



Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“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 2018

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	85
– On the Conduct of the Audit (Sect 417 [3])	88

Overview

Gunnedah Shire Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

63 Elgin Street
GUNNEDAH NSW 2380

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.gunnedah.nsw.gov.au.

Gunnedah Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

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 2018.

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

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

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "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

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 annual financial statements are required to be audited by the NSW Audit Office. 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 2018

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 other pronouncements of the Australian Accounting Standards Board
- 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,
- 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 05 September 2018.



J CHAFFEY
Mayor
17 October 2018



R HOOKE
Councillor
17 October 2018



E J GROTH
General Manager
17 October 2018



D CONNOR
Responsible Accounting Officer
17 October 2018

Gunnedah Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
17,121	Rates and annual charges	3a	17,414	16,816
8,339	User charges and fees	3b	11,492	11,356
1,589	Interest and investment revenue	3c	1,787	1,722
392	Other revenues	3d	708	708
10,286	Grants and contributions provided for operating purposes	3e,f	11,944	14,107
4,333	Grants and contributions provided for capital purposes	3e,f	8,186	2,293
Other income:				
–	Net gains from the disposal of assets	5	–	12
42,060	Total income from continuing operations		51,531	47,014
Expenses from continuing operations				
14,632	Employee benefits and on-costs	4a	13,876	13,673
870	Borrowing costs	4b	859	712
7,558	Materials and contracts	4c	9,336	9,204
10,320	Depreciation and amortisation	4d	9,761	9,399
2,865	Other expenses	4e	3,007	2,800
–	Net losses from the disposal of assets	5	4,693	–
–	Revaluation decrement / impairment of IPP&E	4d	28	8
36,245	Total expenses from continuing operations		41,560	35,796
5,815	Operating result from continuing operations		9,971	11,218
5,815	Net operating result for the year		9,971	11,218
5,815	Net operating result attributable to Council		9,971	11,218
1,482	Net operating result for the year before grants and contributions provided for capital purposes		1,785	8,925

Gunnedah Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		9,971	11,218
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	14,672	(8,021)
Gain on reclassification of Footpath assets	9a	263	–
Total items which will not be reclassified subsequently to the operating result		14,935	(8,021)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		14,935	(8,021)
Total comprehensive income for the year		24,906	3,197
Total comprehensive income attributable to Council		24,906	3,197

Gunnedah Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	7,068	2,459
Investments	6b	56,280	63,779
Receivables	7	5,448	5,108
Inventories	8	491	480
Other	8	160	215
Total current assets		69,447	72,041
Non-current assets			
Receivables	7	28	29
Infrastructure, property, plant and equipment	9	417,772	391,082
Total non-current assets		417,800	391,111
TOTAL ASSETS		487,247	463,152
LIABILITIES			
Current liabilities			
Payables	10	4,316	3,309
Income received in advance	10	440	373
Borrowings	10	517	492
Provisions	11	4,874	4,866
Total current liabilities		10,147	9,040
Non-current liabilities			
Borrowings	10	12,573	13,089
Provisions	11	6,407	7,809
Total non-current liabilities		18,980	20,898
TOTAL LIABILITIES		29,127	29,938
Net assets		458,120	433,214
EQUITY			
Accumulated surplus	12	215,052	205,081
Revaluation reserves	12	243,068	228,133
Total equity		458,120	433,214

Gunnedah Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		205,081	228,133	433,214	193,853	236,164	430,017
Net operating result for the year prior to correction of errors and changes in accounting policies		9,971	–	9,971	11,218	–	11,218
Net operating result for the year		9,971	–	9,971	11,218	–	11,218
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	14,672	14,672	–	(8,021)	(8,021)
- Gain on reclassification of Footpath assets		–	263	263	–	–	–
Other comprehensive income		–	14,935	14,935	–	(8,021)	(8,021)
Total comprehensive income (c&d)		9,971	14,935	24,906	11,218	(8,021)	3,197
Transfers between equity items		–	–	–	10	(10)	–
Equity – balance at end of the reporting period		215,052	243,068	458,120	205,081	228,133	433,214

Gunnedah Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
17,202	Rates and annual charges		17,436	16,873
10,221	User charges and fees		12,046	11,703
1,616	Investment and interest revenue received		1,668	1,670
14,661	Grants and contributions		18,845	14,979
941	Other		2,976	2,785
Payments:				
(9,891)	Employee benefits and on-costs		(14,048)	(13,122)
(13,812)	Materials and contracts		(12,421)	(8,995)
(694)	Borrowing costs		(681)	(533)
(3,249)	Other		(4,791)	(5,206)
16,995	Net cash provided (or used in) operating activities	13b	21,030	20,154
Cash flows from investing activities				
Receipts:				
410	Sale of investment securities		67,500	69,900
567	Sale of infrastructure, property, plant and equipment		523	656
3	Deferred debtors receipts		1	2
Payments:				
(2,713)	Purchase of investment securities		(60,001)	(81,385)
(14,775)	Purchase of infrastructure, property, plant and equipment		(23,953)	(15,037)
(16,508)	Net cash provided (or used in) investing activities		(15,930)	(25,864)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	4,700
Payments:				
(487)	Repayment of borrowings and advances		(491)	(308)
(487)	Net cash flow provided (used in) financing activities		(491)	4,392
–	Net increase/(decrease) in cash and cash equivalents		4,609	(1,318)
1,000	Plus: cash and cash equivalents – beginning of year	13a	2,459	3,777
1,000	Cash and cash equivalents – end of the year	13a	7,068	2,459
Additional Information:				
	plus: Investments on hand – end of year	6b	56,280	63,779
	Total cash, cash equivalents and investments		63,348	66,238

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	16
4	Expenses from continuing operations	22
5	Gains or losses from the disposal of assets	27
6(a)	Cash and cash equivalent assets	27
6(b)	Investments	28
6(c)	Restricted cash, cash equivalents and investments – details	29
7	Receivables	31
8	Inventories and other assets	33
9(a)	Infrastructure, property, plant and equipment	34
9(b)	Externally restricted infrastructure, property, plant and equipment	37
9(c)	Infrastructure, property, plant and equipment – current year impairments	38
10	Payables and borrowings	39
11	Provisions	42
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	46
13	Statement of cash flows – additional information	47
14	Commitments for expenditure	48
15	Contingencies and other liabilities/assets not recognised	49
16	Financial risk management	52
17	Material budget variations	56
18	Fair value measurement	58
19	Related party transactions	73
20	Statement of developer contributions	75
21	Financial result and financial position by fund	77
22(a)	Statement of performance measures – consolidated results	79
22(b)	Statement of performance measures – by fund	80
Additional council disclosures (unaudited)		
22(c)	Statement of performance measures – consolidated results (graphs)	82
23	Council information and contact details	84

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 17TH October 2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 19 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 17 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also 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 the 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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of 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

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

The Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial 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.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Engaging and Supporting the Community	39,580	36,955	24,426	20,744	15,154	16,211	9,515	8,508	405,128	393,674
Building Our Shire's Economy	1,238	882	1,364	1,169	(126)	(287)	30	5	9,306	10,371
Retaining Our Quality of Life	4,266	4,900	9,069	7,359	(4,803)	(2,459)	3,630	4,126	45,279	34,288
Protecting and Enjoying Our Beautiful Surrounds	6,447	4,277	6,701	6,524	(254)	(2,247)	2,650	615	27,534	24,819
Total functions and activities	51,531	47,014	41,560	35,796	9,971	11,218	15,825	13,254	487,247	463,152

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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:

Engaging and Supporting the Community

Community leadership is strengthened and volunteers are engaged;
 Council is a sustainable, ethical and efficient organisation;
 Increased local investment from other sources including the State and Commonwealth Governments as well as developers;
 An engaged community that is involved in the decision making process;
 Strategically managed infrastructure.

Building Our Shire's Economy

A growing population and diversified economy;
 Access to our goods, services and markets;
 Increased tourism and promotion of the Gunnedah Shire;
 The Gunnedah Shire is an attractive place to invest;
 Skilled workforce and quality local educational opportunities.

Retaining Our Quality of Life

Quality lifestyles and support for our older residents;
 Improved housing affordability;
 Villages are vibrant and sustainable;
 Reduced crime and anti-social behaviour;
 Our younger people are attracted, retained and developed;
 A healthy and active community participating in a diverse range of recreational and cultural activities;
 Improved access to essential services.

Protecting and Enjoying Our Beautiful Surrounds

Balance between development and environmental protection;
 Native fauna is secured, biodiversity protected and native vegetation thrives;
 A secure and high quality water supply;
 Our heritage is valued and protected;
 Managed exposure and reduced contribution to climate change;
 Our waste is sustainably managed and reduced;
 Enhanced streetscapes and open spaces in Gunnedah and villages.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	4,134	4,036
Farmland	4,934	4,831
Mining	1,198	1,177
Business	2,199	2,039
Less: pensioner rebates (mandatory)	(160)	(169)
Total ordinary rates	12,305	11,914
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,196	2,104
Stormwater management services	94	94
Water supply services	859	818
Sewerage services	1,960	1,886
Total annual charges	5,109	4,902
TOTAL RATES AND ANNUAL CHARGES	17,414	16,816

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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.

(b) User charges and fees**Specific user charges** (per s.502 – specific 'actual use' charges)

Domestic waste management services	639	608
Water supply services	3,111	2,375
Sewerage services	677	578
Waste management services (non-domestic)	60	44
Total specific user charges	4,487	3,605

Other user charges and fees**(i) Fees and charges – statutory and regulatory functions (per s.608)**

Planning and building regulation	249	232
Private works – section 67	139	443
Regulatory/ statutory fees	59	43
Registration fees	34	29
Section 149 certificates (EPA Act)	34	34
Section 603 certificates	43	35
Total fees and charges – statutory/regulatory	558	816

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	47	31
Aged care	107	98
Caravan park	5	5
Cemeteries	146	120
Events	44	7
Library and art gallery	10	8
Noxious weeds	11	17
Park rents	83	71
Public halls	–	54
RMS (formerly RTA) charges (state roads not controlled by Council)	4,548	5,364
Saleyards	1,084	730
Swimming centres	109	184
Tourism	25	21
Theatre	214	211
Other	14	14
Total fees and charges – other	6,447	6,935
TOTAL USER CHARGES AND FEES	11,492	11,356

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue (including losses)**Interest**

– Overdue rates and annual charges (incl. special purpose rates)	43	81
– Cash and investments	1,744	1,641
TOTAL INTEREST AND INVESTMENT REVENUE	1,787	1,722

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	43	81
General Council cash and investments	888	778

Restricted investments/funds – external:

Development contributions		
– Section 7.11	62	55
– Section 64	130	122
Water fund operations	291	285
Sewerage fund operations	228	260
Domestic waste management operations	145	141

Total interest and investment revenue recognised	1,787	1,722
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Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		129	145
Fines		17	18
Fines – parking		7	4
Legal fees recovery – rates and charges (extra charges)		98	121
Commissions and agency fees		12	27
Diesel rebate		41	36
Government paid parental leave		32	12
Insurance claim recoveries		58	7
Reimbursements		88	91
Sales – domestic waste		79	64
Sales – swimming pools		28	77
Sales – tourism		–	7
Sales – theatre		89	68
Other		30	31
<u>TOTAL OTHER REVENUE</u>		<u>708</u>	<u>708</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,820	3,940	–	–
Financial assistance – local roads component	1,544	2,258	–	–
Other				
Pensioners' rates subsidies – general component	87	93	–	–
Total general purpose	4,451	6,291	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	39	39	–	–
– Sewerage	35	36	–	–
– Domestic waste management	34	35	–	–
Sewerage services	–	–	1,743	–
Community care	3,575	3,993	–	–
Economic development	30	5	–	–
Employment and training programs	18	3	–	–
Environmental protection	–	–	2,178	378
Heritage and cultural	–	50	–	–
Library	49	47	–	–
Noxious weeds	125	148	–	–
Recreation and culture	18	–	281	70
Street lighting	20	20	–	–
Transport (roads to recovery)	1,414	1,464	–	–
Transport (other roads and bridges funding)	808	675	1,007	–
Total specific purpose	6,165	6,515	5,209	448
Total grants	10,616	12,806	5,209	448
Grant revenue is attributable to:				
– Commonwealth funding	8,704	10,186	–	–
– State funding	1,735	2,375	5,209	448
– Other funding	177	245	–	–
	10,616	12,806	5,209	448
(f) Contributions				
Developer contributions:				
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.4 – contributions using planning agreements	–	–	77	64
S 7.11 – contributions towards amenities/services	–	–	267	200
S 64 – water supply contributions	–	–	366	303
S 64 – sewerage service contributions	–	–	222	124
S 64 – stormwater contributions	–	–	85	58
Total developer contributions – cash	–	–	1,017	749
Total developer contributions	–	–	1,017	749

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
Community services	4	54	–	–
Emergency services	101	171	–	–
ELE contributions – other councils	45	57	–	–
Roads and bridges	1,004	830	–	–
Saleyards	94	81	–	–
Water supplies (excl. section 64 contributions)	80	41	–	–
Weeds	–	13	–	11
Other	–	54	–	–
Total other contributions – cash	1,328	1,301	–	11
Non-cash contributions				
Drainage	–	–	674	333
Kerb and gutter	–	–	176	–
Roads and bridges	–	–	–	222
Sewerage (excl. section 64 contributions)	–	–	843	–
Water supplies (excl. section 64 contributions)	–	–	267	530
Total other contributions – non-cash	–	–	1,960	1,085
Total other contributions	1,328	1,301	1,960	1,096
Total contributions	1,328	1,301	2,977	1,845
TOTAL GRANTS AND CONTRIBUTIONS	11,944	14,107	8,186	2,293

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

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 un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	4,665	2,948
Add: operating grants recognised in the current period but not yet spent	3,123	1,886
Less: operating grants recognised in a previous reporting period now spent	(3,220)	(169)
Unexpended and held as restricted assets (operating grants)	<u>4,568</u>	<u>4,665</u>
Capital grants		
Unexpended at the close of the previous reporting period	–	–
Add: capital grants recognised in the current period but not yet spent	281	–
Unexpended and held as restricted assets (capital grants)	<u>281</u>	<u>–</u>
Contributions		
Unexpended at the close of the previous reporting period	7,145	7,145
Add: contributions recognised in the current period but not yet spent	192	–
Add: contributions received for the provision of goods and services in a future period	1,017	–
Less: contributions recognised in a previous reporting period now spent	(474)	–
Unexpended and held as restricted assets (contributions)	<u>7,880</u>	<u>7,145</u>

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	11,090	11,211
Travel expenses	108	108
Employee leave entitlements (ELE)	1,890	1,605
Superannuation	1,408	1,374
Workers' compensation insurance	357	319
Fringe benefit tax (FBT)	47	50
Payroll tax	42	51
Training costs (other than salaries and wages)	191	182
Protective clothing	52	51
Other	51	27
Total employee costs	15,236	14,978
Less: capitalised costs	(1,360)	(1,305)
TOTAL EMPLOYEE COSTS EXPENSED	13,876	13,673
Number of 'full-time equivalent' employees (FTE) at year end	175	171
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	181	179

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	682	538
Total interest bearing liability costs expensed	682	538
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	177	174
Total other borrowing costs	177	174
TOTAL BORROWING COSTS EXPENSED	859	712

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	32,640	22,669
Contractor and consultancy costs		
– Domestic waste management	32	91
– Community services	9	41
– Tourism/economic development	9	24
– Community planning and development	–	22
– Human resources	25	35
– Planning	9	22
– Parking	–	7
– Information technology	34	65
– Governance	21	9
– Contractor and consultancy costs	253	103
Auditors remuneration	100	90
Legal expenses:		
– Legal expenses: planning and development	49	3
– Legal expenses: debt recovery	137	132
– Legal expenses: other	35	26
Total materials and contracts	33,353	23,339
Less: capitalised costs	(24,017)	(14,135)
TOTAL MATERIALS AND CONTRACTS	9,336	9,204

Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	50	39
Remuneration for audit and other assurance services	50	39
Total Auditor-General remuneration	50	39

Non NSW Auditor-General audit firms:**(i) Audit and other assurance services**

Due diligence services – Internal Audit	50	51
Remuneration for audit and other assurance services	50	51
Total remuneration of non NSW Auditor-General audit firms	50	51
Total Auditor remuneration	100	90

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,403	1,408
Office equipment		259	251
Furniture and fittings		81	77
Infrastructure:			
– Buildings – non-specialised		263	263
– Buildings – specialised		344	342
– Other structures		128	125
– Roads		3,547	3,384
– Bridges		380	375
– Footpaths		93	89
– Other road assets		50	48
– Stormwater drainage		674	658
– Water supply network		886	916
– Sewerage network		874	765
– Swimming pools		45	69
– Other open space/recreational assets		101	76
– Other infrastructure		129	96
Other assets:			
– Library books		21	18
– Other		136	93
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 11	309	308
– Quarry assets	9 & 11	38	38
Total depreciation and amortisation costs		9,761	9,399
Impairment / revaluation decrement of IPP&E			
Office equipment		20	8
Furniture and fittings		5	–
Infrastructure:			
– Buildings – non-specialised		3	–
Total IPP&E impairment / revaluation decrement costs / (reversals)		28	8
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		9,789	9,407

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Accounting policy for depreciation, amortisation and impairment expenses (continued)

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

Council assesses at the end of each reporting period 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	93	59
Bad and doubtful debts	13	21
Bank charges	46	41
Computer software charges	286	196
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	19	23
– NSW rural fire service levy	189	164
Councillor expenses – mayoral fee	37	33
Councillor expenses – councillors' fees	91	88
Councillors' expenses (incl. mayor) – other (excluding fees above)	67	63
Donations, contributions and assistance to other organisations (Section 356)	21	33
– Donations, contributions and assistance	104	94
Election expenses	–	8
Electricity and heating	817	641
Gas	7	8
Insurance	505	536
Postage	49	58
Printing and stationery	87	146
Street lighting	203	191
Subscriptions and publications	183	175
Telephone and communications	199	176
Valuation fees	49	48
Other	34	12
Total other expenses	3,099	2,814
Less: capitalised costs	(92)	(14)
TOTAL OTHER EXPENSES	3,007	2,800

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		–	20
Less: carrying amount of property assets sold/written off		(386)	(46)
Net gain/(loss) on disposal		(386)	(26)
Plant and equipment	9		
Proceeds from disposal – plant and equipment		535	636
Less: carrying amount of plant and equipment assets sold/written off		(159)	(377)
Net gain/(loss) on disposal		376	259
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(4,683)	(221)
Net gain/(loss) on disposal		(4,683)	(221)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		67,500	69,900
Less: carrying amount of financial assets sold/redeemed/matured		(67,500)	(69,900)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(4,693)	12

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		919	206
Cash-equivalent assets			
– Deposits at call		6,149	2,253
Total cash and cash equivalents		7,068	2,459

Accounting policy for cash and cash equivalents

For Statement of Cash Flow 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 which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	56,280	–	63,779	–
Total investments	56,280	–	63,779	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>63,348</u>	<u>–</u>	<u>66,238</u>	<u>–</u>
Held to maturity investments				
Long term deposits	56,280	–	63,779	–
Total	56,280	–	63,779	–

Accounting policy for investments**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	63,348	–	66,238	–
attributable to:				
External restrictions (refer below)	35,482	–	40,788	–
Internal restrictions (refer below)	20,949	–	15,470	–
Unrestricted	6,917	–	9,980	–
	63,348	–	66,238	–

\$ '000	2018	2017
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended loans – general	–	4,700
External restrictions – included in liabilities	–	4,700
External restrictions – other		
Developer contributions – general	2,289	2,271
Developer contributions – water fund	3,853	3,397
Developer contributions – sewer fund	1,738	1,477
Specific purpose unexpended grants	4,849	4,665
Water supplies	10,810	10,930
Sewerage services	5,893	8,215
Domestic waste management	5,994	5,122
Other	56	11
External restrictions – other	35,482	36,088
Total external restrictions	35,482	40,788

Gunnedah Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	1,656	960
Employees leave entitlement	1,473	1,485
Aerodrome	–	4
Business partnering program	62	62
Community facilities fund	–	436
Contract works	189	189
Cycleways	38	38
Depot refuelling upgrade	142	142
Financial Assistance Grants	2,211	2,108
Future works	10,125	6,671
Gravel pit restoration	413	333
Information technology	–	234
Land	45	45
Motor Vehicles	72	77
Parking areas	483	483
Roads	318	318
Saleyards	1,421	1,164
Storm water – contingency	229	171
Strategic planning	385	164
Tourism	134	186
Showground	806	–
Reserve Management Trust	170	–
Arts & Culture	150	–
Other	427	200
Total internal restrictions	20,949	15,470
TOTAL RESTRICTIONS	56,431	56,258

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	644	–	660	–
Interest and extra charges	159	–	203	–
User charges and fees	887	–	896	–
Private works	1,961	–	2,017	–
Contributions to works	602	–	613	–
Capital debtors (being sale of assets)				
– Other asset sales	12	–	–	–
Accrued revenues				
– Interest on investments	745	–	579	–
– Other income accruals	7	–	40	–
Deferred debtors	–	28	–	29
Government grants and subsidies	105	–	20	–
Net GST receivable	430	–	171	–
Total	5,552	28	5,199	29
Less: provision for impairment				
Rates and annual charges	(18)	–	(12)	–
Interest and extra charges	(82)	–	(79)	–
Other debtors	(4)	–	–	–
Total provision for impairment – receivables	(104)	–	(91)	–
TOTAL NET RECEIVABLES	5,448	28	5,108	29
Externally restricted receivables				
Water supply				
– Rates and availability charges	67	–	69	–
– Other	467	–	540	–
Sewerage services				
– Rates and availability charges	138	–	135	–
– Other	76	–	45	–
Total external restrictions	748	–	789	–
Unrestricted receivables	4,700	28	4,319	29
TOTAL NET RECEIVABLES	5,448	28	5,108	29

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	91	87
+ new provisions recognised during the year	16	21
– amounts already provided for and written off this year	(3)	(16)
– amounts provided for but recovered during the year	–	(1)
Balance at the end of the year	104	91

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

For 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.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	491	–	480	–
Total inventories at cost	491	–	480	–
TOTAL INVENTORIES	491	–	480	–
(b) Other assets				
Prepayments	156	–	211	–
Other	4	–	4	–
TOTAL OTHER ASSETS	160	–	215	–
Externally restricted assets				
Water				
Stores and materials	98	–	108	–
Total water	98	–	108	–
Sewerage				
Stores and materials	1	–	1	–
Total sewerage	1	–	1	–
Total externally restricted assets	99	–	109	–
Total unrestricted assets	552	–	586	–
TOTAL INVENTORIES AND OTHER ASSETS	651	–	695	–

Accounting policy**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

Inventory held for distribution

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

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	8,146	–	8,146	4,705	2,602	–	–	–	(7,083)	–	–	8,370	–	8,370
Plant and equipment	19,427	10,616	8,811	2,280	164	(160)	(1,403)	–	4	–	–	19,479	9,783	9,696
Office equipment	2,529	1,839	690	125	133	–	(259)	(20)	102	–	–	2,450	1,679	771
Furniture and fittings	1,052	647	405	54	3	–	(81)	(5)	–	–	–	1,057	681	376
Land:														
– Operational land	8,859	–	8,859	–	12	–	–	–	–	68	111	9,050	–	9,050
– Community land	5,973	–	5,973	–	–	–	–	–	–	(68)	–	5,905	–	5,905
– Land under roads (post 30/6/08)	3,268	–	3,268	–	–	–	–	–	–	–	–	3,268	–	3,268
Land improvements – non-depreciable	–	–	–	–	1,988	–	–	–	250	–	–	2,238	–	2,238
Infrastructure:														
– Buildings – non-specialised	20,431	8,273	12,158	–	43	–	(263)	(3)	–	(546)	720	20,746	8,637	12,109
– Buildings – specialised	30,230	11,123	19,107	–	197	(386)	(344)	–	86	–	(2,087)	26,943	10,370	16,573
– Other structures	6,235	2,314	3,921	4	–	(19)	(128)	–	–	–	–	6,177	2,399	3,778
– Roads	238,392	66,569	171,823	3,947	–	(422)	(3,547)	–	793	–	14,036	216,248	29,618	186,630
– Bridges	37,530	12,573	24,957	888	728	(154)	(380)	–	238	–	–	38,035	11,758	26,277
– Footpaths	7,128	1,503	5,625	426	–	(28)	(93)	–	21	–	–	7,539	1,588	5,951
– Other road assets	3,197	644	2,553	11	122	–	(50)	–	100	–	–	3,430	694	2,736
– Stormwater drainage	60,207	22,809	37,398	1,312	873	(53)	(674)	–	410	–	–	62,655	23,389	39,266
– Water supply network	62,655	26,203	36,452	981	267	(327)	(886)	–	902	–	740	64,977	26,848	38,129
– Sewerage network	54,536	26,297	28,239	6,431	37	(2,471)	(874)	–	3,193	–	543	61,300	26,202	35,098
– Swimming pools	3,973	1,944	2,029	–	–	(1,198)	(45)	–	–	–	–	1,387	601	786
– Other open space/recreational assets	3,855	1,991	1,864	79	–	–	(101)	–	–	546	–	5,113	2,725	2,388
– Other infrastructure	6,207	4,728	1,479	46	–	(10)	(129)	–	397	–	–	6,065	4,282	1,783
Other assets:														
– Library books	212	69	143	25	–	–	(21)	–	–	–	–	237	90	147
– Other	2,107	558	1,549	71	22	–	(136)	–	587	–	–	2,748	655	2,093
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	5,208	980	4,228	–	–	–	(309)	–	–	–	–	5,207	1,288	3,919
– Quarry assets	1,718	313	1,405	–	–	–	(38)	–	–	(1,541)	609	435	–	435
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	593,075	201,993	391,082	21,385	7,191	(5,228)	(9,761)	(28)	–	(1,541)	14,672	581,059	163,287	417,772

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 10	Playground equipment	5 to 15
Office furniture	5 to 10	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 80
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	100 to 120
Bores	20 to 40	Culverts	50 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	21 to 28	Bulk earthworks	Infinite
Sealed roads: structure	60 to 75	Swimming pools	50
Unsealed roads	60 to 75	Other open space/recreational assets	30 to 60
Bridge: concrete	100	Other infrastructure	20 to 100
Bridge: other	100		
Road formation: urban	150		
Road formation: rural	Indefinite		
Kerb, gutter and footpaths	80		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

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.

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "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".

However, in accordance with the Australian Accounting Standards and associated principles, only assets that are controlled by Council can be recognised in the Financial Statements. Following consideration of such, it has been determined that Council clearly does not meet the requirements of control for Rural Fire Service assets and accordingly, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

Dissection of Asset Classes

Following a review of Council's asset portfolio and subsequent decision to revalue Councils Sealed Roads, Unsealed Roads and Urban Streets in 2017/18, Council has now moved to further dissect its assets into classes and to better group assets by their characteristics, nature and risks. This has resulted in the following asset groupings:

- Roads - including Urban Streets, Unsealed Roads & Sealed Roads.
- Bridges - including Bridges, Culverts & Causeways.
- Other Road Assets - including Bus Shelters, Road Furniture, Islands & Pedestrian Refuges and Guard Rails..
- Other Infrastructure - including Parking Areas and Aerodromes.
- Stormwater - including Stormwater and Kerb & Guttering.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	2,019	–	2,019	1,076	–	1,076
Plant and equipment	467	342	125	497	317	180
Office equipment	17	8	9	21	11	10
Land						
– Operational land	138	–	138	164	–	164
– Community land	10	–	10	9	–	9
Infrastructure	64,977	26,847	38,130	62,655	26,203	36,452
Other assets	36	7	29	36	–	36
Total water supply	67,664	27,204	40,460	64,458	26,531	37,927
Sewerage services						
WIP	238	–	238	3,230	–	3,230
Plant and equipment	143	76	67	137	91	46
Office equipment	93	86	7	93	77	16
Land						
– Operational land	630	–	630	465	–	465
– Community land	110	–	110	110	–	110
Infrastructure	61,300	26,202	35,098	54,536	26,297	28,239
Total sewerage services	62,514	26,364	36,150	58,571	26,465	32,106
Domestic waste management						
WIP	52	–	52	483	–	483
Plant and equipment	351	303	48	341	295	46
Furniture and fittings	25	13	12	25	11	14
Land						
– Operational land	651	–	651	661	–	661
– Community land	113	–	113	113	–	113
Buildings	1,250	271	979	1,250	250	1,000
Other structures	208	80	128	208	80	128
Other assets	1,070	135	935	557	101	456
Total DWM	3,720	802	2,918	3,638	737	2,901
TOTAL RESTRICTED IPP&E	133,898	54,370	79,528	126,667	53,733	72,934

Gunnedah Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018Note 9(c). Infrastructure, property, plant and equipment – current year
impairments

\$ '000	Notes	2018	2017
Impairment losses recognised in the Income Statement:			
Town Tour Cards - No longer held		(4)	–
Work Stations - Finance - previously disposed		(5)	–
Ticket Box - Riverside Race Course - removed		(4)	–
Various IT Equipment - no longer Used		(15)	–
Tourism Precinct Banners – worn (no longer usable)		–	(6)
VIC – Relocation Banners – worn (no longer usable)		–	(2)
Total impairment losses		(28)	(8)
<u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u>	4(d)	<u>(28)</u>	<u>(8)</u>

Gunnedah Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,869	–	1,618	–
Goods and services – capital expenditure	2,150	–	1,291	–
Accrued expenses:				
– Borrowings	17	–	16	–
– Salaries and wages	280	–	384	–
Total payables	4,316	–	3,309	–
Income received in advance				
Payments received in advance	440	–	373	–
Total income received in advance	440	–	373	–
Borrowings				
Loans – secured ¹	514	12,565	489	13,079
Government advances	3	8	3	10
Total borrowings	517	12,573	492	13,089
TOTAL PAYABLES AND BORROWINGS	5,273	12,573	4,174	13,089

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	75	–	73	–
Sewer	–	–	1	–
Total payables and borrowings relating to restricted assets	75	–	74	–
Total payables and borrowings relating to unrestricted assets	5,198	12,573	4,100	13,089
TOTAL PAYABLES AND BORROWINGS	5,273	12,573	4,174	13,089

¹ 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 16.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Other liabilities	7	7
	<u>7</u>	<u>7</u>

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	13,568	(489)	–	–	–	13,079
Government advances	13	(2)	–	–	–	11
TOTAL	13,581	(491)	–	–	–	13,090

\$ '000	2018	2017
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	500	500
Credit cards/purchase cards	50	50
Total financing arrangements	550	550
Drawn facilities as at balance date:		
– Credit cards/purchase cards	14	6
Total drawn financing arrangements	14	6
Undrawn facilities as at balance date:		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	36	44
Total undrawn financing arrangements	536	544

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,530	–	1,637	–
Long service leave	3,159	219	3,052	259
Rostered days off	141	–	136	–
Wages – time in lieu	37	–	34	–
Sub-total – aggregate employee benefits	4,867	219	4,859	259
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	6,188	–	7,550
Sub-total – asset remediation/restoration	–	6,188	–	7,550
Other provisions:				
Other	7	–	7	–
Sub-total – other provisions	7	–	7	–
TOTAL PROVISIONS	4,874	6,407	4,866	7,809

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Sewer	1	–	–	–
Total provisions relating to restricted assets	1	–	–	–
Total provisions relating to unrestricted assets	4,873	6,407	4,866	7,809
TOTAL PROVISIONS	4,874	6,407	4,866	7,809

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,638	3,949
	3,638	3,949

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,637	–	3,311	–	170	5,118
Additional provisions	926	–	490	–	514	1,930
Amounts used (payments)	(1,033)	–	(423)	–	(506)	(1,962)
Total ELE provisions at end of year	1,530	–	3,378	–	178	5,086

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other leave	
At beginning of year	1,569	–	2,966	–	168	4,703
Additional provisions	990	–	586	–	506	2,082
Amounts used (payments)	(922)	–	(241)	–	(504)	(1,667)
Total ELE provisions at end of year	1,637	–	3,311	–	170	5,118

2018	Other provisions			Total
	Other	Self-insurance	Asset remediation	
At beginning of year	7	–	7,550	7,557
Changes to provision:				
Remeasurement effects	–	–	(1,541)	(1,541)
Unwinding of discount	–	–	177	177
Other	–	–	2	2
Total other provisions at end of year	7	–	6,188	6,195

2017	Other provisions			Total
	Other	Self-insurance	Asset remediation	
At beginning of year	7	–	7,376	7,383
Changes to provision:				
Unwinding of discount	–	–	174	174
Total other provisions at end of year	7	–	7,550	7,557

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate council landfills and quarries in line with relevant licensing agreements.

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

Other

Other provisions represents the replacement of the Community Transport Bus.

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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 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.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Provisions for close-down and restoration, and 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

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.

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.

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.

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

- During the year Council reclassified 2 Grandstands from Buildings - non-specialised to Other open space/ recreational assets. The impact on depreciation during the year and prior year was nil.

- During the year Council made a change in Accounting Policy regarding the classification of Roads within the Financial Statements. The change was made to further dissect its assets into classes and to better group assets by their characteristics, nature and risks.

This change has been applied retrospectively and there was no impact on the total Infrastructure, property, plant and equipment in the statement of financial position or the the depreciation recorded in prior periods therefore no restatement of opening balances is required.

Below is a summary of the changes to the Net carrying amount of the following asset lasses as at 30th June 2017.

Roads - include Urban Street, Unsealed and Sealed Roads - changed from \$206,994,000 to \$171,823,000

Bridges - include Bridges, Culverts & Causeways - changed from \$7,342,000 to \$24,957,000

Other Road Assets - include Bus Shelters, Road Furniture, Islands & Pedestrian Refuges and Guard Rails - changed from \$0 to \$2,553,000.

Other Infrastructure - include Parking Areas and Aerodromes - change from \$0 to \$1,479,000

Stormwater - include Stormwater and Kerb & Guttering - change from \$23,874,000 to \$37,398,000.

The above error had no impact on the Statement of Financial Position at 1 July, 2016.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	7,068	2,459
Less bank overdraft	13	–	–
Balance as per the Statement of Cash Flows		7,068	2,459
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		9,971	11,218
Adjust for non-cash items:			
Depreciation and amortisation		9,761	9,399
Net losses/(gains) on disposal of assets		4,693	(12)
Non-cash capital grants and contributions		(2,223)	(1,512)
Impairment losses recognition – I,PP&E		–	8
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		28	–
Unwinding of discount rates on reinstatement provisions		177	174
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(341)	(20)
Increase/(decrease) in provision for doubtful debts		13	4
Decrease/(increase) in inventories		(11)	(10)
Decrease/(increase) in other assets		55	23
Increase/(decrease) in payables		251	219
Increase/(decrease) in accrued interest payable		1	5
Increase/(decrease) in other accrued expenses payable		(104)	136
Increase/(decrease) in other liabilities		67	107
Increase/(decrease) in employee leave entitlements		(32)	415
Increase/(decrease) in other provisions		(1,539)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		21,030	20,154
(c) Non-cash investing and financing activities			
Other non-cash items		1,113	1,085
Developer Contributions to the Gunnedah Sewerage Network		843	124
Developer Contributions to the Gunnedah Water Network		267	303
Total non-cash investing and financing activities		2,223	1,512

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Commitments for expenditure

\$ '000	2018	2017
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		
Buildings	24	97
Bridges	–	898
Plant and equipment	991	352
Sewerage Network	196	3,996
Swimming Pools	8,410	117
Other Assets	100	50
Waste Management facility	15	108
Roads	95	–
Other Infrastructure	26	–
Water	5,448	–
Office Equipment	26	–
Open Space/recreational assets	303	–
Other Road Assets	16	–
Stormwater/Kerb & Gutter	62	–
Total commitments	15,712	5,618
These expenditures are payable as follows:		
Within the next year	15,712	5,618
Total payable	15,712	5,618
Sources for funding of capital commitments:		
Future grants and contributions	18	147
Externally restricted reserves	5,658	4,104
Internally restricted reserves	10,014	1,367
Unexpended Contributions	22	–
Total sources of funding	15,712	5,618

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised

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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the schemes defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable - similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B - 1.9 times employee contributions.

Division C - 2.5% salaries.

Division D - 1.64 times employee contributions.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of the superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$195,000.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$201,000

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.70%
Vested Benefits	1,778.0	102.20%

*excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.488% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides and indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(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.

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) 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.

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.

Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Financial risk management

\$ '000

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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	7,068	2,459	7,068	2,459
Investments				
– 'Held to maturity'	56,280	63,779	56,280	63,779
Receivables	5,476	5,137	5,127	5,046
Total financial assets	68,824	71,375	68,475	71,284
Financial liabilities				
Payables	4,316	3,309	4,314	3,309
Loans/advances	13,090	13,581	13,581	13,581
Total financial liabilities	17,406	16,890	17,895	16,890

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(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
2018				
Possible impact of a 1% movement in interest rates	640	640	(640)	(640)
2017				
Possible impact of a 1% movement in interest rates	581	581	(581)	(581)

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	100%	0%	100%
Overdue	100%	0%	100%	0%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			1	–
< 1 year overdue			416	492
1 – 2 years overdue			116	68
2 – 5 years overdue			64	52
> 5 years overdue			47	48
			<u>644</u>	<u>660</u>
Other receivables				
Current			1,909	3,473
0 – 30 days overdue			2,415	323
31 – 60 days overdue			76	22
61 – 90 days overdue			2	–
> 91 days overdue			534	750
			<u>4,936</u>	<u>4,568</u>

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Bank overdraft	8.21%	-	-	-	-	-	-
Trade/other payables	0.00%	-	4,314	-	-	4,314	4,316
Loans and advances	4.93%	-	517	2,341	10,232	13,090	13,090
Total financial liabilities		-	4,831	2,341	10,232	17,404	17,406
2017							
Bank overdraft	8.21%	-	-	-	-	-	-
Trade/other payables	0.00%	-	3,309	-	-	3,309	3,309
Loans and advances	5.07%	-	492	2,228	10,861	13,581	13,581
Total financial liabilities		-	3,801	2,228	10,861	16,890	16,890

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 21 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 Variance*		
REVENUES					
Rates and annual charges	17,121	17,414	293	2%	F
User charges and fees	8,339	11,492	3,153	38%	F
User charges and fees have exceeded budget in some of the following areas: Additional water and sewerage charges resulting from the dry summer amounted to \$1.127 million. Additional works under the RMCC contract amounting to \$1.6 million.					
Interest and investment revenue	1,589	1,787	198	12%	F
Council during the year changed its policy of staying with short ranged Term Deposits to mid and longer term Term Deposits in an effort to attract a higher rate of interest on investments.					
Other revenues	392	708	316	81%	F
Various factors have affected this variance including Insurance recoveries of \$57,000, Parenting Leave Payments of \$32,000 Legal fees recovered on rates of \$26,000 and additional Rental Property income of \$43,000 to highlight the major variances.					
Operating grants and contributions	10,286	11,944	1,658	16%	F
Operating grants and contributions have increased due to additional programs at GoCo amounting to \$244,000 and additional road funding of \$787,000.					
Capital grants and contributions	4,333	8,186	3,853	89%	F
This year council received additional Capital Grants and contributions for Simpsons Bridge \$800,000 and Blackjack Creek Grant for \$820,000 which were initially budgeted for in the previous financial year. An additional grant of \$280,000 was also received for the Livvi's playground project.					

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	14,632	13,876	756	5%	F
Borrowing costs	870	859	11	1%	F
Materials and contracts	7,558	9,336	(1,778)	(24%)	U
With the additional User charges and fees for the RMCC contract additional there was additional expenditure on the RMCC works amounting to \$2.117 million. The additional GoCo funding amounted to an additional \$200,000 in GoCo expenditure.					
Depreciation and amortisation	10,320	9,761	559	5%	F
Other expenses	2,865	3,007	(142)	(5%)	U
Net losses from disposal of assets	-	4,693	(4,693)	0%	U
The major loss on disposal of asset was as a result of the demolishing of the Memorial Pool which accounted for \$1.198,000 of the loss. Council also demolished Simpsons bridge which lead to a \$154,000 loss on disposal. Pool buildings resulted in a \$386,000 loss. Disposal of Sewerage assets amounted to a loss of \$2,471 million and water assets of \$327,000. Most of the losses are as a result of the development occurring within Gunnedah.					
Revaluation decrement / impairment of IPP&E	-	28	(28)	0%	U
Council conducted a review of all assets which resulted in impairment of assets. These mainly related to office equipment such as old computers and photocopiers which no longer are in use.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	16,995	21,030	4,035	23.7%	F
During the year Council has received additional funds in additional water charges, RMCC Contract, additional grants etc. Whilst these have been received there has been an increase in Future Works carrying some of this additional work into future years.					
Cash flows from investing activities	(16,508)	(15,930)	578	(3.5%)	F
Cash flows from financing activities	(487)	(491)	(4)	0.8%	U

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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:

2018	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	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	9,696	9,696
Office equipment	30/06/17	–	–	771	771
Furniture and fittings	30/06/17	–	–	376	376
Operational land	30/08/18	–	–	9,050	9,050
Community land	30/06/17	–	–	5,905	5,905
Land Under Roads (post 30/6/2008)	30/06/16	–	–	3,268	3,268
Buildings - non specialised	30/06/18	–	–	12,109	12,109
Buildings - specialised	30/06/18	–	–	16,573	16,573
Other structures	30/06/16	–	–	3,778	3,778
Roads	30/06/18	–	–	186,630	186,630
Bridges	30/06/15	–	–	26,277	26,277
Footpaths	30/06/15	–	–	5,951	5,951
Stormwater drainage	30/06/15	–	–	39,266	39,266
Water supplies networks	30/06/17	–	–	38,129	38,129
Sewerage networks	30/06/17	–	–	35,098	35,098
Swimming pools	30/06/16	–	–	786	786
Other open space/ recreational assets	30/06/16	–	–	2,388	2,388
Library books	30/06/16	–	–	147	147
Other assets	30/06/16	–	–	2,093	2,093
Tip remediation assets	30/06/14	–	–	3,919	3,919
Quarry remediation assets	30/06/18	–	–	435	435
Land Improvements	30/06/18	–	–	2,238	2,238
Other Road Assets	30/06/15	–	–	2,736	2,736
Other Infrastructure	30/06/15	–	–	1,783	1,783
Total infrastructure, property, plant and equipment		–	–	409,402	409,402

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

2017	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	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	—	—	8,811	8,811
Office equipment	30/06/17	—	—	690	690
Furniture and fittings	30/06/17	—	—	405	405
Operational land	30/06/13	—	—	8,859	8,859
Community land	30/06/17	—	—	5,973	5,973
Land Under Roads (post 30/6/2008)	30/06/16	—	—	3,268	3,268
Buildings - non specialised	30/06/13	—	—	12,158	12,158
Buildings - specialised	30/06/13	—	—	19,107	19,107
Other structures	30/06/16	—	—	3,921	3,921
Roads	30/06/15	—	—	171,823	171,823
Bridges	30/06/15	—	—	24,957	24,957
Footpaths	30/06/15	—	—	5,625	5,625
Stormwater drainage	30/06/15	—	—	37,398	37,398
Water supplies networks	30/06/17	—	—	36,452	36,452
Sewerage networks	30/06/17	—	—	28,239	28,239
Swimming pools	30/06/16	—	—	2,029	2,029
Other open space/ recreational assets	30/06/16	—	—	1,864	1,864
Library books	30/06/16	—	—	143	143
Other assets	30/06/16	—	—	1,549	1,549
Tip remediation assets	30/06/14	—	—	4,228	4,228
Quarry remediation assets	30/06/16	—	—	1,405	1,405
Other Road Assets	30/06/15	—	—	2,553	2,553
Other Infrastructure	30/06/15	—	—	1,479	1,479
Total infrastructure, property, plant and equipment		—	—	382,936	382,936

(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 2018

Note 18. Fair value measurement (continued)

\$ '000

(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 2018 and was performed by Thomas Donoghue AAPI (CPV) from Donoghue Property Valuations and Consultancy. Registered Valuer API No: 71002.

All operational land has been valued at fair 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 fair value (highest and best use). As these rates are 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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. The highest and best use of a non-financial assets takes into account the use of the asset that is physically possible, legally permissible and financially feasible. Land under roads are valued by Donoghue Property Valuations, Thomas Donoghue AAPI (CPV) Registered Valuer NSW VAL024883.

Buildings - Non Specialised and Specialised

Valuations of all Council's Buildings Specialised & Non-Specialised were based on valuations performed by Donogue Property Valuations and Consultancy, Thomas Donoghue AAPI (CPV), Registered Valuer API No: 71002.

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 fair 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.

The valuation was completed as at 30th June 2018.

Other Structures

Other Structures class generally comprises memorials, weighbridges and saleyards and were revalued as at 30th June 2016.

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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 have been removed from Roads as at the 1st July 2017 to better group assets by their characteristics, nature, and risks.

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.

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 2018 by APV Valuers & Asset Management.

Other Road Assets

This asset class was created as at 1st July 2017 to include Road Furniture, Islands & Pedestrian Refuges, Guard Rails and Bus Shelters which were previously included in the Roads asset class. The asset class has been used to better group assets by their characteristics, nature and risks.

Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Road Infrastructure are componentised generally reflect the different nature of the assets.

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 Other Road Assets have been completed as at 30th June 2015.

Bridges

Bridges were valued in 30th June 2015 by the Director of Infrastructure Services using the cost approach. As at the 1st July 2017, Causeways and Culverts were added to the bridges asset class from roads to better group assets by their characteristics, nature and risks. Causeways & Culverts were valued at 30th June 2015.

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.

Footpaths

Footpaths were valued in June 2015 by the Manager of Mapping, Assets, Design & Development and reviewed 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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. As at 1st July 2017 Kerb & Gutter were added to the stormwater asset class from the road assets to better group assets by their characteristics, nature & risks. A full revaluation of Kerb & Gutter was completed as at 30th June 2015.

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 2017 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.

Sewerage Systems

The valuation of the Sewerage Systems was completed in June 2017 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. During 2017/2018 and 2018/19 years the Pool complex is undergoing a major re-development including the 50 metre pool and buildings

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 as at 30th June 2016.

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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 valuation was performed as at 30th June 2016.

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.

Other Infrastructure

This asset class was created as at 1st July 2017 to include the Aerodrome and Parking Areas which were previously included in the Roads asset class. The asset class has been used to better group assets by their characteristics, nature and risks.

Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Other Infrastructure are componentised generally reflect the different nature of the assets.

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 Other Infrastructure Assets have been completed as at 30th June 2015.

Tip Remediation

Gunnedah Shire Council has 3 landfills being at Gunnedah, Curlewis & Carroll and 3 transfer stations at Mullaley, 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.

Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Quarries Remediation

Council currently uses 11 pits to provide gravel as part of road maintenance and construction activities. These will require remediation in future periods.

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 2018 by the Acting Director of Infrastructure & Services/ Chief Engineer.

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.

All quarries utilised by Council previously and not under Council ownership have been remediated / made good in accordance with the licensing agreement with owners.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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.

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Buildings non - specialised	Buildings specialised	Total
Opening balance – 1/7/16	8,348	742	425	8,472	5,995	12,412	19,394	55,788
Purchases (GBV)	2,248	207	57	411	–	9	55	2,987
Disposals (WDV)	(377)	–	–	(24)	(22)	–	–	(423)
Depreciation and impairment	(1,408)	(259)	(77)	–	–	(263)	(342)	(2,349)
Closing balance – 30/6/17	8,811	690	405	8,859	5,973	12,158	19,107	56,003
Purchases (GBV)	2,448	360	57	12	–	43	283	3,203
Disposals (WDV)	(160)	(20)	(5)	–	–	(3)	(386)	(574)
Depreciation and impairment	(1,403)	(259)	(81)	–	–	(263)	(344)	(2,350)
Adjustment between classes	–	–	–	68	(68)	(546)	–	(546)
Revaluations to Equity	–	–	–	111	–	720	(2,087)	(1,256)
Closing balance – 30/6/18	9,696	771	376	9,050	5,905	12,109	16,573	54,480

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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
Opening balance – 1/7/16	3,931	169,457	25,332	5,698	37,207	40,866	31,656	2,098	316,245
Purchases (GBV)	115	5,833	–	16	920	1,018	920	–	8,822
Disposals (WDV)	–	(82)	–	–	(71)	(67)	–	–	(220)
Depreciation and impairment	(125)	(3,385)	(375)	(89)	(658)	(916)	(765)	(69)	(6,382)
Revaluations to Equity	–	–	–	–	–	(4,449)	(3,572)	–	(8,021)
Closing balance – 30/6/17	3,921	171,823	24,957	5,625	37,398	36,452	28,239	2,029	310,444
Purchases (GBV)	4	4,740	1,854	447	2,595	2,150	9,661	–	21,451
Disposals (WDV)	(19)	(422)	(154)	(28)	(53)	(327)	(2,471)	(1,198)	(4,672)
Depreciation and impairment	(128)	(3,547)	(380)	(93)	(674)	(886)	(874)	(45)	(6,627)
Revaluations to Equity	–	14,036	–	–	–	740	543	–	15,319
Closing balance – 30/6/18	3,778	186,630	26,277	5,951	39,266	38,129	35,098	786	335,915

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 Infrastructure	Other Road Assets	Land Under Roads Post 1/7/08	Open space recreational assets	Library books	Other assets	Tip remediation asset	Quarry remediation	Total
Opening balance – 1/7/16	1,457	2,600	3,268	1,533	131	1,517	4,537	1,442	16,485
Purchases (GBV)	118	–	–	407	30	125	–	–	680
Depreciation and impairment	(96)	(47)	–	(76)	(18)	(93)	(309)	(37)	(676)
Closing balance – 30/6/17	1,479	2,553	3,268	1,864	143	1,549	4,228	1,405	16,489
Transfers from/(to) another asset class	–	–	–	546	–	–	–	–	546
Purchases (GBV)	443	233	–	79	25	680	–	–	1,460
Disposals (WDV)	(10)	–	–	–	–	–	–	–	(10)
Depreciation and impairment	(129)	(50)	–	(101)	(21)	(136)	(309)	(38)	(784)
Adjustment in Remediation Provision	–	–	–	–	–	–	–	(1,541)	(1,541)
Revaluations to Equity	–	–	–	–	–	–	–	609	609
Closing balance – 30/6/18	1,783	2,736	3,268	2,388	147	2,093	3,919	435	16,769
								Land Improvement	Total
Opening balance – 1/7/16								–	–
Closing balance – 30/6/17								–	–
Purchases (GBV)								2,238	2,238
Closing balance – 30/6/18								2,238	2,238

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

b. 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 (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant & Equipment	9,696	Approximate Fair Value	Remaining Life, Residual Value
Office Equipment	771	Approximate Fair Value	Remaining Life, Residual Value
Furniture & Fittings	376	Approximate Fair Value	Remaining Life, Residual Value
Land - Operational	9,050	Fair Value (highest & best use)	Price per square metre
Land - Community	5,905	Fair 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 physically possible, legally permissible and financially feasible use.
Buildings - non specialised	12,109	Depreciated replacement costs taking into account physical wear and tear.	Estimates of residual values and pattern of consumption require extensive judgement.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (cont'd)			
Buildings - Specialised	16,573	Depreciated replacement costs taking into account physical wear and tear.	Estimates of residual values and pattern of consumption require extensive judgement.
Other Structures	3,778	Replacement cost taking into a range of factors.	Pattern of consumption, residual value, asset condition and useful life.
Roads	186,630	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Bridges	26,277	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Footpaths	5,951	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Stormwater Drainage	39,266	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Water Supply Network	38,129	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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (cont'd)			
Sewerage Network	35,098	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	786	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Other Open Space	2,388	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Library Books	147	Approximate Fair Value	Remaining Life, Residual Value
Other Assets	2,093	Approximate Fair Value	Remaining Life, Residual Value
Tip Assets	3,919	Evaluation of costs for the landfill closure as per closure plan	Discount Rates, excavation rates, timing and future environmental requirements.
Quarry Assets	435	Evaluation of costs for the quarry closure.	Discount Rates, cost escalation, timing and environmental requirements.
Other Road Assets	2,736	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 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (cont'd)			
Other Infrastructure	1,783	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Land Improvements	2,238	Cost Approach	Non Depreciable.

c. The valuation process for level 3 fair value measurements

This year Gunnedah Shire Council have valued Water and Sewerage assets on a fair value basis in accordance Accounting Standards AASB 13, AASB116 and the the Australian Property Institute's practice standards. Due to the nature of Local Government Assets the Cost approach has been taken and is deemed a Level 3 Input.

As there is no market, the net current value of an assets is the current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Estimate replacement cost is determined by unit rates collated from similar recent projects, quotes, unit rate databases and Rawlinson's Construction Handbook. As the unobservable inputs (such as useful lives, and assets condition) are estimated taking into account construction date, recent repairs, capital works and environmental factors.

The Asset valuation process is arranged by the Manager - Mapping, Assets, Design and Developments and the Assets Officer who under tak a review after the valuation is complete. A listing is formulated by the Asset department, given to the Valuers and a site inspection was carried out on 19th April 2017.

The valuation was completed by AssetVal Pty Ltd.

Once completed the valuations a maintained by Gunnedah Shire Council utilising Councils Asset Management System (Biz E Asset).

(5). Highest and best use

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2018	2017
Short-term benefits	1,291	876
Post-employment benefits	105	89
Other long-term benefits	32	23
Termination benefits	274	14
Total	1,702	1,002

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

Nature of the transaction	Ref	Value of transactions during year Actual \$	Outstanding balance (incl. loans and commitments) Actual \$	Terms and conditions	Provisions for doubtful debts outstanding Actual \$	Doubtful debts expense recognised Actual \$
2017						
A KMP related party supplied labour and materials relating to council for road works.	1	166,000	-	As per Council's 30 day terms	-	-
Council and a KMP Related party have a Voluntary Planning Agreement and Council carried out road works for the entity.	2	137,000	90,000	30 Days Terms plus interest on overdue amounts	-	-
A KMP is Director of an organisation that is leasing part of a Council Building The lease is for \$15,000 pa	3	5,000	-	30 Day Terms plus interest on overdue amounts	-	-

16/17

- 1 The supply of labour and materials have been purchased and supplied under Council's Purchasing & Procurement Policy.
- 2 The Voluntary is based on output from the Related Party Entity and the private works was carried out within normal business terms.
- 3 Lease has been negotiated between the Organisation and Council.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

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	444	85	–	12	–	–	541	–
Parking	149	–	–	3	(31)	–	121	–
Open space	20	–	–	1	–	–	21	–
Community facilities	29	–	–	1	–	–	30	–
S7.11 contributions – under a plan	642	85	–	17	(31)	–	713	–
S7.12 levies – under a plan	1,630	267	–	44	(365)	–	1,576	–
Total S7.11 and S7.12 revenue under plans	2,272	352	–	61	(396)	–	2,289	–
S7.4 planning agreements	–	77	–	1	(78)	–	–	–
S64 contributions	4,873	588	–	130	–	–	5,591	–
Total contributions	7,145	1,017	–	192	(474)	–	7,880	–

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.11 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	444	85	–	12	–	–	541	–
Parking	149	–	–	3	(31)	–	121	–
Open space	20	–	–	1	–	–	21	–
Community facilities	29	–	–	1	–	–	30	–
Total	642	85	–	17	(31)	–	713	–

S7.12 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	1,630	267	–	44	(365)	–	1,576	–
Total	1,630	267	–	44	(365)	–	1,576	–

Gunnedah Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	890	1,974	14,550
User charges and fees	3,491	725	7,276
Interest and investment revenue	381	268	1,138
Other revenues	2	13	693
Grants and contributions provided for operating purposes	50	35	11,859
Grants and contributions provided for capital purposes	702	2,807	4,677
Total income from continuing operations	5,516	5,822	40,193
Expenses from continuing operations			
Employee benefits and on-costs	655	378	12,843
Borrowing costs	–	–	859
Materials and contracts	686	317	8,333
Depreciation and amortisation	929	889	7,943
Other expenses	834	460	1,713
Net losses from the disposal of assets	334	2,470	1,889
Revaluation decrement / impairment of IPPE	–	–	28
Total expenses from continuing operations	3,438	4,514	33,608
Operating result from continuing operations	2,078	1,308	6,585
Net operating result attributable to each council fund	2,078	1,308	6,585
Net operating result for the year before grants and contributions provided for capital purposes	1,376	(1,499)	1,908

¹ 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 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	161	157	6,750
Investments	14,501	7,475	34,304
Receivables	534	213	4,701
Inventories	99	1	391
Other	–	–	160
Total current assets	15,295	7,846	46,306
Non-current assets			
Receivables	–	–	28
Infrastructure, property, plant and equipment	40,460	36,150	341,162
Total non-current assets	40,460	36,150	341,190
TOTAL ASSETS	55,755	43,996	387,496
LIABILITIES			
Current liabilities			
Payables	75	1	4,240
Income received in advance	–	–	440
Borrowings	–	–	517
Provisions	–	–	4,874
Total current liabilities	75	1	10,071
Non-current liabilities			
Borrowings	–	–	12,573
Provisions	–	–	6,407
Total non-current liabilities	–	–	18,980
TOTAL LIABILITIES	75	1	29,051
Net assets	55,680	43,995	358,445
EQUITY			
Accumulated surplus	35,629	18,838	160,585
Revaluation reserves	20,051	25,157	197,860
Total equity	55,680	43,995	358,445

¹ 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 2018

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>6,506</u>	15.01%	19.95%	15.92%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>43,345</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>31,401</u>	60.94%	65.11%	59.10%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>51,531</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>33,118</u>	5.15x	6.06x	6.29x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>6,426</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>17,126</u>	12.69x	18.66x	16.61x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,350</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>703</u>	3.84%	4.34%	4.57%	< 10 regional & rural
Rates, annual and extra charges collectible	<u>18,327</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>63,348</u>	23.44 mths	28.2 mths	23.2 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>2,703</u>				

Notes

⁽¹⁾ 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.

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 10 and 11.

⁽⁴⁾ Refer to Note 10(b) and 11(b) – 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 2018

Note 22(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	18.69%	17.76%	28.42%	26.85%	-49.77%	39.54%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	58.86%	60.89%	86.37%	81.11%	51.17%	94.63%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	5.15x	6.06x	152.56x	159.55x	6108.00x	8,396.00x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 22a 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 2018

Note 22(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	11.44x	14.80x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.22%	3.77%	7.53%	8.13%	6.99%	7.11%	< 10 regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	23.32	28.05	0.00	0.00	0.00	0.00	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 22a above.

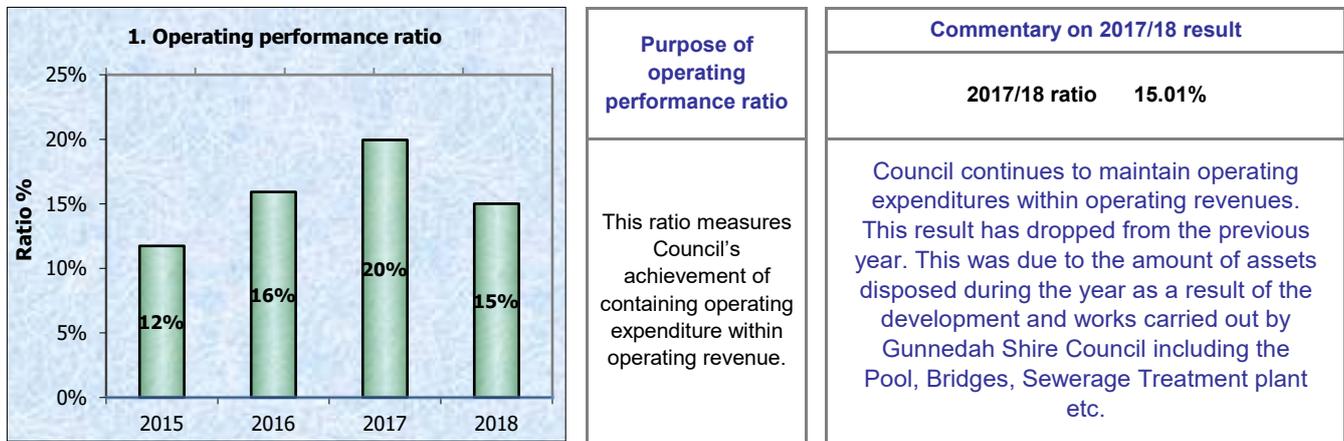
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

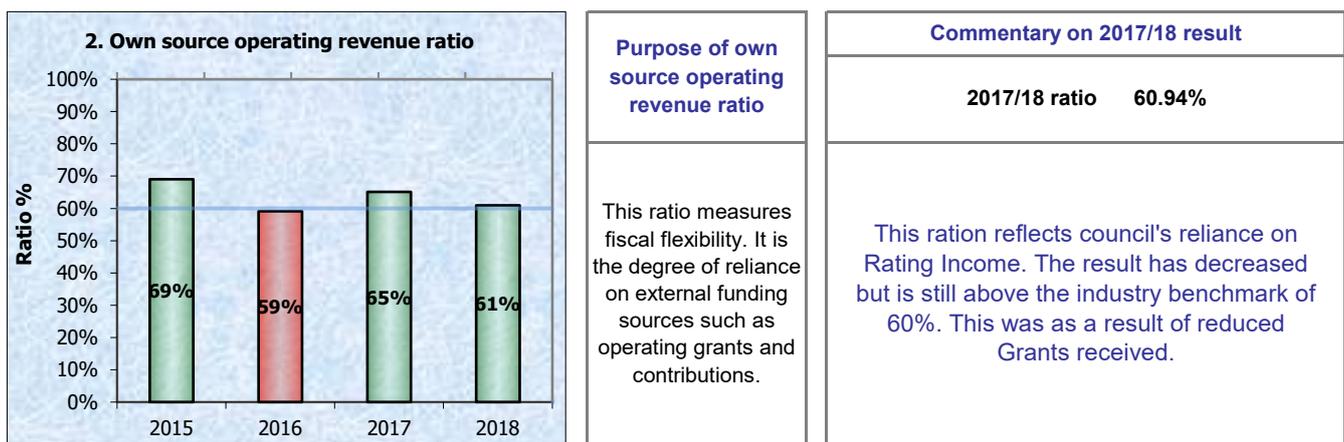
Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

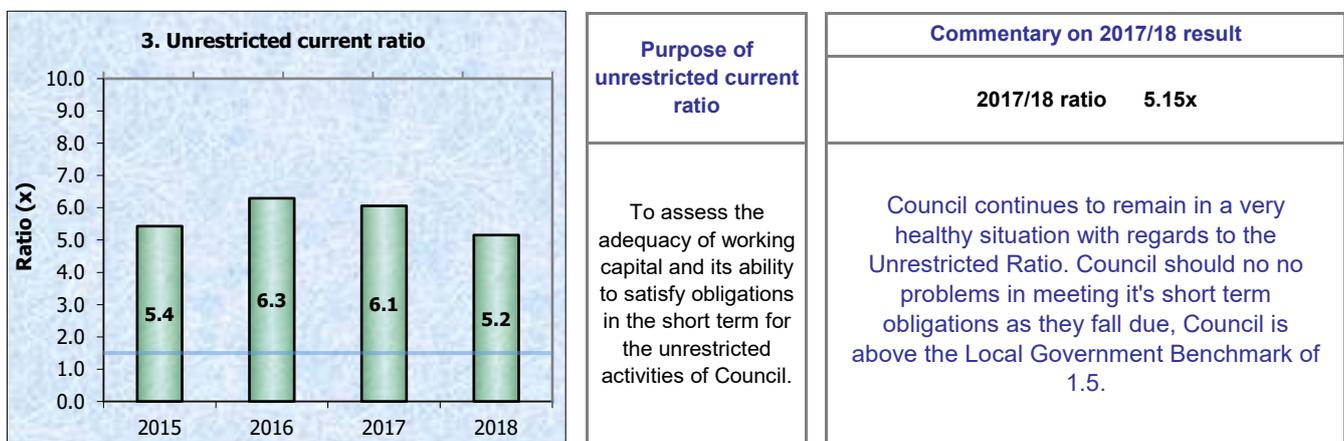
Note 22(c). Statement of performance measures – consolidated results (graphs)



■ Ratio achieves benchmark
■ Ratio is outside benchmark



■ Ratio achieves benchmark
■ Ratio is outside benchmark

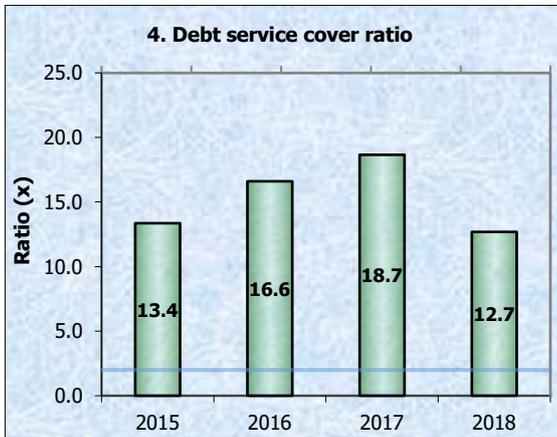


■ Ratio achieves benchmark
■ Ratio is outside benchmark

Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22(c). Statement of performance measures – consolidated results (graphs)



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 2017/18 result

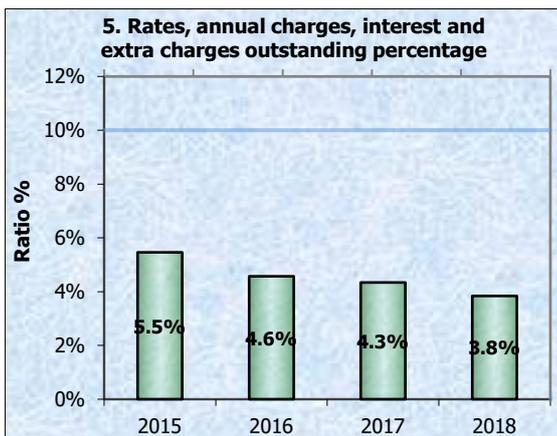
2017/18 ratio 12.69x

This result has been effected by the operating result for the year. Council has not taken out any additional loan funds during the year. Council has projected to continue above the Local Government Benchmark of 2%. Council maintains 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 #26

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 2017/18 result

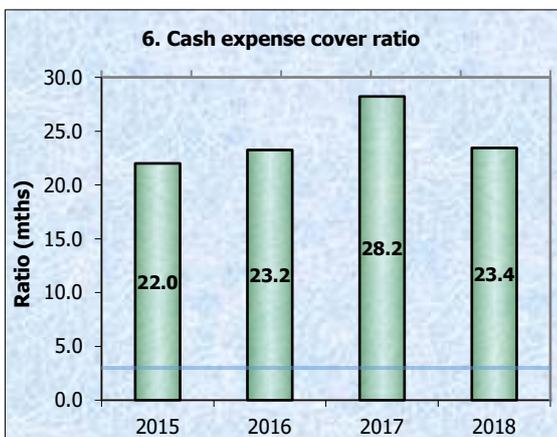
2017/18 ratio 3.84%

This year Council has maintained a strong in the Rates and Annual Charges Outstanding ratio. Council Rating staff have continued there push to collect outstanding debts. This ratio reflects a great improvement over many years and is well under the Local Government Benchmark for country councils of 10%.

Benchmark: Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result

2017/18 ratio 23.44 mths

Councils Cash Expense Ratio is well above the bench mark of 3 months. This is reflected by Council investing in safe and liquid term deposits. The Council Investment reduced by \$2.910 Million to \$63,348 million.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23. Council information and contact details

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 5:00pm

Telephone: 02 6740 2100

Facsimile: 02 6740 2119

Internet: www.gunnedah.nsw.gov.au

Email: council@infogunnedah.com.au

Officers

GENERAL MANAGER

E J GROTH

RESPONSIBLE ACCOUNTING OFFICER

D CONNOR

AUDITORS

NSW AUDIT OFFICE
LEVEL 15, 1 MARGARET STREET
GPO BOX 12
SYDNEY NSW 2001

Elected members

MAYOR

J CHAFFEY

COUNCILLORS

G SWAIN
J CAMPBELL
C FULLER
O HASLER
R HOOKE
A LUKE
D MOSES
M O'KEEFE

Other information

ABN: 80 183 655 793



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Gunnedah Shire Council

To the Councillors of the Gunnedah Shire Council

Opinion

I have audited the accompanying financial report of Gunnedah Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- 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 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan
Director

29 October 2018
SYDNEY

Cr Jamie Chaffey
Mayor
Gunnedah Shire Council
PO Box 63
GUNNEDAH NSW 2380

Contact: Dominika Ryan
Phone no: 02 9275 7336
Our ref: D1825416/1735

29 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Gunnedah Shire Council**

I have audited the general purpose financial statements of the Gunnedah Shire Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018	2017	Variance
	\$'000	\$'000	%
Rates and annual charges revenue	17,414	16,816	 3.6
User charges and fees	11,492	11,356	 1.2
Grants and contributions revenue	20,130	16,400	 22.7
Operating result for the year	9,971	11,218	 11.1
Net operating result before capital amounts	1,785	8,925	 80.0

The increase in rates and annual charges was mainly due to the pegging rate and natural growth in rateable properties from 6,185 last year to 6,282 in 2017–18.

User charges and fees increased by \$136,000. This is mainly attributable to the increase in waste management services.

Grants and contributions revenue increased by \$3.7 million to \$20.1 million. This is mainly due to grant received for capital purposes. These included sewerage services, environmental protection and the transport Council. Contribution revenue also increased mostly from cash and non-cash contribution by the developers.

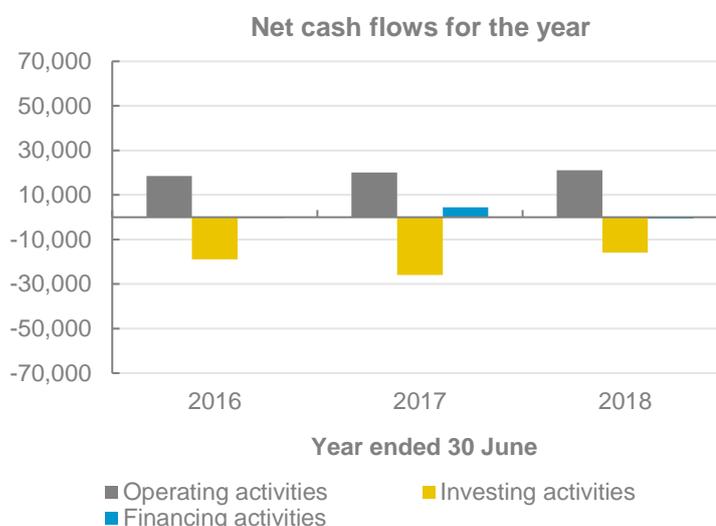
The Council's net operating result for the year was a surplus of \$10.0 million (\$11.2 million surplus for the year ended 30 June 2017). This is mainly attributed to an increase in grants and contributions provided for capital purposes.

STATEMENT OF CASH FLOWS

Net cash from operating activities remained steady over the previous three years, allowing Council to invest its operating cashflow surpluses into infrastructure projects.

Net cash used in investing activities was \$9.9 million lower than 2016–17. This is mainly due to \$21.4 million reduction in purchase of investment securities offset by an increase in purchase of IPPE.

Net cash used in financing activities in 2016–17 was higher due to \$4.7 million proceeds from borrowings related to TCorp loan.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	35,482	40,788	Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted funds decreased by \$5.3 million for unexpended specific purpose loans.
Internal restrictions	20,949	15,470	
Unrestricted	6,917	9,980	
Cash and investments	63,348	66,238	Internally restricted cash and investments are restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans. Internal restrictions increased mainly due \$3.4 million increase in future works.

Debt

Council has \$13.1 million of borrowings as at 30 June 2018 (2017: \$13.6). Loans are secured over general rating income of Council.

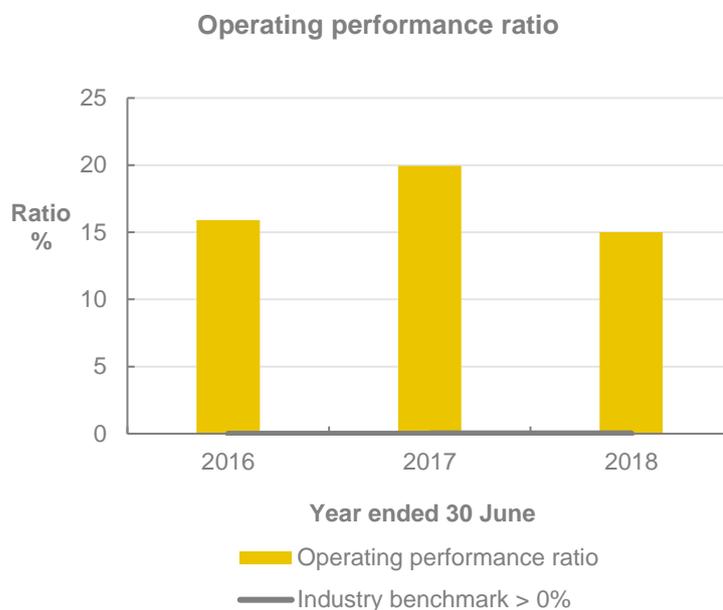
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 22 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

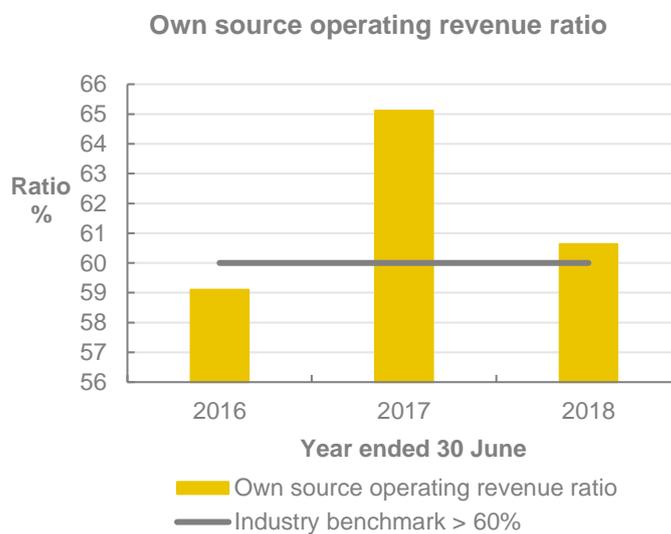
Council's operating performance ratios exceeded the industry benchmark over the past three years.

The 'operating performances ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

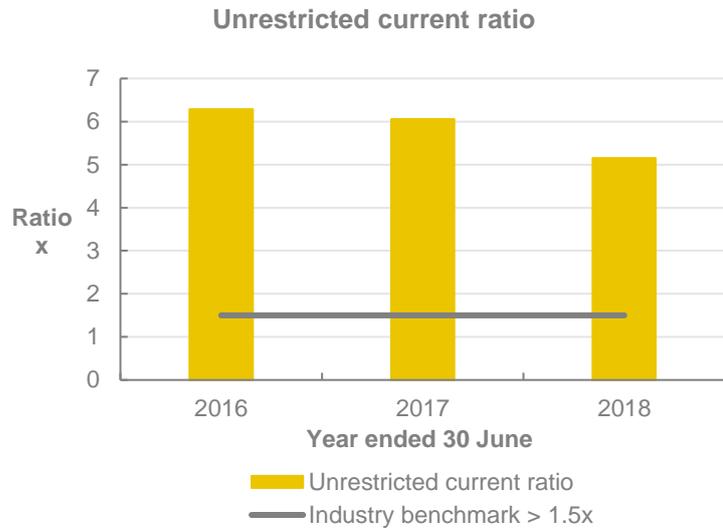
Council's own source operating revenue ratio of 60.6 per cent for year ended 30 June 2018 is once again higher than the industry benchmark. It decreased this year mainly because of the ten per cent increase in total continuing operating revenue. The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years. This indicates Council has sufficient liquidity to meet its current liabilities as and when they fall due.

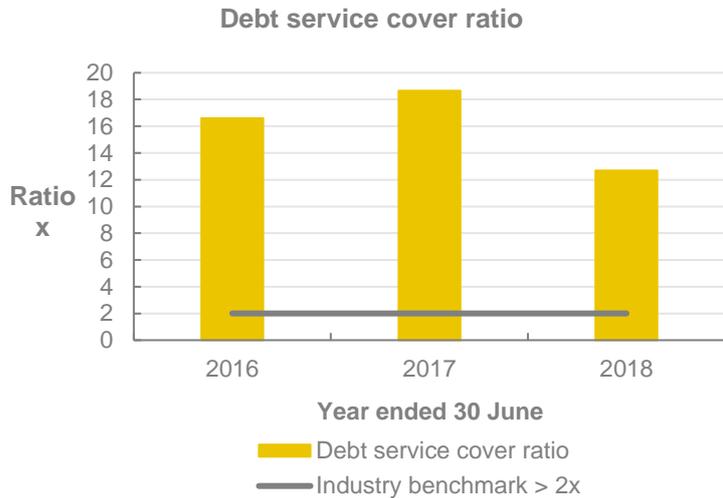
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio exceeded the industry benchmark over the past three years. The ratio indicates Council has adequate revenue to cover the principal repayment and borrowing cost of its debt. The 2017–18 ratio was impacted by the ten per cent reduction in operating result before capital excluding interest and depreciation/amortisation/impairment.

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



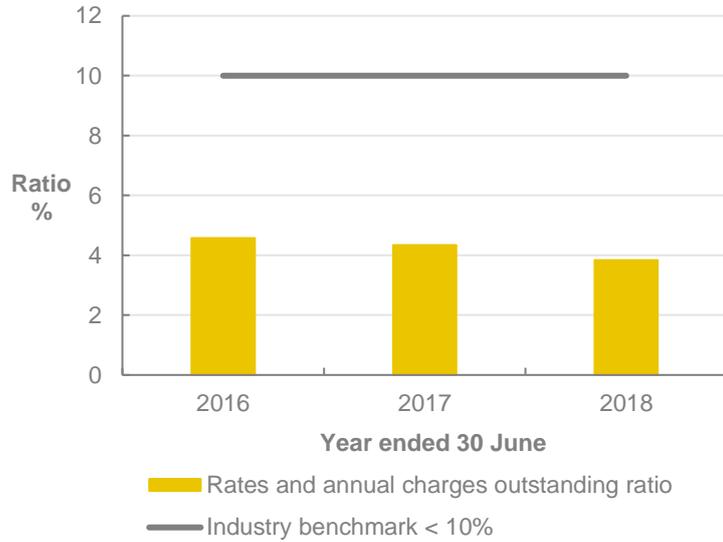
Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural Councils over the past three years.

The ratio has continued to decline year on year, reflecting Council's sustained effort to effectively manage rates and charges recovery.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than ten per cent for rural Councils.

Rates and annual charges outstanding ratio



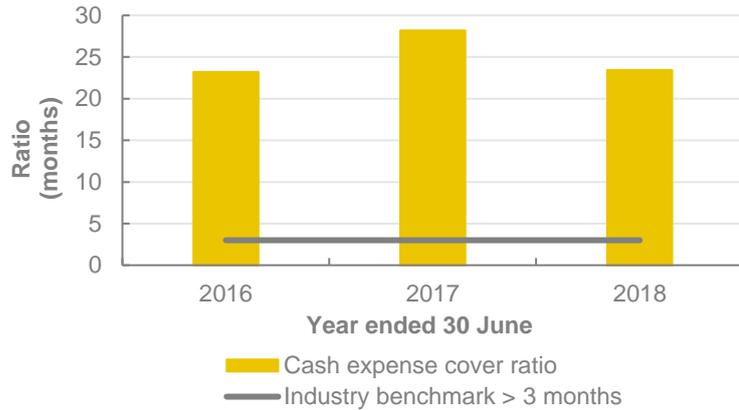
Cash expense cover ratio

At 30 June 2018, Council had the capacity to cover 23 months of cash expenditure without additional cash inflows.

Council's high level of liquidity means its cash expense cover ratio far exceeded the industry benchmark over the past three years.

This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

Cash expense cover ratio



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 10.

AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendments to AASB 136

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited; and
- staff provided all accounting records and information relevant to the audit.



Dominika Ryan
Director, Financial Audit Services

cc: Mr. Eric Groth, General Manager
Mr. Damien Connor, Chief Financial Officer
Mr. Grant Marchant, Chair Audit, Risk and Improvement Committee



Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“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 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
4. Auditor’s Report	17

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 2018

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:

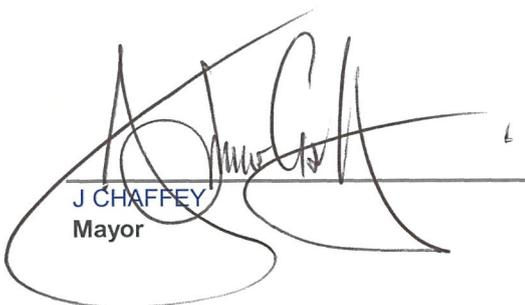
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 05 September 2018.



J CHAFFEY
Mayor



R HOOKE
Councillor



E J GROTH
General manager



D CONNOR
Responsible accounting officer

Gunnedah Shire Council

Income Statement of Council's Water Supply Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	890	849
User charges	3,491	2,699
Interest	381	369
Grants and contributions provided for non-capital purposes	50	80
Other income	2	2
Total income from continuing operations	4,814	3,999
Expenses from continuing operations		
Employee benefits and on-costs	655	766
Materials and contracts	686	566
Depreciation, amortisation and impairment	929	960
Loss on sale of assets	334	68
Other expenses	834	536
Total expenses from continuing operations	3,438	2,896
Surplus (deficit) from continuing operations before capital amounts	1,376	1,103
Grants and contributions provided for capital purposes	702	834
Surplus (deficit) from continuing operations after capital amounts	2,078	1,937
Surplus (deficit) from all operations before tax	2,078	1,937
Less: corporate taxation equivalent (30%) [based on result before capital]	(413)	(331)
SURPLUS (DEFICIT) AFTER TAX	1,665	1,606
Plus opening retained profits	33,551	31,614
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	413	331
Closing retained profits	35,629	33,551
Return on capital %	3.4%	2.9%
Calculation of dividend payable:		
Surplus (deficit) after tax	1,665	1,606
Less: capital grants and contributions (excluding developer contributions)	(336)	(531)
Surplus for dividend calculation purposes	1,329	1,075
Potential dividend calculated from surplus	665	538

Gunnedah Shire Council

Income Statement of Council's Sewerage Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,974	1,899
User charges	725	617
Interest	268	298
Grants and contributions provided for non-capital purposes	35	72
Other income	13	5
Total income from continuing operations	3,015	2,891
Expenses from continuing operations		
Employee benefits and on-costs	378	367
Materials and contracts	317	293
Depreciation, amortisation and impairment	889	781
Loss on sale of assets	2,470	–
Other expenses	460	285
Total expenses from continuing operations	4,514	1,726
Surplus (deficit) from continuing operations before capital amounts	(1,499)	1,165
Grants and contributions provided for capital purposes	2,807	88
Surplus (deficit) from continuing operations after capital amounts	1,308	1,253
Surplus (deficit) from all operations before tax	1,308	1,253
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(350)
SURPLUS (DEFICIT) AFTER TAX	1,308	904
Plus opening retained profits	17,530	16,277
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	350
Closing retained profits	18,838	17,530
Return on capital %	-4.1%	3.6%
Subsidy from Council	2,450	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,308	904
Less: capital grants and contributions (excluding developer contributions)	(2,585)	36
Surplus for dividend calculation purposes	–	940
Potential dividend calculated from surplus	–	470

Gunnedah Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	161	165
Investments	14,501	14,162
Receivables	534	609
Inventories	99	108
Total current assets	15,295	15,044
Non-current assets		
Infrastructure, property, plant and equipment	40,460	37,927
Total non-current assets	40,460	37,927
TOTAL ASSETS	55,755	52,971
LIABILITIES		
Current liabilities		
Payables	75	73
Total current liabilities	75	73
Total non-current liabilities	–	–
TOTAL LIABILITIES	75	73
NET ASSETS	55,680	52,898
EQUITY		
Accumulated surplus	35,629	33,551
Revaluation reserves	20,051	19,347
TOTAL EQUITY	55,680	52,898

Gunnedah Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	157	229
Investments	7,475	9,462
Receivables	213	181
Inventories	1	1
Total current Assets	7,846	9,873
Non-current assets		
Infrastructure, property, plant and equipment	36,150	32,106
Total non-current assets	36,150	32,106
TOTAL ASSETS	43,996	41,979
LIABILITIES		
Current liabilities		
Payables	1	1
Total current liabilities	1	1
Total non-current liabilities	-	-
TOTAL LIABILITIES	1	1
NET ASSETS	43,995	41,978
EQUITY		
Accumulated surplus	18,838	17,530
Revaluation reserves	25,157	24,448
TOTAL EQUITY	43,995	41,978

Gunnedah Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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 these Special Purpose Financial Statements 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 prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in 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 NSW government policy statement titled '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 a standard for disclosure requirements.

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, Curtlewis, Mullaley & Tambar Springs.

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), 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. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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 to in the NSW Office of Water 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 to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst 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/(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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the 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 the SPFS.

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting 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.

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 NCP 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'.

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return 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 2.63% at 30/6/18.

(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.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

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	14,970
(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]	664,600
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	149,700
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	3,689,900

2018 Surplus	1,329,200	2017 Surplus	1,075,100	2016 Surplus	1,285,600
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	149,700
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	151,482
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	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]	
(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 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

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	5,135
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)]	%	82.57%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	38,130
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,142
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,150
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)]	%	5.10%
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 2018Note 3. Sewerage business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

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	11,214
(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]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	112,140
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	702,600

2018 Surplus	(1,277,000)	2017 Surplus	939,500	2016 Surplus	1,040,100
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	-
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	125,418
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,812
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	35,099
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,156
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	8,844
NWI F18	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)]	%	4.89%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	1,743

**National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)**

NWI F3	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	6,143
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.20%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	10,994
NWI F19	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)]	%	5.00%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	277
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	16.85%

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	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)]	%	<input type="text" value="-22.37%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="3,832"/> 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: <input type="text" value="(649)"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="> 100"/>
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="1,643"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="74"/>

- 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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial report
Gunnedah Shire Council

To the Councillors of the Gunnedah Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Gunnedah Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I 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 Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan
Director, Financial Services

29 October 2018
SYDNEY



Gunnedah Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

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



Gunnedah Shire Council

Special Schedules

for the year ended 30 June 2018

Contents

Page

Special Schedules ¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	8
Special Schedule 4	Water Supply – Statement of Financial Position	11
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	12
Special Schedule 6	Sewerage Service – Statement of Financial Position	15
Notes to Special Schedules 3 and 5		16
Special Schedule 7	Report on Infrastructure Assets	17

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	618	12	–	(606)
Administration	1,524	217	–	(1,307)
Public order and safety				
Fire service levy, fire protection, emergency services	353	86	–	(267)
Beach control	–	–	–	–
Enforcement of local government regulations	12	7	–	(5)
Animal control	215	53	–	(162)
Other	–	–	–	–
Total public order and safety	580	146	–	(434)
Health	61	27	–	(34)
Environment				
Noxious plants and insect/vermin control	296	138	–	(158)
Other environmental protection	242	–	2,178	1,936
Solid waste management	2,873	3,108	–	235
Street cleaning	390	–	–	(390)
Drainage	–	–	–	–
Stormwater management	377	94	759	476
Total environment	4,178	3,340	2,937	2,099
Community services and education				
Administration and education	244	–	–	(244)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	3,315	3,708	–	393
Children's services	272	99	–	(173)
Total community services and education	3,831	3,807	–	(24)
Housing and community amenities				
Public cemeteries	178	146	–	(32)
Public conveniences	–	–	–	–
Street lighting	214	20	–	(194)
Town planning	401	310	267	176
Other community amenities	25	39	–	14
Total housing and community amenities	818	515	267	(36)
Water supplies	3,225	4,485	634	1,894
Sewerage services	4,297	2,997	2,807	1,507

Gunnedah Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	478	72	–	(406)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	580	47	–	(533)
Performing arts venues	414	271	–	(143)
Other performing arts	–	–	–	–
Other cultural services	213	32	–	(181)
Sporting grounds and venues	881	48	–	(833)
Swimming pools	2,527	137	–	(2,390)
Parks and gardens (lakes)	1,190	63	281	(846)
Other sport and recreation	–	–	–	–
Total recreation and culture	6,283	670	281	(5,332)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	418	8	–	(410)
Other mining, manufacturing and construction	527	–	–	(527)
Total mining, manufacturing and const.	945	8	–	(937)
Transport and communication				
Urban roads (UR) – local	2,263	19	202	(2,042)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,999	1,479	67	(1,453)
Sealed rural roads (SRR) – regional	4,998	5,632	–	634
Unsealed rural roads (URR) – local	2,842	534	10	(2,298)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	269	111	800	642
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	35	–	–	(35)
Footpaths	212	–	–	(212)
Aerodromes	206	47	–	(159)
Other transport and communication	(587)	59	181	827
Total transport and communication	13,237	7,881	1,260	(4,096)
Economic affairs				
Camping areas and caravan parks	16	20	–	4
Other economic affairs	1,947	1,533	–	(414)
Total economic affairs	1,963	1,553	–	(410)
Totals – functions	41,560	25,658	8,186	(7,716)
General purpose revenues ⁽¹⁾		17,687		17,687
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	41,560	43,345	8,186	9,971

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	12,478	12,136
Plus or minus adjustments ⁽²⁾	b	113	159
Notional general income	c = (a + b)	12,591	12,295
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
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)	–	–
Or plus rate peg amount	i = c x e	290	184
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	12,881	12,479
Plus (or minus) last year's carry forward total	l	1	–
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	1	–
Total permissible income	o = k + n	12,882	12,479
Less notional general income yield	p	12,879	12,478
Catch-up or (excess) result	q = o – p	3	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	3	1

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 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Gunnedah Shire Council

To the Councillors of the Gunnedah Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of the Gunnedah Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2019, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan
Director, Financial Audit

29 October 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	610	288
b. Engineering and supervision	285	249
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	511	677
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	153	70
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	389	262
i. Maintenance expenses	147	225
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	19	15
l. Maintenance expenses	2	1
– Other		
m. Operation expenses	2	5
n. Maintenance expenses	–	–
o. Purchase of water	24	27
3. Depreciation expenses		
a. System assets	885	916
b. Plant and equipment	43	44
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	34	49
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	3,104	2,828

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	737	698
b. Usage charges	3,491	1,767
7. Non-residential charges		
a. Access (including rates)	153	151
b. Usage charges	–	933
8. Extra charges	–	–
9. Interest income	381	369
10. Other income	2	2
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	39	39
c. Other grants	–	–
12. Contributions		
a. Developer charges	366	344
b. Developer provided assets	347	530
c. Other contributions	–	–
13. Total income	5,516	4,833
14. Gain (or loss) on disposal of assets	(334)	(68)
15. Operating result	2,078	1,937
15a. Operating result (less grants for acquisition of assets)	2,078	1,937

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	123	611
b. New assets for growth	267	92
c. Renewals	1,760	623
d. Plant and equipment	–	73
17. Repayment of debt	–	–
18. Totals	2,150	1,399
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	3,909	3,930
b. Residential (unoccupied, ie. vacant lot)	439	372
c. Non-residential (occupied)	516	407
d. Non-residential (unoccupied, ie. vacant lot)	126	212
23. Number of ETs for which developer charges were received	39 ET	33 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 70,880	\$ 70,985

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	3,853	–	3,853
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	10,810	–	10,810
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	67	–	67
c. User charges	466	–	466
d. Other	1	–	1
27. Inventories	98	–	98
28. Property, plant and equipment			
a. System assets	–	38,130	38,130
b. Plant and equipment	–	2,330	2,330
29. Other assets	–	–	–
30. Total assets	<u>15,295</u>	<u>40,460</u>	<u>55,755</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	75	–	75
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>75</u>	<u>–</u>	<u>75</u>
36. NET ASSETS COMMITTED	<u>15,220</u>	<u>40,460</u>	<u>55,680</u>
EQUITY			
37. Accumulated surplus			35,007
38. Asset revaluation reserve			20,673
39. Other reserves			–
40. TOTAL EQUITY			<u>55,680</u>
Note to system assets:			
41. Current replacement cost of system assets			64,977
42. Accumulated current cost depreciation of system assets			(26,847)
43. Written down current cost of system assets			<u>38,130</u>

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	398	232
b. Engineering and supervision	157	126
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	104	162
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	74	59
e. Maintenance expenses	40	41
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	5	7
h. Energy costs	27	26
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	293	219
– Other		
l. Operation expenses	2	19
m. Maintenance expenses	56	54
3. Depreciation expenses		
a. System assets	874	765
b. Plant and equipment	15	16
4. Miscellaneous expenses		
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)	–	–
5. Total expenses	2,045	1,726

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,974	1,899
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	665	573
8. Trade waste charges		
a. Annual fees	60	11
b. Usage charges	–	33
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	268	298
11. Other income	13	5
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	1,743	–
b. Grants for pensioner rebates	35	36
c. Other grants	–	–
13. Contributions		
a. Developer charges	222	124
b. Developer provided assets	843	–
c. Other contributions	–	–
14. Total income	5,823	2,979
15. Gain (or loss) on disposal of assets	(2,470)	–
16. Operating result	1,308	1,253
16a. Operating result (less grants for acquisition of assets)	(435)	1,253

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	37	2,074
b. New assets for growth	843	164
c. Renewals	7,938	403
d. Plant and equipment	26	–
18. Repayment of debt	–	–
19. Totals	8,844	2,641
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	3,406	3,470
b. Residential (unoccupied, ie. vacant lot)	286	265
c. Non-residential (occupied)	10	396
d. Non-residential (unoccupied, ie. vacant lot)	36	8
24. Number of ETs for which developer charges were received	29 ET	16 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 63,464	\$ 65,286

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	1,738	–	1,738
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,893	–	5,893
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	138	–	138
c. User charges	75	–	75
d. Other	1	–	1
28. Inventories	1	–	1
29. Property, plant and equipment			
a. System assets	–	35,099	35,099
b. Plant and equipment	–	1,051	1,051
30. Other assets	–	–	–
31. Total assets	<u>7,846</u>	<u>36,150</u>	<u>43,996</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	1	–	1
36. Total liabilities	<u>1</u>	<u>–</u>	<u>1</u>
37. NET ASSETS COMMITTED	<u>7,845</u>	<u>36,150</u>	<u>43,995</u>
EQUITY			
38. Accumulated surplus			18,673
39. Asset revaluation reserve			25,322
40. Other reserves			–
41. TOTAL EQUITY			<u>43,995</u>
Note to system assets:			
42. Current replacement cost of system assets			61,300
43. Accumulated current cost depreciation of system assets			(26,201)
44. Written down current cost of system assets			<u>35,099</u>

Gunnedah Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(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 ⁽¹⁾

(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 ⁽²⁾ (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 ⁽²⁾ (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:

⁽¹⁾ 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).

⁽²⁾ 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 2018

\$'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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	41	41	272	296	28,682	36,689	7.6%	31.1%	61.2%	0.0%	0.1%
	Sub-total	41	41	272	296	28,682	36,689	7.6%	31.1%	61.2%	0.0%	0.1%
Other structures	Other structures	70	70	259	281	3,778	6,177	31.3%	29.2%	16.7%	22.8%	0.0%
	Sub-total	70	70	259	281	3,778	6,177	31.3%	29.2%	16.7%	22.8%	0.0%
Roads	Rural Sealed Roads	2,119	2,119	787	1,046	64,660	74,047	31.0%	31.0%	34.0%	4.0%	0.0%
	Rural Unsealed Roads	695	695	1,946	2,265	80,495	91,526	32.0%	27.0%	37.0%	2.0%	2.0%
	Bridges / Culverts	–	–	9	7	26,277	38,035	42.0%	38.0%	13.0%	7.0%	0.0%
	Footpaths	60	60	60	66	5,951	7,539	59.0%	29.0%	11.0%	1.0%	0.0%
	Other road assets	–	–	–	5	2,736	3,430	63.0%	1.0%	24.0%	12.0%	0.0%
	Urban Roads	1,374	1,374	400	473	41,475	50,675	61.0%	17.0%	20.0%	1.0%	1.0%
	Sub-total	4,248	4,248	3,202	3,862	221,594	265,252	39.9%	27.5%	28.6%	3.2%	0.9%

Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Gunnedah Water	788	788	849	781	33,736	57,786	41.0%	26.0%	16.0%	17.0%	0.0%
	Curlewis Water	–	–	59	36	2,892	4,684	14.0%	19.0%	58.0%	9.0%	0.0%
	Mullaley Water	–	–	26	21	462	934	27.0%	8.0%	33.0%	32.0%	0.0%
	Tambar Springs Water	23	23	20	20	1,039	1,573	20.0%	57.0%	10.0%	13.0%	0.0%
	Sub-total	811	811	954	858	38,129	64,977	38.3%	26.0%	19.1%	16.5%	0.0%
Sewerage network	Sewerage network	495	495	554	443	35,098	61,300	29.1%	18.9%	14.0%	38.0%	0.0%
	Sub-total	495	495	554	443	35,098	61,300	29.1%	18.9%	14.0%	38.0%	0.0%

Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	164	164	44	30	25,321	34,635	46.0%	28.0%	26.0%	0.0%	0.0%
	Kerb & Gutter	412	412	35	27	13,945	28,020	20.4%	70.3%	9.1%	0.2%	0.0%
	Sub-total	576	576	79	57	39,266	62,655	34.6%	46.9%	18.4%	0.1%	0.0%
Open space/recreational assets	Swimming pools	–	–	38	16	786	1,387	0.0%	100.0%	0.0%	0.0%	0.0%
	Other Recreational Assets	59	59	614	835	2,388	5,113	26.5%	22.1%	32.4%	4.4%	14.6%
	Sub-total	59	59	652	851	3,174	6,500	20.8%	38.7%	25.5%	3.5%	11.5%
Other infrastructure assets	Aerodrome	44	44	7	29	1,253	4,895	24.0%	27.0%	37.0%	6.0%	6.0%
	Car Parking	–	–	–	17	530	1,170	41.0%	49.0%	10.0%	0.0%	0.0%
	Sub-total	44	44	7	46	1,783	6,065	27.3%	31.2%	31.8%	4.8%	4.8%
	TOTAL – ALL ASSETS	6,344	6,344	5,979	6,694	371,504	509,615	34.9%	29.1%	26.6%	8.7%	0.7%

Notes:

^a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>13,862</u>	184.41%	120.68%	94.75%	>= 100%
Depreciation, amortisation and impairment	<u>7,517</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>6,344</u>	1.71%	2.44%	2.53%	< 2.00%
Net carrying amount of infrastructure assets	<u>371,504</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>6,694</u>	111.96%	120.24%	107.19%	> 100%
Required asset maintenance	<u>5,979</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>6,344</u>	1.24%	1.59%	1.66%	
Gross replacement cost	<u>509,615</u>				

Notes

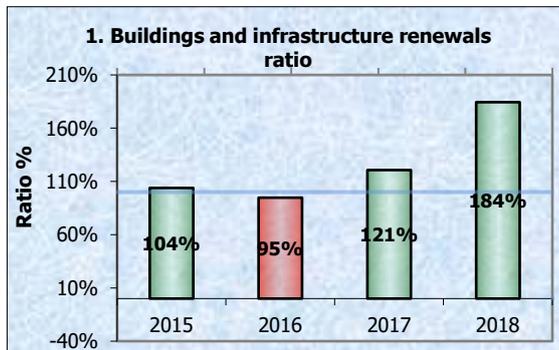
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(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 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

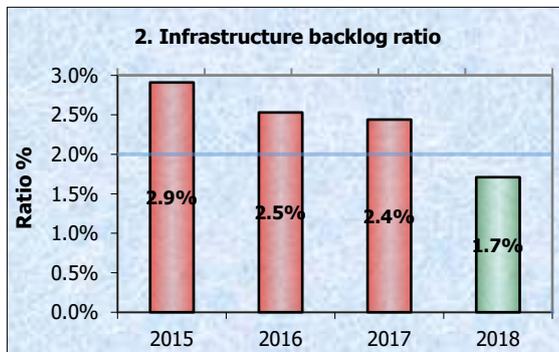
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 184.41%

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 184.41% which shows we are spending more on renewing assets than the deterioration of the assets.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 1.71%

This ration continues to show a positive trend and puts Council within benchmark for the first time in a number of years. The expenditure on renewing assets show that we are tackling the Infrastructure backlog.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

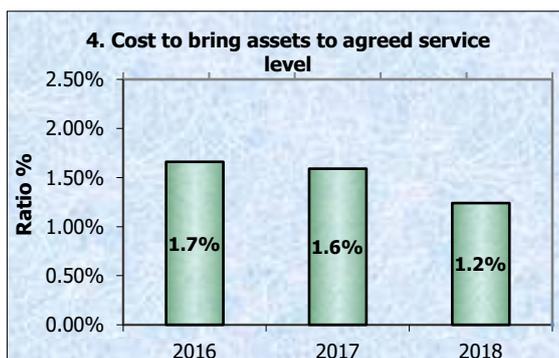
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 111.96%

This ratio reflects Councils commitment to maintaining its current assets and improving where fiscally responsible.

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2017/18 result

2017/18 Ratio 1.24%

This ratio shows an improvement as Council continues to maintain assets to the agreed service levels.

Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	240.79%	145.65%	0.00%	37.88%	0.00%	39.48%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	1.69%	1.76%	2.13%	2.36%	1.41%	9.35%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	120.62%	129.17%	89.94%	98.67%	79.96%	109.54%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.31%	1.20%	1.25%	1.38%	0.81%	4.84%	
Gross replacement cost							

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) 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.