



Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“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 2017

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])	83
– On the Conduct of the Audit (Sect 417 [3])	86

Overview

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

Council's 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).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 18 October 2017. Council has the power to amend and reissue these financial statements.
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Gunnedah Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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 2017.

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 2017

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

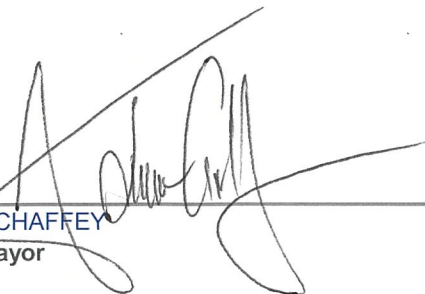
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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


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

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

Signed in accordance with a resolution of Council made on 18 October 2017.



J CHAFFEY
Mayor



R G SWAIN
Councillor



E J GROTH
General Manager



D CONNOR
Responsible Accounting Officer

Gunnedah Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
<i>Revenue:</i>				
16,618	Rates and annual charges	3a	16,816	16,157
8,052	User charges and fees	3b	11,356	11,800
1,626	Interest and investment revenue	3c	1,722	1,693
350	Other revenues	3d	708	819
11,252	Grants and contributions provided for operating purposes	3e,f	14,107	12,218
3,004	Grants and contributions provided for capital purposes	3e,f	2,293	8,864
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	12	–
40,902	Total income from continuing operations		47,014	51,551
Expenses from continuing operations				
13,388	Employee benefits and on-costs	4a	13,673	13,215
781	Borrowing costs	4b	712	728
7,957	Materials and contracts	4c	9,204	9,741
9,407	Depreciation and amortisation	4d	9,399	9,341
–	Impairment	4d	8	57
3,837	Other expenses	4e	2,800	2,809
–	Net losses from the disposal of assets	5	–	497
35,370	Total expenses from continuing operations		35,796	36,388
5,532	Operating result from continuing operations		11,218	15,163
5,532	Net operating result for the year		11,218	15,163
5,532	Net operating result attributable to Council		11,218	15,163
2,528	Net operating result for the year before grants and contributions provided for capital purposes		8,925	6,299

¹ Original budget as approved by Council – refer Note 16

Gunnedah Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		11,218	15,163
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(8,021)	3,075
Total items which will not be reclassified subsequently to the operating result		(8,021)	3,075
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(8,021)	3,075
Total comprehensive income for the year		3,197	18,238
Total comprehensive income attributable to Council		3,197	18,238

Gunnedah Shire Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	2,459	3,777
Investments	6b	63,779	52,294
Receivables	7	5,108	5,092
Inventories	8	480	470
Other	8	215	238
Total current assets		72,041	61,871
Non-current assets			
Receivables	7	29	31
Infrastructure, property, plant and equipment	9	391,082	392,616
Total non-current assets		391,111	392,647
TOTAL ASSETS		463,152	454,518
LIABILITIES			
Current liabilities			
Payables	10	3,309	2,960
Income received in advance	10	373	266
Borrowings	10	492	308
Provisions	10	4,866	4,523
Total current liabilities		9,040	8,057
Non-current liabilities			
Borrowings	10	13,089	8,881
Provisions	10	7,809	7,563
Total non-current liabilities		20,898	16,444
TOTAL LIABILITIES		29,938	24,501
Net assets		433,214	430,017
EQUITY			
Retained earnings	20	205,081	193,853
Revaluation reserves	20	228,133	236,164
Council equity interest		433,214	430,017
Total equity		433,214	430,017

Gunnedah Shire Council

Statement of Changes in Equity

for the year ended 30 June 2017

\$ '000	Notes	2017				2016			
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Total equity
Opening balance (as per last year's audited accounts)		193,853	236,164	430,017	430,017	178,690	233,089	411,779	411,779
Revised opening balance		193,853	236,164	430,017	430,017	178,690	233,089	411,779	411,779
a. Net operating result for the year		11,218	–	11,218	11,218	15,163	–	15,163	15,163
b. Other comprehensive income									
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	(8,021)	(8,021)	(8,021)	–	3,075	3,075	3,075
Other comprehensive income		–	(8,021)	(8,021)	(8,021)	–	3,075	3,075	3,075
Total comprehensive income (c&d)		11,218	(8,021)	3,197	3,197	15,163	3,075	18,238	18,238
c. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–
d. Transfers between equity		10	(10)	–	–	–	–	–	–
Equity – balance at end of the reporting period		205,081	228,133	433,214	433,214	193,853	236,164	430,017	430,017

Gunnedah Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
16,672	Rates and annual charges		16,873	16,242
9,861	User charges and fees		11,703	13,819
1,706	Investment and interest revenue received		1,670	1,599
14,341	Grants and contributions		14,979	13,954
681	Other		2,785	1,591
Payments:				
(11,266)	Employee benefits and on-costs		(13,122)	(13,500)
(11,980)	Materials and contracts		(8,995)	(11,992)
(604)	Borrowing costs		(533)	(549)
(3,654)	Other		(5,206)	(2,609)
15,757	Net cash provided (or used in) operating activities	11b	20,154	18,555
Cash flows from investing activities				
Receipts:				
6,007	Sale of investment securities		69,900	67,500
563	Sale of infrastructure, property, plant and equipment		656	406
3	Deferred debtors receipts		2	2
Payments:				
(104)	Purchase of investment securities		(81,385)	(75,500)
(25,850)	Purchase of infrastructure, property, plant and equipment		(15,037)	(11,349)
(19,381)	Net cash provided (or used in) investing activities		(25,864)	(18,941)
Cash flows from financing activities				
Receipts:				
4,000	Proceeds from borrowings and advances		4,700	–
Payments:				
(376)	Repayment of borrowings and advances		(308)	(291)
3,624	Net cash flow provided (used in) financing activities		4,392	(291)
–	Net increase/(decrease) in cash and cash equivalents		(1,318)	(677)
1,000	Plus: cash and cash equivalents – beginning of year	11a	3,777	4,454
1,000	Cash and cash equivalents – end of the year	11a	2,459	3,777
Additional Information:				
	plus: Investments on hand – end of year	6b	63,779	52,294
	Total cash, cash equivalents and investments		66,238	56,071

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	21
2(b)	Council functions/activities – component descriptions	22
3	Income from continuing operations	23
4	Expenses from continuing operations	28
5	Gains or losses from the disposal of assets	32
6(a)	Cash and cash equivalent assets	33
6(b)	Investments	33
6(c)	Restricted cash, cash equivalents and investments – details	34
7	Receivables	36
8	Inventories and other assets	37
9(a)	Infrastructure, property, plant and equipment	38
9(b)	Externally restricted infrastructure, property, plant and equipment	39
9(c)	Infrastructure, property, plant and equipment – current year impairments	40
10(a)	Payables, borrowings and provisions	41
10(b)	Description of (and movements in) provisions	42
11	Statement of cash flows – additional information	43
12	Commitments for expenditure	45
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	46
	13a (ii) Local government industry graphs (consolidated)	47
	13b Local government industry indicators (by fund)	49
14	Investment properties	51
15	Financial risk management	51
16	Material budget variations	55
17	Statement of developer contributions	57
18	Contingencies and other liabilities/assets not recognised	59
19	Interests in other entities	60
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	61
21	Financial result and financial position by fund	62
22	'Held for sale' non-current assets and disposal groups	64
23	Events occurring after the reporting date	64
24	Discontinued operations	64
25	Intangible assets	64
26	Reinstatement, rehabilitation and restoration liabilities	65
27	Fair value measurement	67
28	Related party disclosures	80
 Additional council disclosures		
29	Council information and contact details	82

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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.

(a) 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.

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] this standard has had no impact on Council's Financial Statements.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) 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 property, plant and equipment and investment property.

(iv) 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 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,
- (ii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Rates, annual charges, grants and contributions

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.

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

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

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.

(ii) User charges and fees

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

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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*

(ii) 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 property 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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

(d) 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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any

incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of 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.

(f) 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 2017

Note 1. Summary of significant accounting policies (continued)

(g) Inventories

(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

(ii) Inventory held for distribution

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

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

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that 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.

(iii) 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. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

(iv) Available-for-sale financial assets

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

management intends to dispose of the investment within 12 months of the reporting date.

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

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.

Financial assets 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.

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of

amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Other structures
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets

Internally valued:

- Roads assets including roads, bridges and footpaths
- Stormwater drainage

As approximated by depreciated historical cost:

- Plant and equipment

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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.

Depreciation

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 & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Drainage

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

Transportation Assets

- Sealed Roads: Surface	21 to 28 years
- Sealed Roads: Structure	60 to 75 years
- Unsealed roads	60 to 75 years

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- Bridge: Concrete	100 years
- Bridge: Other	100 years
- Road Formation	150 years (Urban)
- Road Formation	Indefinite (Rural)
- Kerb, Gutter & Paths	80 years

Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 60 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	80 to 110 years
- Pumps and telemetry	10 to 20 years

Other Infrastructure Assets

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

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.

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably

determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) 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.

(n) 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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(o) 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.

(p) 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.

(q) Employee benefits

(i) 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.

(ii) 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.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council 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.

Defined Contribution Plans

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

(r) 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.

(s) Self-insurance

Council does not self-insure. Council has a full range of Insurance policies including Public Liability, Property, Motor Vehicle, Personal Accident, Councillors & Officer, Crime with various excesses applied. However Council has elected that some low risk and low value properties have been excluded from the Property Insurance schedule.

(t) Intangible assets

Council has not classified any assets as intangible.

(u) 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.

(v) 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"*.

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise rural fire service assets including land, buildings, plant and vehicles as it has been doing in previous years, which is to exclude the assets from the financial statements.

(w) 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.

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(x) 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 the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

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

AASB 9 Financial Instruments (December 2009)

- AASB 15 Revenue from Contracts with Customers

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

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

AASB 16 Leases

AASB 16 Leases (Appendix D)

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities

AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(y) Rounding of amounts

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

(z) Comparative figures

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	1	2	2	701	640	600	(700)	(638)	(598)	–	–	89	92
Administration	136	167	221	1,443	1,344	1,262	(1,307)	(1,177)	(1,041)	3	2	9,570	9,564
Public order and safety	184	227	265	663	594	632	(479)	(367)	(367)	–	8	1,335	1,544
Health	32	28	48	43	120	64	(11)	(92)	(16)	–	17	408	416
Environment	5,344	4,013	3,819	4,346	4,080	3,701	998	(67)	118	561	169	37,523	36,298
Community services and education	4,100	4,318	4,604	4,191	3,575	4,099	(91)	743	505	4,013	4,396	4,337	3,447
Housing and community amenities	740	651	970	835	746	1,106	(95)	(95)	(136)	20	125	5,982	7,970
Water supplies	3,391	4,445	4,816	3,050	2,820	3,251	341	1,625	1,565	39	39	53,181	55,601
Sewerage services	2,717	2,979	3,586	1,865	1,635	1,645	852	1,344	1,941	36	36	42,067	44,385
Recreation and culture	624	838	904	4,308	4,618	4,424	(3,684)	(3,780)	(3,520)	147	110	47,660	39,963
Mining, manufacturing and construction	11	9	8	1,164	916	902	(1,153)	(907)	(894)	–	–	1,986	2,089
Transport and communication	5,749	8,801	14,348	10,777	12,601	12,808	(5,028)	(3,800)	1,540	2,139	2,667	238,650	236,504
Economic affairs	942	1,472	1,382	1,984	2,107	1,894	(1,042)	(635)	(512)	5	–	7,591	7,117
Total functions and activities	23,971	27,950	34,973	35,370	35,796	36,388	(11,399)	(7,846)	(1,415)	6,963	7,569	450,379	444,990
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	16,931	19,064	16,578	–	–	–	16,931	19,064	16,578	6,291	4,190	12,773	9,528
Operating result from continuing operations	40,902	47,014	51,551	35,370	35,796	36,388	5,532	11,218	15,163	13,254	11,759	463,152	454,518

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Actual 2017	Actual 2016
(a) Rates and annual charges		
Ordinary rates		
Residential	3,880	3,557
Farmland	4,820	4,494
Mining	1,177	1,468
Business	2,037	1,936
Total ordinary rates	11,914	11,455
Special rates		
Nil		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,104	2,002
Stormwater management services	94	94
Water supply services	818	796
Sewerage services	1,886	1,810
Total annual charges	4,902	4,702
TOTAL RATES AND ANNUAL CHARGES	16,816	16,157

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	608	501
Water supply services	2,375	2,865
Sewerage services	578	561
Waste management services (non-domestic)	44	44
Total user charges	3,605	3,971
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	232	321
Private works – section 67	443	177
Regulatory/ statutory fees	43	67
Registration fees	29	22
Section 149 certificates (EPA Act)	34	35
Section 603 certificates	35	31
Total fees and charges – statutory/regulatory	816	653
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	31	13
Aged care	98	106
Caravan park	5	5
Cemeteries	120	112
Events	7	106
Library and art gallery	8	7
Noxious weeds	17	20
Park rents	71	71
Public halls	54	7
RMS (formerly RTA) charges (state roads not controlled by Council)	5,364	5,545
Saleyards	730	789
Swimming pools	184	165
Tourism	21	28
Theatre	211	194
Other	14	8
Total fees and charges – other	6,935	7,176
TOTAL USER CHARGES AND FEES	11,356	11,800

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)	81	79
– Interest earned on investments (interest and coupon payment income)	1,641	1,614
TOTAL INTEREST AND INVESTMENT REVENUE	1,722	1,693
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	81	79
General Council cash and investments	778	854
Restricted investments/funds – external:		
Development contributions		
– Section 94	55	49
– Section 64	122	91
Water fund operations	285	250
Sewerage fund operations	260	239
Domestic waste management operations	141	131
Total interest and investment revenue recognised	1,722	1,693
(d) Other revenues		
Rental income – other council properties	145	185
Fines	18	19
Fines – parking	4	2
Legal fees recovery – rates and charges (extra charges)	121	114
Commissions and agency fees	27	51
Diesel rebate	36	37
Government paid parental leave	12	36
Insurance claim recoveries	7	17
Reimbursements	91	75
Sales – domestic waste	64	15
Sales – swimming pools	77	85
Sales – tourism	7	29
Sales – theatre	68	68
Workers compensation – wages recoveries	–	64
Other	31	22
TOTAL OTHER REVENUE	708	819

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,940	2,610	–	–
Financial assistance – local roads component	2,258	1,491	–	–
Pensioners' rates subsidies – general component	93	89	–	–
Total general purpose	6,291	4,190	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	39	39	–	–
– Sewerage	36	36	–	–
– Domestic waste management	35	36	–	–
Community care	3,993	4,413	–	–
Domestic waste management	–	–	–	17
Economic development	5	–	–	–
Employment and training programs	3	–	–	–
Environmental protection	–	–	378	–
Heritage and cultural	50	–	–	–
Library	47	47	–	–
Noxious weeds	148	116	–	–
Recreation and culture	–	26	70	37
Street lighting	20	19	–	–
Transport (roads to recovery)	1,464	2,020	–	–
Transport (other roads and bridges funding)	675	647	–	–
Other	–	116	–	–
Total specific purpose	6,515	7,515	448	54
Total grants	12,806	11,705	448	54
Grant revenue is attributable to:				
– Commonwealth funding	10,186	8,779	–	–
– State funding	2,375	2,757	448	54
– Other funding	245	169	–	–
	12,806	11,705	448	54

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	64	76
S 94 – contributions towards amenities/services	–	–	200	256
S 64 – water supply contributions	–	–	303	468
S 64 – sewerage service contributions	–	–	124	317
S 64 – stormwater contributions	–	–	58	79
Total developer contributions	17	–	749	1,196
Other contributions:				
Community services	54	2	–	–
Drainage	–	–	333	893
Emergency services	171	197	–	–
ELE contributions – other councils	57	–	–	–
Kerb and gutter	–	–	–	982
Paving	–	–	–	7
Recreation and culture	–	2	–	75
Roads and bridges	830	183	222	4,835
Saleyards	81	76	–	–
Sewerage (excl. section 64 contributions)	–	–	–	552
Water supplies (excl. section 64 contributions)	41	53	530	261
Waste	–	–	–	9
Weeds	13	–	11	–
Other	54	–	–	–
Total other contributions	1,301	513	1,096	7,614
Total contributions	1,301	513	1,845	8,810
TOTAL GRANTS AND CONTRIBUTIONS	14,107	12,218	2,293	8,864

\$ '000	Actual 2017	Actual 2016
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period	10,093	8,511
Add: grants and contributions recognised in the current period but not yet spent:	1,886	2,652
Less: grants and contributions recognised in a previous reporting period now spent:	(169)	(1,070)
Net increase (decrease) in restricted assets during the period	1,717	1,582
Unexpended and held as restricted assets	11,810	10,093
Comprising:		
– Specific purpose unexpended grants	4,665	3,811
– Developer contributions	7,145	6,282
	11,810	10,093

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		11,211	11,101
Travel expenses		108	105
Employee leave entitlements (ELE)		1,605	1,335
Superannuation		1,374	1,342
Workers' compensation insurance		319	218
Fringe benefit tax (FBT)		50	47
Payroll tax		51	35
Training costs (other than salaries and wages)		182	211
Protective clothing		51	54
Other		27	38
Total employee costs		14,978	14,486
Less: capitalised costs		(1,305)	(1,271)
TOTAL EMPLOYEE COSTS EXPENSED		13,673	13,215
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on overdraft		–	1
Interest on loans		538	549
Total interest bearing liability costs expensed		538	550
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	174	178
Total other borrowing costs		174	178
TOTAL BORROWING COSTS EXPENSED		712	728

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(c) Materials and contracts		
Raw materials and consumables	22,669	17,383
Contractor and consultancy costs		
– Domestic waste management	91	10
– Community services	41	63
– Tourism/economic development	24	1
– Community planning and development	22	14
– Human resources	35	39
– Swimming Pools	–	26
– Planning	22	68
– Parking	7	–
– Information technology	65	20
– Governance	9	5
– Contractor and consultancy costs	103	11
Auditors remuneration ⁽¹⁾	90	69
Legal expenses:		
– Legal expenses: planning and development	3	22
– Legal expenses: debt recovery	132	137
– Legal expenses: other	26	14
Total materials and contracts	23,339	17,882
Less: capitalised costs	(14,135)	(8,141)
TOTAL MATERIALS AND CONTRACTS	9,204	9,741
Auditor remuneration		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
Audit and other assurance services		
– Audit and review of financial statements: Auditor-General	39	–
Remuneration for audit and other assurance services	39	–
Total Auditor-General remuneration	39	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:		
Audit and other assurance services		
– Audit and review of financial statements: Council's Auditor	–	32
– Due diligence services – Internal Audit	51	27
– Other audit and assurance services – Asset Preparedness	–	10
Remuneration for audit and other assurance services	51	69
Total remuneration of other Council's Auditors	51	69
Total Auditor remuneration	90	69

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		1,408	1,581
Office equipment		251	255
Furniture and fittings		77	92
Infrastructure:			
– Buildings – non-specialised		263	276
– Buildings – specialised		342	386
– Other structures		125	101
– Roads		4,101	3,952
– Bridges		137	137
– Footpaths		89	88
– Stormwater drainage		323	308
– Water supply network		916	884
– Sewerage network		765	735
– Swimming pools		69	47
– Other open space/recreational assets		76	51
Other assets			
– Library books		18	15
– Other		93	84
Asset reinstatement costs	9 & 26	346	349
Total depreciation and amortisation costs		9,399	9,341
Impairment			
Plant and equipment		–	4
Office equipment		8	8
Furniture and fittings		–	45
Total gross impairment costs		8	57
Total impairment costs		8	57
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		9,407	9,398

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(e) Other expenses		
Advertising	59	105
Bad and doubtful debts	21	15
Bank charges	41	39
Computer software charges	196	240
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	23	21
– NSW rural fire service levy	164	237
Councillor expenses – mayoral fee	33	35
Councillor expenses – councillors' fees	88	72
Councillors' expenses (incl. mayor) – other (excluding fees above)	63	45
Donations, contributions and assistance to other organisations (Section 356)	33	29
– Donations, contributions and assistance	94	149
Election expenses	8	–
Electricity and heating	641	669
Gas	8	8
Insurance	536	432
Postage	58	44
Printing and stationery	146	146
Street lighting	191	176
Subscriptions and publications	175	143
Telephone and communications	176	155
Valuation fees	48	47
Other	12	28
Total other expenses	2,814	2,835
Less: capitalised costs	(14)	(26)
TOTAL OTHER EXPENSES	2,800	2,809

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Actual 2017	Actual 2016
Property (excl. investment property)		
Proceeds from disposal – property	20	–
Less: carrying amount of property assets sold/written off	(46)	–
Net gain/(loss) on disposal	(26)	–
Plant and equipment		
Proceeds from disposal – plant and equipment	636	380
Less: carrying amount of plant and equipment assets sold/written off	(377)	(152)
Net gain/(loss) on disposal	259	228
Infrastructure		
Less: carrying amount of infrastructure assets sold/written off	(221)	(725)
Net gain/(loss) on disposal	(221)	(725)
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets	69,900	67,500
Less: carrying amount of financial assets sold/redeemed/matured	(69,900)	(67,500)
Net gain/(loss) on disposal	–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>	<u>12</u>	<u>(497)</u>

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		206	–	477	–
Cash-equivalent assets ¹					
– Deposits at call		2,253	–	3,300	–
Total cash and cash equivalents		2,459	–	3,777	–
Investments (Note 6b)					
– Long term deposits		63,779	–	52,294	–
Total investments		63,779	–	52,294	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		66,238	–	56,071	–

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'

2,459	–	3,777	–
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Investments

a. 'Held to maturity'

Investments

63,779	–	52,294	–
63,779	–	52,294	–

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	66,238	–	56,071	–
attributable to:				
External restrictions (refer below)	40,788	–	34,182	–
Internal restrictions (refer below)	15,470	–	13,055	–
Unrestricted	9,980	–	8,834	–
	66,238	–	56,071	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	–	4,700	–	4,700
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External restrictions – included in liabilities	–	4,700	–	4,700
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External restrictions – other

Developer contributions – general (B)	1,958	376	(63)	2,271
Developer contributions – water fund (B)	3,009	388	–	3,397
Developer contributions – sewer fund (B)	1,315	162	–	1,477
Specific purpose unexpended grants (C)	3,811	854	–	4,665
Water supplies (D)	10,378	552	–	10,930
Sewerage services (D)	8,992	–	(777)	8,215
Domestic waste management (D)	4,714	1,246	(838)	5,122
Other (E)	5	6	–	11
External restrictions – other	34,182	3,584	(1,678)	36,088
Total external restrictions	34,182	8,284	(1,678)	40,788

A Loan moneys which must be applied for the purposes for which the loans were raised.

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

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

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

E Contributions received which are not yet expended for which the contributions were obtained. (refer Note 1 (b))

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	961	–	(1)	960
Employees leave entitlement	1,361	124	–	1,485
Aerodrome	407	–	(403)	4
Business partnering program	47	15	–	62
Community facilities fund	471	436	(471)	436
Contract works	189	–	–	189
Cycleways	38	–	–	38
Depot refuelling upgrade	142	–	–	142
Future works	6,668	6,671	(6,668)	6,671
Gravel pit restoration	253	80	–	333
Information technology	155	79	–	234
Land	45	–	–	45
Parking areas	83	400	–	483
Roads	318	–	–	318
Saleyards	1,152	12	–	1,164
Storm water – contingency	178	71	(78)	171
Strategic planning	164	–	–	164
Tourism	186	–	–	186
Motor Vehicles	–	77	–	77
Financial Assistance Grants	–	2,108	–	2,108
Other	237	63	(100)	200
Total internal restrictions	13,055	10,136	(7,721)	15,470
TOTAL RESTRICTIONS	47,237	18,420	(9,399)	56,258

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	660	–	716	–
Interest and extra charges	203	–	159	–
User charges and fees	896	–	1,030	–
Private works	2,017	–	2,123	–
Contributions to works	613	–	401	–
Accrued revenues				
– Interest on investments	579	–	568	–
– Other income accruals	40	–	13	–
Deferred debtors	–	29	–	31
Government grants and subsidies	20	–	111	–
Net GST receivable	171	–	58	–
Total	5,199	29	5,179	31
Less: provision for impairment				
Rates and annual charges	(12)	–	(11)	–
Interest and extra charges	(79)	–	(76)	–
Total provision for impairment – receivables	(91)	–	(87)	–
TOTAL NET RECEIVABLES	5,108	29	5,092	31
Externally restricted receivables				
Water supply				
– Rates and availability charges	69	–	67	–
– Other	540	–	468	–
Sewerage services				
– Rates and availability charges	135	–	140	–
– Other	45	–	61	–
Total external restrictions	789	–	736	–
Internally restricted receivables				
Nil				
Unrestricted receivables	4,319	29	4,356	31
TOTAL NET RECEIVABLES	5,108	29	5,092	31

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Gunnedah Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	480	–	470	–
Total inventories at cost	480	–	470	–
(ii) Inventories at net realisable value (NRV)				
Nil				
<u>TOTAL INVENTORIES</u>	<u>480</u>	<u>–</u>	<u>470</u>	<u>–</u>
(b) Other assets				
Prepayments	211	–	238	–
Other	4	–	–	–
<u>TOTAL OTHER ASSETS</u>	<u>215</u>	<u>–</u>	<u>238</u>	<u>–</u>
Externally restricted assets				
Water				
Stores and materials	108	–	123	–
Total water	108	–	123	–
Sewerage				
Stores and materials	1	–	–	–
Total sewerage	1	–	–	–
Total externally restricted assets	109	–	123	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	586	–	585	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>695</u>	<u>–</u>	<u>708</u>	<u>–</u>

Gunnedah Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	4,099	–	4,099	2,180	3,169	–	–	–	(1,302)	–	8,146	–	8,146
Plant and equipment	19,336	10,988	8,348	–	2,249	(378)	(1,408)	–	–	–	19,427	10,616	8,811
Office equipment	2,353	1,611	742	–	207	–	(251)	(8)	–	–	2,529	1,839	690
Furniture and fittings	997	572	425	–	57	–	(77)	–	–	–	1,052	647	405
Land:													
– Operational land	8,472	–	8,472	–	385	(24)	–	–	26	–	8,859	–	8,859
– Community land	5,995	–	5,995	–	–	(22)	–	–	–	–	5,973	–	5,973
– Land under roads (post 30/6/08)	3,268	–	3,268	–	–	–	–	–	–	–	3,268	–	3,268
Infrastructure:													
– Buildings – non-specialised	20,422	8,010	12,412	9	–	–	(263)	–	–	–	20,431	8,273	12,158
– Buildings – specialised	30,175	10,781	19,394	55	–	–	(342)	–	–	–	30,230	11,123	19,107
– Other structures	6,120	2,189	3,931	–	31	–	(125)	–	84	–	6,235	2,314	3,921
– Roads	292,736	88,027	204,709	5,779	335	(153)	(4,101)	–	425	–	298,975	91,981	206,994
– Bridges	13,697	6,218	7,479	–	–	–	(137)	–	–	–	13,697	6,355	7,342
– Footpaths	7,112	1,414	5,698	11	–	–	(89)	–	5	–	7,128	1,503	5,625
– Stormwater drainage	32,528	8,664	23,864	–	333	–	(323)	–	–	–	32,861	8,987	23,874
– Water supply network	67,870	27,004	40,866	347	577	(67)	(916)	–	94	(4,449)	62,655	26,203	36,452
– Sewerage network	54,875	23,219	31,656	302	200	–	(765)	–	418	(3,572)	54,536	26,297	28,239
– Swimming pools	3,973	1,875	2,098	–	–	–	(69)	–	–	–	3,973	1,944	2,029
– Other open space/recreational assets	3,447	1,914	1,533	97	60	–	(76)	–	250	–	3,855	1,991	1,864
Other assets:													
– Library books	183	52	131	30	–	–	(18)	–	–	–	212	69	143
– Other	2,029	512	1,517	57	68	–	(93)	–	–	–	2,107	558	1,549
Reinstatement, rehabilitation and restoration assets (refer Note 26):													
– Tip assets	5,208	671	4,537	–	–	–	(309)	–	–	–	5,208	980	4,228
– Quarry assets	1,718	276	1,442	–	–	–	(37)	–	–	–	1,718	313	1,405
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	586,613	193,997	392,616	8,867	7,671	(644)	(9,399)	(8)	–	(8,021)	593,075	201,993	391,082

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

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

Gunnedah Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	1,076	–	1,076	178	–	178
Plant and equipment	497	317	180	418	273	145
Office equipment	21	11	10	21	10	11
Land						
– Operational land	164	–	164	164	–	164
– Community land	9	–	9	9	–	9
Infrastructure	62,655	26,203	36,452	67,870	27,003	40,867
Other assets	36	–	36	–	–	–
Total water supply	64,458	26,531	37,927	68,660	27,286	41,374
Sewerage services						
WIP	3,230	–	3,230	1,482	–	1,482
Plant and equipment	137	91	46	137	85	52
Office equipment	93	77	16	94	68	26
Land						
– Operational land	465	–	465	465	–	465
– Community land	110	–	110	110	–	110
Infrastructure	54,536	26,297	28,239	54,874	23,219	31,655
Total sewerage services	58,571	26,465	32,106	57,162	23,372	33,790
Domestic waste management						
WIP	483	–	483	41	–	41
Plant and equipment	341	295	46	341	292	49
Office equipment	–	–	–	2	2	–
Furniture and fittings	25	11	14	25	9	16
Land						
– Operational land	661	–	661	661	–	661
– Community land	113	–	113	113	–	113
Buildings	1,250	250	1,000	1,250	229	1,021
Other structures	208	80	128	320	112	208
Other assets	557	101	456	557	75	482
Total DWM	3,638	737	2,901	3,310	719	2,591
TOTAL RESTRICTED I,PP&E	126,667	53,733	72,934	129,132	51,377	77,755

Gunnedah Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017Note 9c. Infrastructure, property, plant and equipment – current year
impairments

\$ '000	Notes	Actual 2017	Actual 2016
Impairment losses recognised in the Income Statement:			
Tourism Precinct Banners – Worn – No Longer Usable		(6)	–
VIC – Relocation Banners – Worn – No longer Usable		(2)	–
IplanIt Pilot Program GoCo not used		–	(8)
Jackaroo Toolbox – Destroyed Car Accident		–	(1)
Visitor Centre Display Room – Obsolete		–	(6)
Tourist Office – Refurbishment – now included in revalued Asset		–	(40)
Showground Lighting Towers – Removed not replaced.		–	(2)
<u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u>	4(d)	<u>(8)</u>	<u>(57)</u>

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,618	–	1,399	–
Goods and services – capital expenditure		1,291	–	1,302	–
Accrued expenses:					
– Borrowings		16	–	11	–
– Salaries and wages		384	–	248	–
Total payables		3,309	–	2,960	–
Income received in advance					
Payments received in advance		373	–	266	–
Total income received in advance		373	–	266	–
Borrowings					
Loans – secured ¹		489	13,079	305	8,866
Government advances		3	10	3	15
Total borrowings		492	13,089	308	8,881
Provisions					
Employee benefits:					
Annual leave		1,637	–	1,569	–
Long service leave		3,052	259	2,779	187
Rostered days off		136	–	121	–
Wages – time in lieu		34	–	47	–
Sub-total – aggregate employee benefits		4,859	259	4,516	187
Asset remediation/restoration (future works)	26	–	7,550	–	7,376
Other		7	–	7	–
Total provisions		4,866	7,809	4,523	7,563
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		9,040	20,898	8,057	16,444
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		73	–	9	–
Sewer		1	–	1	–
Liabilities relating to externally restricted assets		74	–	10	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		74	–	10	–
Total liabilities relating to unrestricted assets		8,966	20,898	8,047	16,444
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		9,040	20,898	8,057	16,444

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 15.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,949	3,777
Other liabilities	7	7
	<u>3,956</u>	<u>3,784</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	1,569	990	(922)	–	–	1,637
Long service leave	2,966	586	(241)	–	–	3,311
Other leave	168	506	(504)	–	–	170
Asset remediation	7,376	174	–	–	–	7,550
Other	7	–	–	–	–	7
TOTAL	12,086	2,256	(1,667)	–	–	12,675

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	2,459	3,777
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		2,459	3,777
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		11,218	15,163
Adjust for non-cash items:			
Depreciation and amortisation		9,399	9,341
Net losses/(gains) on disposal of assets		(12)	497
Non-cash capital grants and contributions		(1,512)	(7,355)
Impairment losses recognition – I,PP&E		8	57
Unwinding of discount rates on reinstatement provisions		174	178
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(20)	753
Increase/(decrease) in provision for doubtful debts		4	15
Decrease/(increase) in inventories		(10)	(66)
Decrease/(increase) in other assets		23	(194)
Increase/(decrease) in payables		219	(316)
Increase/(decrease) in accrued interest payable		5	1
Increase/(decrease) in other accrued expenses payable		136	(495)
Increase/(decrease) in other liabilities		107	58
Increase/(decrease) in employee leave entitlements		415	267
Increase/(decrease) in other provisions		–	651
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		20,154	18,555

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities		
Other non-cash items	1,085	6,717
Developer Contributions to the Gunnedah Sewerage Network	124	377
Developer Contributions to the Gunnedah Water Network	303	261
Total non-cash investing and financing activities	1,512	7,355
(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
Amounts utilised as at balance date:		
– Credit cards/purchase cards	6	–
Total financing arrangements utilised	6	–

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

(e) Bank guarantees

Nil for 2016/17

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	97	–
Plant and equipment	352	292
Other Structures - Swimming Pools	117	–
Sewerage Network	3,996	–
Bridges	898	–
Other Assets	50	–
Waste Management facility	108	–
Total commitments	5,618	292
These expenditures are payable as follows:		
Within the next year	5,618	292
Total payable	5,618	292
Sources for funding of capital commitments:		
Future grants and contributions	147	292
Externally restricted reserves	4,104	–
Internally restricted reserves	1,367	–
Total sources of funding	5,618	292

Details of capital commitments

The following are items that Council has committed to but services not yet received. Plant - \$352k for items of plant ordered but not yet received, Donnelly Amenities \$97k contract let not yet completed, Pool - \$117k for design of pool upgrade, Sewer Treatment Plant - contract not completed - \$3.938 million, Simpsons bridge - \$898k design.

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>8,913</u>	19.94%	15.92%	11.74%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>44,709</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>30,602</u>	65.11%	59.10%	69.03%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>47,002</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>30,355</u>	6.06x	6.29x	5.43x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>5,010</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>19,032</u>	18.66x	16.61x	13.36x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,020</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>772</u>	4.34%	4.57%	5.46%	<10% Rural
Rates, annual and extra charges collectible	<u>17,806</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>66,238</u>	28.22 mths	23.2 mths	22.0 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,347</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.

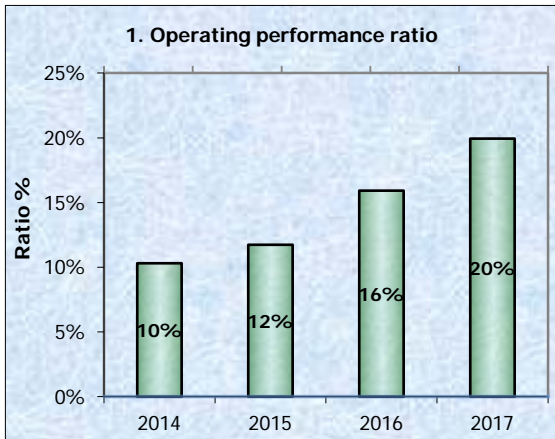
(3) Refer to Note 10(a).

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

Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

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



Purpose of operating performance ratio

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

Commentary on 2016/17 result

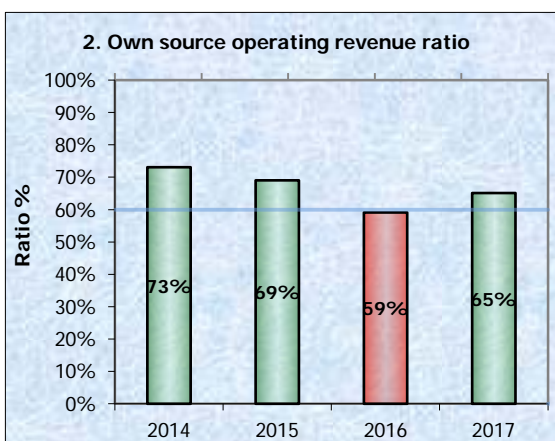
2016/17 ratio 19.94%

Council continues to maintain operating expenditures within operating revenues. This result is an improvement in the previous year and reflects increased revenues. Additional revenue was obtained from the final year on the Special Rate Variation and the advance payment of the Financial Assistance Grant for 2017/18.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2016/17 result

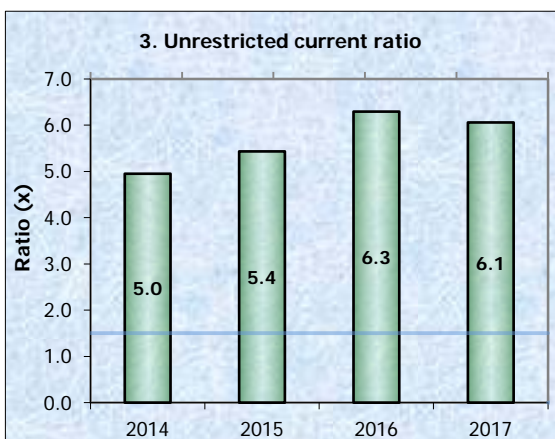
2016/17 ratio 65.11%

This ratio reflects council's reliance on Rating Income. The result has improved this year with the final year of the Special Rates Variation. Council is above the Local Government Benchmark of 60%.

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2016/17 result

2016/17 ratio 6.06x

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

Benchmark: ——— Minimum ≥ 1.50

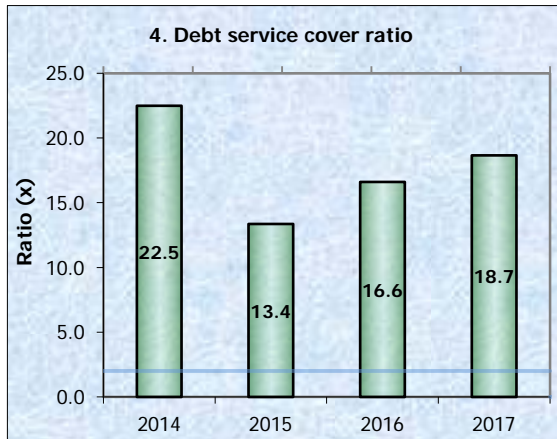
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

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



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

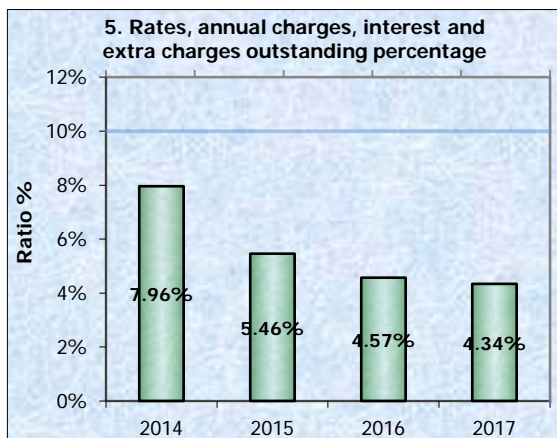
2016/17 ratio 18.66x

This result has been effected by the good operating result for the years. Council undertook borrowings during the year for \$4.7 million which will effect the ratio in future years. 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 #25

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 2016/17 result

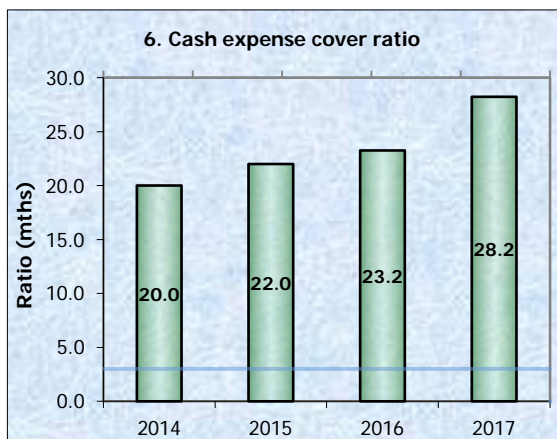
2016/17 ratio 4.34%

This year Council has maintained a strong result in the Rates and Annual Charges Outstanding ratio. Councils Rating staff have continued their push to collect outstanding debts. This ratio reflects 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 #25

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 2016/17 result

2016/17 ratio 28.22 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 Portfolio has increased \$10.4 million with loan funds taken out for \$4.7 million and an advance payment of the Financial Grant of \$2.1 million.

Benchmark: Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	17.74%	11.53%	26.85%	34.42%	39.54%	41.53%	>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	60.89%	54.77%	81.11%	84.07%	94.63%	74.86%	>60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	6.06x	6.29x	159.55x	1,226.22x	8396.00x	9,193.00x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	14.80x	12.29x	0.00x	0.00x	0.00x	0.00x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.77%	3.98%	8.13%	8.10%	7.11%	7.68%	<10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	28.05 months	23.08 months	0.00 months	0.00 months	0.00 months	0.00 months	> 3 months

Notes

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	2,459	3,777	2,459	3,777
Investments				
– 'Held to maturity'	63,779	52,294	63,779	52,294
Receivables	5,137	5,123	5,046	5,036
Total financial assets	71,375	61,194	71,284	61,107
Financial liabilities				
Payables	3,309	2,960	3,309	2,960
Loans/advances	13,581	9,189	13,581	9,189
Total financial liabilities	16,890	12,149	16,890	12,149

Fair value is determined as follows:

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	581	581	(581)	(581)
2016				
Possible impact of a 1% movement in interest rates	536	536	(536)	(536)

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	100%	0%	100%
Overdue	100%	0%	100%	0%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	3,473	–	3,791
< 1 year overdue	0 – 30 days overdue	492	323	525	247
1 – 2 years overdue	31 – 60 days overdue	68	22	121	40
2 – 5 years overdue	61 – 90 days overdue	52	–	43	15
> 5 years overdue	> 91 days overdue	48	750	27	401
		660	4,568	716	4,494

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	87	72
+ new provisions recognised during the year	21	18
– amounts already provided for and written off this year	(16)	–
– amounts provided for but recovered during the year	(1)	(3)
Balance at the end of the year	91	87

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	–	3,309	–	–	–	–	–	3,309	3,309
Loans and advances	–	492	516	541	571	600	10,861	13,581	13,581
Total financial liabilities	–	3,801	516	541	571	600	10,861	16,890	16,890
2016									
Trade/other payables	–	2,960	–	–	–	–	–	2,960	2,960
Loans and advances	–	308	328	347	366	389	7,451	9,189	9,189
Total financial liabilities	–	3,268	328	347	366	389	7,451	12,149	12,149

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–	8.21%	–	8.34%
Trade/other payables	3,309	0.00%	2,960	0.00%
Loans and advances – fixed interest rate	13,581	5.07%	9,189	5.35%
	<u>16,890</u>		<u>12,149</u>	

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 22 June 2016.

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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	16,618	16,816	198	1%	F
User charges and fees	8,052	11,356	3,304	41%	F
The user charges and fees and charges have exceeded budget in the following areas: Additional Works under the RMCC contract amounting to \$2.7 million for works on the State Roads and Water usage charge of \$357 being additional water usage from a dry, hot summer.					
Interest and investment revenue	1,626	1,722	96	6%	F
Other revenues	350	708	358	102%	F
Various factors have affected this variance including additional rental income from properties, Legal costs from recovery of outstanding rates and charges, scrap metal income and Southern Phone dividend.					
Operating grants and contributions	11,252	14,107	2,855	25%	F
Operating grants and contributions have increased mainly by the advance payment of the Financial Assistance Grant. \$2.8 million. Additional grants and contributions have been received by GoCo and Road Funding.					
Capital grants and contributions	3,004	2,293	(711)	(24%)	U
The major shortfall in capital grants and contributions is from the delay in works for the Blackjack Creek project.					
Net gains from disposal of assets	–	12	12	0%	F
This balance is made up from the disposal and sale of plant and land items. This has been counter balanced by the disposal of infrastructure assets such as Kerb and Guttering, Roads and Water assets.					

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	13,388	13,673	(285)	(2%) U
Borrowing costs	781	712	69	9% F
Materials and contracts	7,957	9,204	(1,247)	(16%) U
The additional Material and contracts reflects the additional works carried out by the RMCC contract.				
Depreciation and amortisation	9,407	9,399	8	0% F
Impairment expenses	–	8	(8)	100% U
A review of assets were undertaken in the 2016/17 year and assets have been identified as being unworkable, previously disposed of or out of date.				
Other expenses	3,837	2,800	1,037	27% F
The other expenses have decreased mainly due to lower than expected electricity costs with the installation of solar panels and less than anticipated on Software licences.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	15,757	20,154	4,397	27.9% F
During the year Council has received additional funds from the State Roads contract, Developer Contributions, additional water as a result of the dry summer and the advance receipt of the Financial Assistance Grant where half of the 2017/18 grant received in June 2017.				
Cash flows from investing activities	(19,381)	(25,864)	(6,483)	33.5% U
Council has a large amount of Capital Projects from the Capital Works Program carried over to the 2017/18 yet to be completed or yet to start. These projects have been carried over to future works. Major projects include Simpsons Bridge replacement, Swimming Pool upgrade, Sewerage Treatment Plant, Blackjack Creek Project.				
Cash flows from financing activities	3,624	4,392	768	21.2% F
Council carried over \$700,000 of loan funds from the 2015/16 year to take a loan out of \$4.7 million in May 2017.				

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	375	57	–	12	–	–	444	–
Parking	139	6	–	4	–	–	149	–
Open space	20	–	–	–	–	–	20	–
Community facilities	28	1	–	–	–	–	29	–
S94 contributions – under a plan	562	64	–	16	–	–	642	–
S94A levies – under a plan	1,397	194	–	39	–	–	1,630	–
Total S94 revenue under plans	1,959	258	–	55	–	–	2,272	–
S93F planning agreements	–	63	–	–	(63)	–	–	–
S64 contributions	4,323	428	–	122	–	–	4,873	–
Total contributions	6,282	749	–	177	(63)	–	7,145	–

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	375	57	–	12	–	–	444	–
Parking	139	6	–	4	–	–	149	–
Open space	20	–	–	–	–	–	20	–
Community facilities	28	1	–	–	–	–	29	–
Total	562	64	–	16	–	–	642	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 01

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	1,397	194	–	39	–	–	1,630	–
Total	1,397	194	–	39	–	–	1,630	–

S93F planning agreements

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	–	64	–	–	(64)	–	–	–
Total	–	64	–	–	(64)	–	–	–

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Note 19. Interests in other entities

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		193,853	178,690
a. Net operating result for the year		11,218	15,163
Balance at end of the reporting period		205,081	193,853
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		228,133	236,164
Total		228,133	236,164
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		236,164	233,089
– Revaluations for the year	9(a)	(8,021)	3,075
– Transfer to retained earnings for asset disposals		(10)	–
– Balance at end of year		228,133	236,164
TOTAL VALUE OF RESERVES		228,133	236,164

(iii) 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.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	849	1,899	14,068
User charges and fees	2,699	617	8,040
Interest and investment revenue	369	298	1,055
Other revenues	2	5	701
Grants and contributions provided for operating purposes	80	72	13,955
Grants and contributions provided for capital purposes	834	88	1,371
Other income			
Net gains from disposal of assets	–	–	80
Total income from continuing operations	4,833	2,979	39,270
Expenses from continuing operations			
Employee benefits and on-costs	766	367	12,540
Borrowing costs	–	–	712
Materials and contracts	566	293	8,345
Depreciation and amortisation	960	781	7,658
Impairment	–	–	8
Other expenses	536	285	1,979
Net losses from the disposal of assets	68	–	–
Total expenses from continuing operations	2,896	1,726	31,242
Operating result from continuing operations	1,937	1,253	8,028
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	1,937	1,253	8,028
Net operating result attributable to each council fund	1,937	1,253	8,028
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,103	1,165	6,657

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	165	229	2,065
Investments	14,162	9,462	40,155
Receivables	609	181	4,318
Inventories	108	1	371
Other	–	–	215
Total current assets	15,044	9,873	47,124
Non-current assets			
Receivables	–	–	29
Infrastructure, property, plant and equipment	37,927	32,106	321,049
Total non-current assets	37,927	32,106	321,078
TOTAL ASSETS	52,971	41,979	368,202
LIABILITIES			
Current liabilities			
Payables	73	1	3,235
Income received in advance	–	–	373
Borrowings	–	–	492
Provisions	–	–	4,866
Total current liabilities	73	1	8,966
Non-current liabilities			
Borrowings	–	–	13,089
Provisions	–	–	7,809
Total non-current liabilities	–	–	20,898
TOTAL LIABILITIES	73	1	29,864
Net assets	52,898	41,978	338,338
EQUITY			
Retained earnings	33,551	17,530	154,000
Revaluation reserves	19,347	24,448	184,338
Total equity	52,898	41,978	338,338

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 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 18/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Quarry Sites	2036	1,930	1,882
Waste Management Tip Sites	2065	5,620	5,494
Balance at end of the reporting period		10(a) 7,550	7,376

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	7,376	6,547
Amounts capitalised to new or existing assets:		
Quarries Revised Remediation Costs	–	651
Amortisation of discount (expensed to borrowing costs)	174	178
Total – reinstatement, rehabilitation and restoration provision	7,550	7,376

Amount of expected reimbursements

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

Restoration

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

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

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

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

Rehabilitation

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

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

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

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	–	–	206,994	206,994
Bridges	30/06/15	–	–	7,342	7,342
Footpaths	30/06/15	–	–	5,625	5,625
Stormwater drainage	30/06/15	–	–	23,874	23,874
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
Total infrastructure, property, plant and equipment		–	–	382,936	382,936

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

(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 2017

Note 27. 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 2013 and was performed by Peter Spackman Valuations, Jarad R Ewing, Registered Valuer NSW #7298 B. Comm (Property Economics).

All operational land has been valued at 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.

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.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Buildings - Non Specialised and Specialised

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

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

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

Other Structures

Other Structures class generally comprises memorials, weighbridges and saleyards.

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

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

Roads

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Bridges

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

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

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

Footpaths

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

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

Stormwater Drainage

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

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

Water Supplies

The valuation of the Water Supplies was completed in June 2017 by AssetVal Pty Ltd. The Water supplies comprise the Gunnedah, Curlewis, Tambar Springs & Mullaleey water schemes. The components of the Water Systems include the Mains, Bores, Reservoirs and Pumping Stations. The information is maintained on the BizeAsset Management System.

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Sewerage Systems

The valuation of the Sewerage Systems was completed in June 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

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

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

Other Open Space/ Recreational Assets

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

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

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

Library Book/Other Assets

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

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Tip Remediation

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

Quarries Remediation

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

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

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

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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Buildings non - specialised	Buildings specialised	Total
Opening balance – 1/7/15	8,137	904	557	8,432	5,797	12,442	19,779	56,048
Purchases (GBV)	1,948	102	6	40	–	246	1	2,343
Disposals (WDV)	(155)	(8)	(46)	–	–	–	–	(209)
Depreciation and impairment	(1,582)	(256)	(92)	–	–	(276)	(386)	(2,592)
Revaluations to Equity	–	–	–	–	198	–	–	198
Closing balance – 30/6/16	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

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Other structures	Roads	Bridges	Footpaths	Stormwater	Water supplies	Sewerage network	Swimming pools	Total
Opening balance – 1/7/15	3,522	201,540	7,616	5,736	23,190	39,828	30,789	991	313,212
Purchases (GBV)	–	7,388	–	108	982	1,744	1,141	–	11,363
Disposals (WDV)	–	(267)	–	(58)	–	(400)	–	–	(725)
Depreciation and impairment	(101)	(3,952)	(137)	(88)	(308)	(884)	(735)	(47)	(6,252)
Revaluations to Equity	510	–	–	–	–	578	461	1,154	2,703
Closing balance – 30/6/16	3,931	204,709	7,479	5,698	23,864	40,866	31,656	2,098	320,301
Purchases (GBV)	115	6,539	–	16	333	1,018	920	–	8,941
Disposals (WDV)	–	(153)	–	–	–	(67)	–	–	(220)
Depreciation and impairment	(125)	(4,101)	(137)	(89)	(323)	(916)	(765)	(69)	(6,525)
Revaluations to Equity	–	–	–	–	–	(4,449)	(3,572)	–	(8,021)
Closing balance – 30/6/17	3,921	206,994	7,342	5,625	23,874	36,452	28,239	2,029	314,476

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Land Under Roads Post 1/7/2008	Open space recreational assets	Library books	Other assets	Tip remediation asset	Quarry remediation	Total
Opening balance – 1/7/15	–	1,171	123	1,466	4,846	830	8,436
Purchases (GBV)	3,268	239	23	135	–	–	3,665
Depreciation and impairment	–	(51)	(15)	(84)	(309)	(40)	(499)
Restatement Quarry Assets	–	–	–	–	–	652	652
Revaluations to Equity	–	174	–	–	–	–	174
Closing balance – 30/6/16	3,268	1,533	131	1,517	4,537	1,442	12,428
Purchases (GBV)	–	407	30	125	–	–	562
Depreciation and impairment	–	(76)	(18)	(93)	(309)	(37)	(533)
Closing balance – 30/6/17	3,268	1,864	143	1,549	4,228	1,405	12,457

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

Nil

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant & Equipment	19,427	Approximate Fair Value	Remaining Life, Residual Value
Office Equipment	2,529	Approximate Fair Value	Remaining Life, Residual Value
Furniture & Fittings	1,052	Approximate Fair Value	Remaining Life, Residual Value
Land - Operational	8,859	Fair Value (highest & best use)	Price per square metre
Land - Community	5,973	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	20,431	Depreciated replacement costs taking into account physical wear and tear.	Estimates of residual values and pattern of consumption require extensive judgement.
Buildings - Specialised	30,230	Depreciated replacement costs taking into account physical wear and tear.	Estimates of residual values and pattern of consumption require extensive judgement.
Other Structures	6,235	Replacement cost taking into a range of factors.	Pattern of consumption, residual value, asset condition and useful life.

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E (continued)			
Roads	298,975	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Bridges	13,697	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Footpaths	7,128	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Stormwater Drainage	32,861	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Water Supply Network	62,655	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement. The nature of water assets is they are unassessable being subsurface.
Sewerage Network	54,536	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement. The nature of sewer assets is they are unassessable being subsurface.
Swimming Pools	3,973	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Other Open Space	3,855	Cost Approach	Pattern of consumption, residual value, asset condition and useful life, requiring professional judgement
Library Books	212	Approximate Fair Value	Remaining Life, Residual Value

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E (continued)			
Other Assets	2,107	Approximate Fair Value	Remaining Life, Residual Value
Tip Assets	5,208	Evaluation of costs for the landfill closure as per closure plan	Discount Rates, excavation rates, timing and future environmental requirements.
Quarry Assets	1,718	Evaluation of costs for the quarry closure.	Discount Rates, cost escalation, timing and environmental requirements.

d. 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 2017

Note 28. Related party disclosures

\$ '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:

	Actual
Compensation:	2017
Short-term benefits	876
Post-employment benefits	89
Other long-term benefits	23
Termination benefits	14
Total	<u>1,002</u>

Gunnedah Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
A KMP related party supplied labour and materials relating to council for road works.	1	166	–	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	90	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	–	30 Days Terms plus interest on overdue amounts	–	–

- 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.

c. Other related party transactions

Nil

Gunnedah Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. 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 5:00

Telephone: 02 6740 2100

Facsimile: 02 6740 2119

Internet: www.infogunnedah.nsw.gov.au

Email: council@infogunnedah.gov.au

Officers

GENERAL MANAGER

E J GROTH

RESPONSIBLE ACCOUNTING OFFICER

D CONNOR

PUBLIC OFFICER

L E ROWE

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 statements

Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

I have audited the accompanying financial statements of Gunnedah Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of 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 statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, 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 statements 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 Statements' 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 Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 20 October 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.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, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'C. Clayton', with a large, stylized flourish at the end.

Chris Clayton
Director, Financial Audit Services

20 October 2017
SYDNEY

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

Contact: Chris Clayton
Phone no: 9275 7248
Our ref: D1725849/1735

20 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Gunnedah Shire Council**





We have audited the general purpose financial statements of Gunnedah Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

We 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 2017 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

	2017	2016	Variance
	\$'000	\$'000	%
Rates and annual charges revenue	16,816	16,157	4.1 
Grants and contributions revenue	16,400	21,082	(22.2) 
Operating result for the year	11,218	15,163	(26.0) 
Net operating result before capital amounts	8,925	6,299	41.7 

Council’s operating result for the year (\$11.2 million) was \$3.9 million less than the previous financial year, however was more than the \$5.6 million budgeted by Council. The decrease from last year is mainly attributed to a significant drop in grants and contributions provided for capital purposes.

Rates and annual charges slightly increased by \$0.7 million (4.1 per cent) to \$16.8 million as result of an increase in ordinary rates (\$0.4 million) and an increase in annual charges (\$0.2 million) due to 52 additional rateable properties. Sewerage annual charges increased by 4 per cent to \$0.5 million while domestic waste management access charges increased by 3 per cent to \$0.3 million.

Grants and contributions revenue decreased by \$4.6 million (22.2 per cent) to \$16.4 million. This is mainly attributed to a decrease in grants and contributions for capital purposes.

Council’s depreciation and amortisation expense is consistent across both financial years. Council recognised \$5.3 million of capital expenditure as capital works in progress for the year ended 30 June 2017 (\$1.1 million for the year ended 30 June 2016) that are not ready for use and therefore not depreciated.

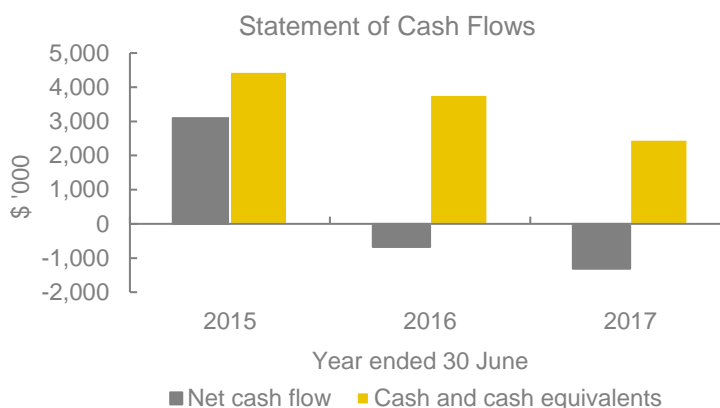
STATEMENT OF CASH FLOWS

Council recorded a net decrease in cash and cash equivalents of \$1.3 million during 2016-17 (net decrease of \$0.7 in 2015-16).

Net cash provided by operating activities amounted to \$20.1 million for 2016-17 (2015-16: \$18.5 million).

Net cash used in investing activities amounted to \$25.8 million for 2016-17 compared to \$18.9 million in 2015-16.

This is largely due to the net cash outflow of \$15.0 million for the purchase of infrastructure, property, plant and equipment during the year.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	40,788	34,182	Cash and investments increased by \$11.4 million during 2016-17. Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in external restrictions was because of an increase in developer contributions, specific purpose unexpected grants, water supplies and domestic waste management.
Internal restrictions	15,470	13,055	
Unrestricted	9,980	8,834	
Cash and investments	66,238	56,071	Internally restricted cash and investments have been restricted in the use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included an increase of \$2.1 million due to the receipt of 2017-18 financial assistance grant instalments in 2016-17.

Debt

At 30 June 2017, Council recognised \$13.6 million in loans (30 June 2016: \$9.2 million), including \$4.7 million of new borrowings obtained for bridge replacement and pool complex upgrades. \$13.5 million of Council’s loans are secured over the general rating income of Council.

At 30 June 2017, Council also had access to a \$500,000 (30 June 2016: \$500,000) bank overdraft facility. This facility was unused at year end.

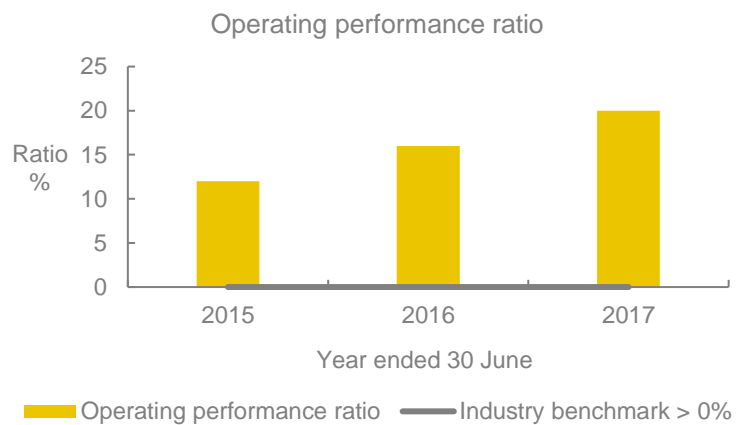
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 13 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7.

Operating performance ratio

Council’s operating performance ratio exceeded the industry benchmark over the past three years.

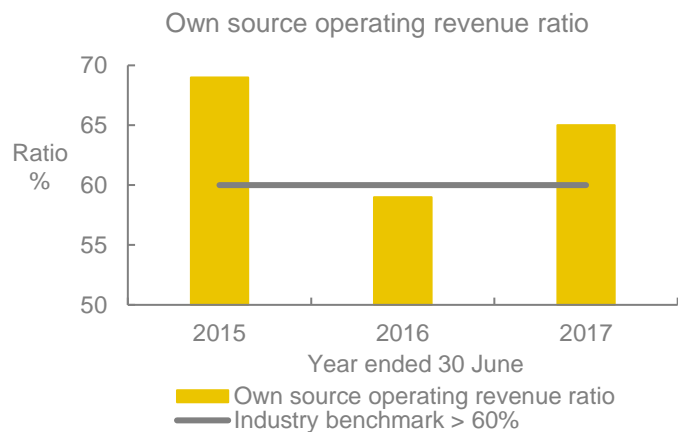
The ‘operating performances ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council’s own source operating revenue ratio of 65.1 per cent for the year ended 30 June 2017 is once again higher than the industry benchmark; having fallen slightly below the benchmark last financial year. The ratio for the year ended 30 June 2016 was impacted by a larger than normal value of contributed assets (roads, bridges, drainages, kerbs and gutters) during that financial year.

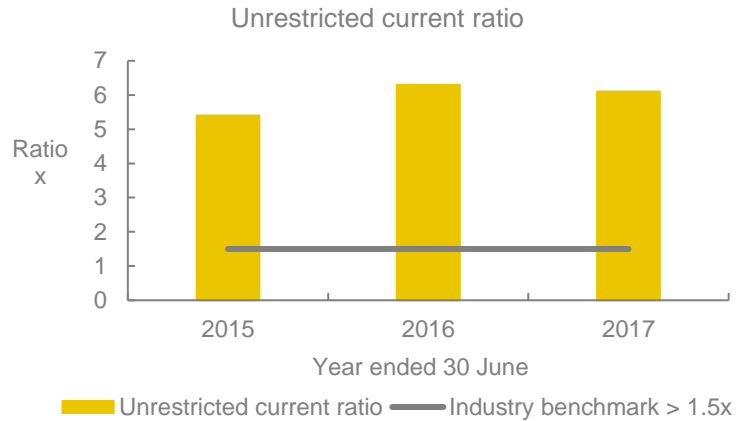
The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



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.

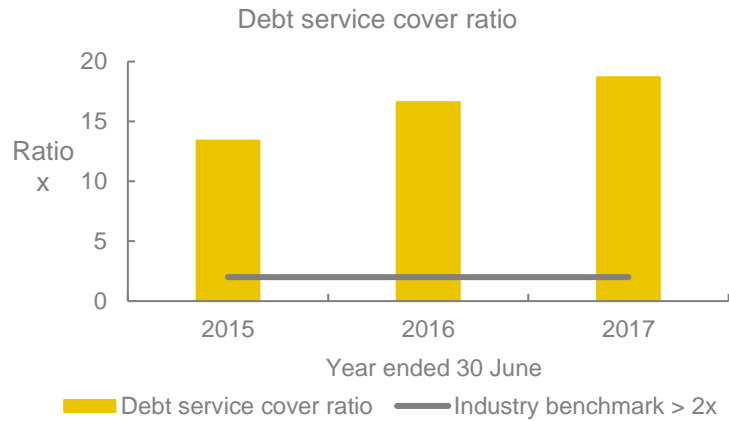
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



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 repayments and borrowing costs of its debt. This result has been impacted by the improved operating result for the year.

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.

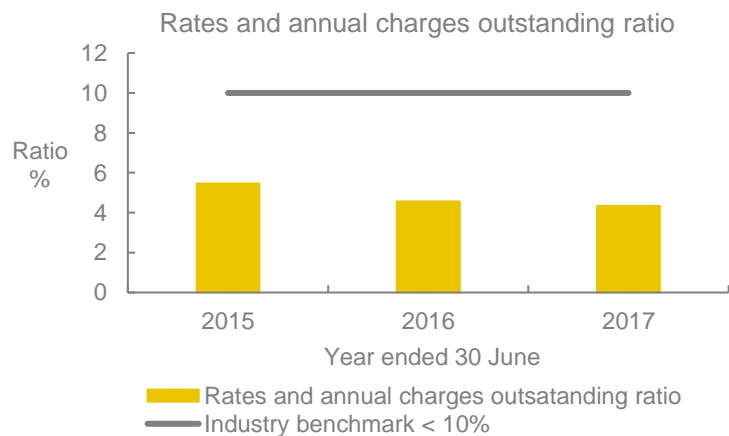


Rates and annual charges outstanding ratio

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 10 per cent for rural councils.

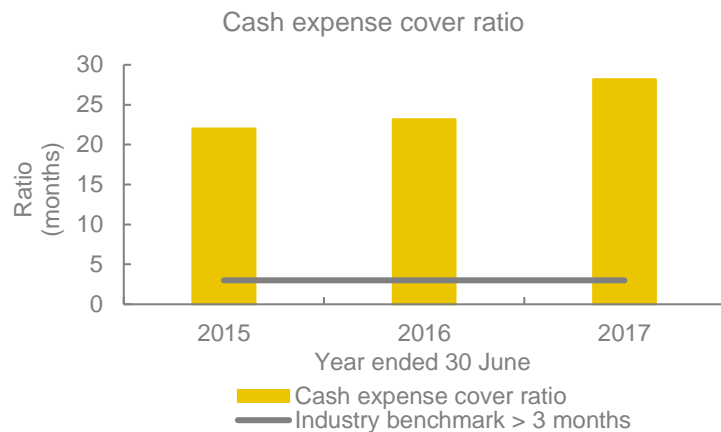


Cash expense cover ratio

As at 30 June 2017, Council had the capacity to cover 28 months of cash expenditure without additional cash inflows.

Council's high levels 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.

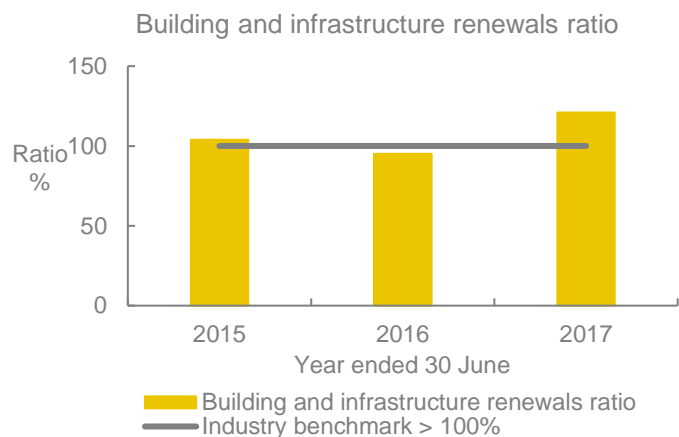


Building and infrastructure renewals ratio

Council met the building and infrastructure renewals ratio benchmark for the year ended 30 June 2017. Council advise the previous financial year's ratio was impacted by the incorrect allocation of infrastructure additions between 'renewals' and 'new assets'.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



OTHER MATTERS

Council Entities

Council's interest in 'council entities' include:

- Statewide Limited
- StateCover Limited
- Southern Phone Company Limited.

I have obtained sufficient audit evidence to be satisfied Council's general purpose financial statements materially reflect Council's interest in the entities.

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public-sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

Our 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
- staff provided all accounting records and information relevant to the audit.



Chris Clayton
Director, Financial Audit Services

cc: Mr Eric Groth, General Manager
Mr Grahame Marchant, Chair of the Audit Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government



Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“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 2017

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	16

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 2017

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:

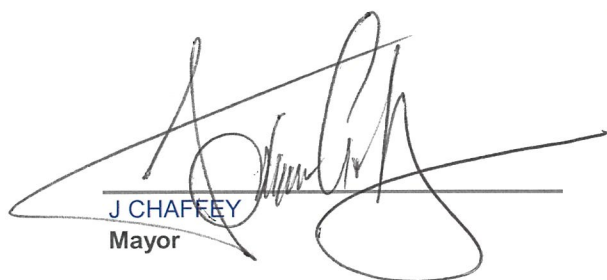
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

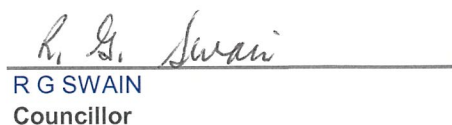
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 18 October 2017.



J CHAFFEY
Mayor



R G SWAIN
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 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	849	827
User charges	2,699	3,166
Fees	–	–
Interest	369	315
Grants and contributions provided for non-capital purposes	80	92
Profit from the sale of assets	–	8
Share of profit from equity accounted investment	–	–
Other income	2	19
Total income from continuing operations	3,999	4,427
Expenses from continuing operations		
Employee benefits and on-costs	766	704
Borrowing costs	–	–
Materials and contracts	566	548
Depreciation, amortisation and impairment	960	929
Water purchase charges	–	–
Loss on sale of assets	68	399
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	536	679
Total expenses from continuing operations	2,896	3,259
Surplus (deficit) from continuing operations before capital amounts	1,103	1,168
Grants and contributions provided for capital purposes	834	728
Surplus (deficit) from continuing operations after capital amounts	1,937	1,896
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,937	1,896
Less: corporate taxation equivalent (30%) [based on result before capital]	(331)	(350)
SURPLUS (DEFICIT) AFTER TAX	1,606	1,546
Plus opening retained profits	31,614	29,718
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	331	350
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	33,551	31,614
Return on capital %	2.9%	2.8%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,606	1,546
Less: capital grants and contributions (excluding developer contributions)	(531)	(260)
Surplus for dividend calculation purposes	1,075	1,286
Potential dividend calculated from surplus	538	643

Gunnedah Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,899	1,823
User charges	617	604
Liquid trade waste charges	–	–
Fees	–	–
Interest	298	265
Grants and contributions provided for non-capital purposes	72	36
Profit from the sale of assets	–	2
Share of profit from equity accounted investment	–	–
Other income	5	1
Total income from continuing operations	2,891	2,731
Expenses from continuing operations		
Employee benefits and on-costs	367	374
Borrowing costs	–	–
Materials and contracts	293	245
Depreciation, amortisation and impairment	781	754
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	285	325
Total expenses from continuing operations	1,726	1,698
Surplus (deficit) from continuing operations before capital amounts	1,165	1,033
Grants and contributions provided for capital purposes	88	869
Surplus (deficit) from continuing operations after capital amounts	1,253	1,902
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,253	1,902
Less: corporate taxation equivalent (30%) [based on result before capital]	(350)	(310)
SURPLUS (DEFICIT) AFTER TAX	904	1,592
Plus opening retained profits	16,277	14,375
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	350	310
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	17,530	16,277
Return on capital %	3.6%	3.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	904	1,592
Less: capital grants and contributions (excluding developer contributions)	36	(552)
Surplus for dividend calculation purposes	940	1,040
Potential dividend calculated from surplus	470	520

Gunnedah Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	165	410
Investments	14,162	12,977
Receivables	609	535
Inventories	108	123
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	15,044	14,045
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	37,927	41,374
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	37,927	41,374
TOTAL ASSETS	52,971	55,419
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	73	9
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	73	9
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	73	9
NET ASSETS	52,898	55,410
EQUITY		
Retained earnings	33,551	31,614
Revaluation reserves	19,347	23,796
Other reserves	–	–
Council equity interest	52,898	55,410
Non-controlling equity interest	–	–
TOTAL EQUITY	52,898	55,410

Gunnedah Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	229	–
Investments	9,462	10,307
Receivables	181	201
Inventories	1	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	9,873	10,508
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	32,106	33,790
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	32,106	33,790
TOTAL ASSETS	41,979	44,298
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	1	1
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	1	1
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	1	1
NET ASSETS	41,978	44,297
EQUITY		
Retained earnings	17,530	16,277
Revaluation reserves	24,448	28,020
Other reserves	–	–
Council equity interest	41,978	44,297
Non-controlling equity interest	–	–
TOTAL EQUITY	41,978	44,297

Gunnedah Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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.

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, Curlewis, Mullaley & Tambar Springs.

b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the towns of Gunnedah & Curlewis.

Category 2

(where gross operating turnover is less than \$2 million)

Nil

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. 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

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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 **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of **2.0%** applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Department of Primary Industries Water (DPIW), 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.

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 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

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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'.

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 2.38% at 30/6/17.

(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 2017 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.

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

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	14,763
(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]	537,550
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	147,630
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	2,866,200

2017 Surplus	1,075,100	2016 Surplus	1,285,600	2015 Surplus	505,500
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	147,630
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^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 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,464
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)]	%	71.68%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	36,451
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,819
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,399
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	4.44%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a 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 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	12,417
(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]	469,750
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	124,170
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	2,686,100

2017 Surplus	939,500	2016 Surplus	1,040,100	2015 Surplus	706,500
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	124,170
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

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	2,681
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	28,239
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	945
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,641
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)]	%	2.97%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

**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	7,077
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.06%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	4,040
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)]	%	3.77%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Gunnedah Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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)]	%	25.32%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 2,640 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: - 667 Interest expense (w4a + s4a) – interest income (w9 + s10)		> 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	3,190
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	75

- 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 statement
Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Gunnedah Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of 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 statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their 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 and in particular, the Emphasis of Matter referring to the basis of accounting.

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 Statements' 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.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 20 October 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://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 statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Chris Clayton
Director, Financial Audit Services

20 October 2017
SYDNEY



Gunnedah Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

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



Gunnedah Shire Council

Special Schedules for the year ended 30 June 2017

Contents		Page
Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	9
Special Schedule 6	Sewerage Service – Statement of Financial Position	12
Notes to Special Schedules 3 and 5		13
Special Schedule 7	Report on Infrastructure Assets	14
Special Schedule 8	Permissible Income Calculation	20

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	640	2	–	(638)
Administration	1,344	167	–	(1,177)
Public order and safety				
Fire service levy, fire protection, emergency services	380	171	–	(209)
Beach control	–	–	–	–
Enforcement of local government regulations	13	4	–	(9)
Animal control	201	52	–	(149)
Other	–	–	–	–
Total public order and safety	594	227	–	(367)
Health	120	28	–	(92)
Environment				
Noxious plants and insect/vermin control	326	180	–	(146)
Other environmental protection	254	–	378	124
Solid waste management	2,770	2,970	–	200
Street cleaning	323	–	–	(323)
Drainage	–	–	–	–
Stormwater management	407	94	391	78
Total environment	4,080	3,244	769	(67)
Community services and education				
Administration and education	249	–	20	(229)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	3,051	4,198	–	1,147
Children's services	275	100	–	(175)
Total community services and education	3,575	4,298	20	743
Housing and community amenities				
Public cemeteries	183	120	–	(63)
Public conveniences	–	–	–	–
Street lighting	209	20	–	(189)
Town planning	331	278	194	141
Other community amenities	23	39	–	16
Total housing and community amenities	746	457	194	(95)
Water supplies	2,820	3,612	833	1,625
Sewerage services	1,635	2,855	124	1,344

Gunnedah Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	405	55	–	(350)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	613	57	–	(556)
Performing arts venues	432	240	–	(192)
Other performing arts	–	–	–	–
Other cultural services	249	90	16	(143)
Sporting grounds and venues	909	36	–	(873)
Swimming pools	948	262	–	(686)
Parks and gardens (lakes)	1,062	48	34	(980)
Other sport and recreation	–	–	–	–
Total recreation and culture	4,618	788	50	(3,780)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	435	9	–	(426)
Other mining, manufacturing and construction	481	–	–	(481)
Total mining, manufacturing and const.	916	9	–	(907)
Transport and communication				
Urban roads (UR) – local	1,683	413	–	(1,270)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,833	1,482	222	(1,129)
Sealed rural roads (SRR) – regional	5,017	6,001	–	984
Unsealed rural roads (URR) – local	2,688	339	64	(2,285)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	264	–	–	(264)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	23	–	6	(17)
Footpaths	160	–	–	(160)
Aerodromes	178	31	–	(147)
Other transport and communication	(245)	232	11	488
Total transport and communication	12,601	8,498	303	(3,800)
Economic affairs				
Camping areas and caravan parks	20	11	–	(9)
Other economic affairs	2,087	1,461	–	(626)
Total economic affairs	2,107	1,472	–	(635)
Totals – functions	35,796	25,657	2,293	(7,846)
General purpose revenues ⁽¹⁾		19,064		19,064
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	35,796	44,721	2,293	11,218

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Gunnedah Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	4,700	–	–	–	7	163	4,537	4,700
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	305	8,868	9,173	–	305	–	–	530	326	8,542	8,868
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	305	8,868	9,173	4,700	305	–	–	537	489	13,079	13,568
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	3	13	16	–	3	–	–	1	3	10	13
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	3	13	16	–	3	–	–	1	3	10	13
Total debt	308	8,881	9,189	4,700	308	–	–	538	492	13,089	13,581

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Gunnedah Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	288	366
b. Engineering and supervision	249	234
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	677	627
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	70	93
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	262	331
i. Maintenance expenses	225	186
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	15	16
l. Maintenance expenses	1	1
– Other		
m. Operation expenses	5	19
n. Maintenance expenses	–	29
o. Purchase of water	27	29
3. Depreciation expenses		
a. System assets	916	882
b. Plant and equipment	44	45
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	49	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	2
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,828	2,860

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	698	689
b. Usage charges	1,767	2,082
7. Non-residential charges		
a. Access (including rates)	151	137
b. Usage charges	933	1,084
8. Extra charges	–	–
9. Interest income	369	315
10. Other income	2	19
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	344	53
b. Developer provided assets	530	729
c. Other contributions	–	–
13. Total income	4,833	5,147
14. Gain (or loss) on disposal of assets	(68)	(391)
15. Operating result	1,937	1,896
15a. Operating result (less grants for acquisition of assets)	1,937	1,896

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	611	225
b. New assets for growth	92	26
c. Renewals	623	551
d. Plant and equipment	73	4
17. Repayment of debt	–	–
18. Totals	1,399	806
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)	3,930	4,251
b. Residential (unoccupied, ie. vacant lot)	372	218
c. Non-residential (occupied)	407	409
d. Non-residential (unoccupied, ie. vacant lot)	212	4
23. Number of ETs for which developer charges were received	33 ET	7 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 70,985	\$ 70,773

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	3,397	–	3,397
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	10,930	–	10,930
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	69	–	69
c. User charges	539	–	539
d. Other	1	–	1
27. Inventories	108	–	108
28. Property, plant and equipment			
a. System assets	–	36,451	36,451
b. Plant and equipment	–	1,476	1,476
29. Other assets	–	–	–
30. Total assets	<u>15,044</u>	<u>37,927</u>	<u>52,971</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	73	–	73
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>73</u>	<u>–</u>	<u>73</u>
36. NET ASSETS COMMITTED	<u>14,971</u>	<u>37,927</u>	<u>52,898</u>
EQUITY			
37. Accumulated surplus			32,929
38. Asset revaluation reserve			19,969
39. Other reserves			–
40. TOTAL EQUITY			<u>52,898</u>
Note to system assets:			
41. Current replacement cost of system assets			62,655
42. Accumulated current cost depreciation of system assets			(26,204)
43. Written down current cost of system assets			<u>36,451</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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	232	256
b. Engineering and supervision	126	145
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	162	182
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	59	68
e. Maintenance expenses	41	30
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	7	4
h. Energy costs	26	–
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	219	193
– Other		
l. Operation expenses	19	17
m. Maintenance expenses	54	48
3. Depreciation expenses		
a. System assets	765	735
b. Plant and equipment	16	19
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	1,726	1,697

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	1,899	1,823
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	573	560
8. Trade waste charges		
a. Annual fees	11	10
b. Usage charges	33	34
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	298	265
11. Other income	5	1
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	36	36
c. Other grants	–	–
13. Contributions		
a. Developer charges	124	694
b. Developer provided assets	–	–
c. Other contributions	–	175
14. Total income	2,979	3,598
15. Gain (or loss) on disposal of assets	–	1
16. Operating result	1,253	1,902
16a. Operating result (less grants for acquisition of assets)	1,253	1,902

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	2,074	–
b. New assets for growth	164	1,124
c. Renewals	403	96
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	2,641	1,220
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)	3,470	3,451
b. Residential (unoccupied, ie. vacant lot)	265	195
c. Non-residential (occupied)	396	392
d. Non-residential (unoccupied, ie. vacant lot)	8	4
24. Number of ETs for which developer charges were received	16 ET	44 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 65,286	\$ 65,511

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	1,477	–	1,477
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,215	–	8,215
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	135	–	135
c. User charges	45	–	45
d. Other	–	–	–
28. Inventories	1	–	1
29. Property, plant and equipment			
a. System assets	–	28,239	28,239
b. Plant and equipment	–	3,867	3,867
30. Other assets	–	–	–
31. Total assets	9,873	32,106	41,979
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	1	–	1
36. Total liabilities	1	–	1
37. NET ASSETS COMMITTED	9,872	32,106	41,978
EQUITY			
38. Accumulated surplus			17,364
39. Asset revaluation reserve			24,614
40. Other reserves			–
41. TOTAL EQUITY			41,978
Note to system assets:			
42. Current replacement cost of system assets			54,536
43. Accumulated current cost depreciation of system assets			(26,297)
44. Written down current cost of system assets			28,239

Gunnedah Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

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 2017

\$'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	2016/17 Required maintenance ^a	2016/17 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	Commercial Buildings	64	64	128	125	9,042	13,321	8%	8%	61%	23%	0%
	Community Housing	213	213	5	5	1,036	1,636	13%	25%	44%	13%	5%
	Halls, Community Centres	–	–	90	91	21,187	35,704	40%	40%	20%	0%	0%
	Sub-total	277	277	223	221	31,265	50,661	30.7%	31.1%	31.6%	6.5%	0.2%
Other structures	Other structures	8	8	5	13	3,921	6,235	29%	33%	19%	19%	0%
	Sub-total	8	8	5	13	3,921	6,235	29.0%	33.0%	19.0%	19.0%	0.0%
Roads	Sealed roads	850	850	600	864	58,046	84,456	30%	31%	34%	4%	1%
	Unsealed roads	148	148	1,500	1,939	73,242	96,982	32%	27%	38%	2%	1%
	Bridges / Culverts	860	860	9	9	21,397	32,820	43%	29%	21%	7%	0%
	Footpaths	27	27	50	52	5,624	7,128	59%	29%	11%	1%	0%
	Other road assets	141	141	5	–	6,113	7,907	29%	21%	41%	9%	0%
	Urban Roads	560	560	300	408	40,537	56,955	37%	25%	36%	2%	0%
	Kerb & Gutter	230	230	40	43	13,523	27,346	19%	71%	10%	0%	0%
	Aerodrome	390	390	22	23	941	5,051	21%	20%	54%	5%	0%
	Parking Areas	–	–	3	3	538	1,156	41%	49%	10%	0%	0%
	Sub-total	3,206	3,206	2,529	3,341	219,961	319,801	32.8%	31.5%	32.1%	3.1%	0.6%

Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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	2016/17 Required maintenance ^a	2016/17 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	450	450	900	879	32,276	55,626	36%	28%	15%	20%	1%
	Curlewis Water	85	85	40	41	2,865	4,739	13%	19%	59%	9%	0%
	Mullaley Water	186	186	20	17	369	835	10%	10%	40%	40%	0%
	Tambar Springs Water	141	141	20	30	942	1,455	13%	63%	11%	13%	0%
	Sub-total	862	862	980	967	36,452	62,655	33.4%	27.9%	18.6%	19.3%	0.9%
Sewerage network	Gunnedah Sewerage	2,641	2,641	380	417	25,126	50,314	41%	22%	15%	22%	0%
	Curlewis Sewerage	–	–	8	8	3,113	4,222	1%	70%	6%	23%	0%
	Sub-total	2,641	2,641	388	425	28,239	54,536	37.9%	25.7%	14.3%	22.1%	0.0%

Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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	2016/17 Required maintenance ^a	2016/17 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	–	–	30	52	23,874	32,861	44%	29%	27%	0%	0%
	Sub-total	–	–	30	52	23,874	32,861	44.0%	29.0%	27.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	1,500	1,500	45	31	2,029	3,973	0%	0%	67%	33%	0%
	Other Recreational Assets	–	–	–	–	1,864	3,855	35%	45%	20%	0%	0%
	Sub-total	1,500	1,500	45	31	3,893	7,828	17.2%	22.2%	43.9%	16.7%	0.0%
TOTAL – ALL ASSETS		8,494	8,494	4,200	5,050	347,605	534,577	33.6%	30.2%	28.3%	7.4%	0.5%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	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 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>8,696</u>	120.68%	>= 100%	94.75%	103.87%
Depreciation, amortisation and impairment	<u>7,206</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>8,494</u>	2.44%	< 2%	2.53%	2.91%
Net carrying amount of infrastructure assets	<u>347,605</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>5,050</u>	1.20	> 1.00	1.07	0.99
Required asset maintenance	<u>4,200</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>8,494</u>	1.59%		1.66%	
Gross replacement cost	<u>534,577</u>				

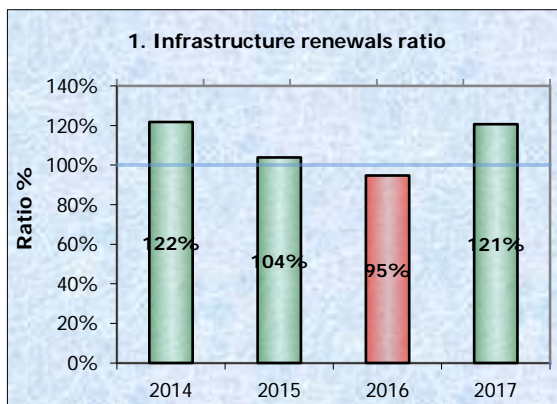
Notes

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

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Gunnedah Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



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 2016/17 result

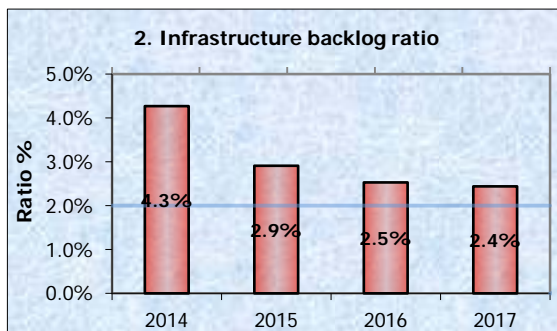
2016/17 Ratio 120.68%

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 120.68%. The previous year is effected by not including Infrastructure Renewal from Work In Progress. This would have been 1.10%

Benchmark: 100.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

Commentary on 2016/17 result

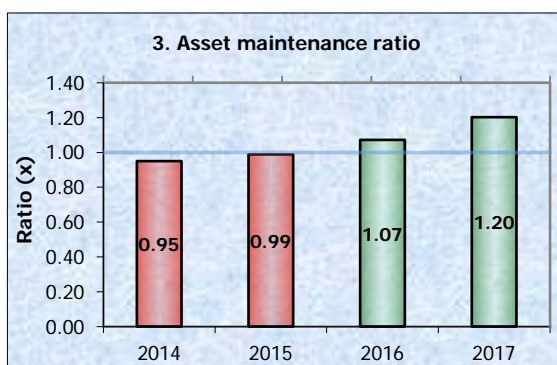
2016/17 Ratio 2.44%

The ratio continues to show a positive trend back to benchmark as Council continues to tackle its Infrastructure backlog.

Benchmark: 2.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2016/17 result

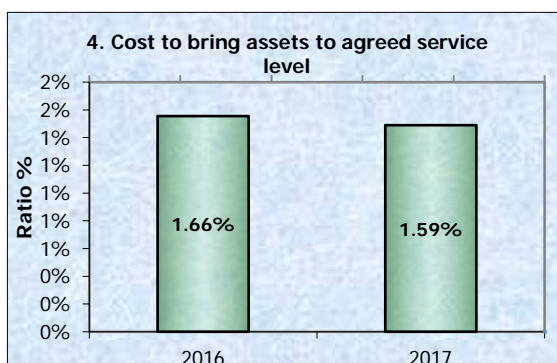
2016/17 Ratio 1.20 x

This ratio reflects Council's commitment to maintaining current assets and improving where fiscally responsible.

Benchmark: 1.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result

2016/17 Ratio 1.59%

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 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾		37.88%	39.48%	145.65%
Depreciation, amortisation and impairment	>= 100%			
	prior period:	167.76%	0.00%	95.70%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard		2.36%	9.35%	1.76%
Net carrying amount of infrastructure assets	< 2%			
	prior period:	3.06%	12.34%	1.35%
3. Asset maintenance ratio				
Actual asset maintenance		0.99	1.10	1.29
Required asset maintenance	> 1.00			
	prior period:	1.12	1.03	1.07
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council		1.38%	4.84%	1.20%
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) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Gunnedah Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	11,698	12,136
Plus or minus adjustments ⁽²⁾	b	(415)	159
Notional general income	c = (a + b)	11,283	12,295
Permissible income calculation			
Special variation percentage ⁽³⁾	d	7.50%	0.00%
Or rate peg percentage	e	0.00%	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)	846	–
Or plus rate peg amount	i = c x e	–	184
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	12,129	12,479
Plus (or minus) last year's carry forward total	l	9	(0)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	9	(0)
Total permissible income	o = k + n	12,138	12,479
Less notional general income yield	p	12,136	12,478
Catch-up or (excess) result	q = o – p	2	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	(2)	–
Carry forward to next year	t = q + r – s	(0)	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 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Gunnedah Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Gunnedah Shire Council for 30 June 2018 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, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

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 Special Schedule No.8' section of my report.

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

- Australian Auditing Standards
- ethical requirements of the 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 notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 20 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 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 Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://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 Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Chris Clayton
Director, Financial Audit Services

20 October 2017
SYDNEY