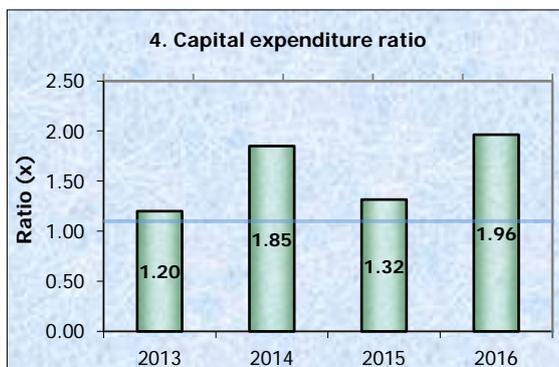
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

### Commentary on 2015/16 result

**2015/16 Ratio 1.07 x**

This ratio reflects Councils commitment to maintaining current assets and improving where fiscally responsible.

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



Benchmark: — Minimum  $> 1.10$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

### Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

### Commentary on 2015/16 result

**2015/16 Ratio 1.96 x**

Council is currently renewing assets at a greater rate than deterioration in improve the asset renewal backlog. Councils long term goal is for a ratio of 1.0.

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

## Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
<u>Asset renewals <sup>(2)</sup></u>	<b>167.76%</b>	<b>0.00%</b>	<b>95.70%</b>
Depreciation, amortisation and impairment			
prior period:	76.91%	86.56%	110.87%
<b>2. Infrastructure backlog ratio</b>			
<u>Estimated cost to bring assets to a satisfactory standard</u>	<b>3.06%</b>	<b>12.34%</b>	<b>1.35%</b>
Carrying value of infrastructure assets			
prior period:	1.54%	0.92%	3.32%
<b>3. Asset maintenance ratio</b>			
<u>Actual asset maintenance</u>	<b>1.12</b>	<b>1.03</b>	<b>1.07</b>
Required asset maintenance			
prior period:	0.96	1.00	0.99
<b>4. Capital expenditure ratio</b>			
<u>Annual capital expenditure</u>	<b>0.87</b>	<b>1.62</b>	<b>2.13</b>
Annual depreciation			
prior period:	0.82	2.13	1.30

## Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Gunnedah Shire Council

Special Schedule 8 – Permissible Income Calculation  
for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	10,660	11,698
Plus or minus adjustments <sup>(2)</sup>	b	30	(415)
<b>Notional general income</b>	c = (a + b)	<b>10,690</b>	<b>11,283</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	9.50%	7.50%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	1,016	846
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>11,706</b>	<b>12,129</b>
Plus (or minus) last year's carry forward total	l	1	9
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>9</b>
<b>Total permissible income</b>	o = k + n	<b>11,707</b>	<b>12,138</b>
Less notional general income yield	p	11,698	12,136
<b>Catch-up or (excess) result</b>	q = o – p	<b>9</b>	<b>2</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	(2)
<b>Carry forward to next year</b>	t = q + r – s	<b>9</b>	<b>(0)</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

**GUNNEDAH SHIRE COUNCIL  
INDEPENDENT AUDITORS' REPORT**

**REPORT ON SPECIAL SCHEDULE NO. 8**

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We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Gunnedah Shire Council, for 2016/17.

***Responsibility of Council for Special Schedule No. 8***

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines), update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's' Responsibility***

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we considered internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Audit Opinion***

In our opinion, Special Schedule No. 8 of Gunnedah Shire Council for 2016/17, is properly drawn up in accordance with the requirements of Local Government, and in accordance with the books and records of the Council.

***Basis of Accounting***

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result the schedule may not be suitable for another purpose.

*Crowe Horwath Auswild*  
CROWE HORWATH AUSWILD

*Clare Wagner*

Clare Wagner  
Audit Partner

Dated at Dubbo the 20th day of October 2016