

# Gwydir Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*"To be the recognised leader in Local Government  
through continuous learning and sustainability"*



# Gwydir Shire Council

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

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### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 27 October 2016. Council has the power to amend and reissue these financial statements.
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## Gwydir Shire Council

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

## Understanding Council's financial statements

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### Introduction

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

### What you will find in the statements

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

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

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

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

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

### Who uses the financial statements?

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

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

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

## Gwydir Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 September 2016.



John Coulton  
Mayor



Catherine Egan  
Councillor



Max Eastcott  
General manager



Ron Wood  
Responsible accounting officer

## Gwydir Shire Council

## Income Statement

for the year ended 30 June 2016

Budget 2016	<sup>1</sup> \$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
8,703	Rates and annual charges	3a	8,499	7,750
5,499	User charges and fees	3b	5,321	5,546
229	Interest and investment revenue	3c	238	295
1,562	Other revenues	3d	1,854	1,549
8,582	Grants and contributions provided for operating purposes	3e,f	11,677	10,349
3,073	Grants and contributions provided for capital purposes	3e,f	1,020	835
Other income:				
–	Net gains from the disposal of assets	5	–	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
27,648	Total income from continuing operations		28,609	26,324
Expenses from continuing operations				
10,240	Employee benefits and on-costs	4a	10,877	11,665
827	Borrowing costs	4b	802	908
5,732	Materials and contracts	4c	6,392	5,991
8,994	Depreciation and amortisation	4d	6,072	11,222
–	Impairment	4d	130	–
2,604	Other expenses	4e	8,036	2,302
–	Net losses from the disposal of assets	5	3,350	613
28,397	Total expenses from continuing operations		35,659	32,701
(749)	Operating result from continuing operations		(7,050)	(6,377)
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
(749)	Net operating result for the year		(7,050)	(6,377)
(749)	Net operating result attributable to Council		(7,050)	(6,377)
–	Net operating result attributable to non-controlling interests		–	–
Net operating result for the year before grants and contributions provided for capital purposes				
(3,822)			(8,070)	(7,212)

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

## Gwydir Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>(7,050)</b>	<b>(6,377)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	5,121	213,569
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>5,121</b>	<b>213,569</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>5,121</b>	<b>213,569</b>
<b>Total comprehensive income for the year</b>		<b>(1,929)</b>	<b>207,192</b>
<b>Total comprehensive income attributable to Council</b>		<b>(1,929)</b>	<b>207,192</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>—</b>	<b>—</b>

## Gwydir Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	6,451	5,424
Investments	6b	2,068	3,000
Receivables	7	1,051	2,173
Inventories	8	230	452
Other	8	15	33
Non-current assets classified as 'held for sale'	22	—	—
<b>Total current assets</b>		<b>9,815</b>	<b>11,082</b>
<b>Non-current assets</b>			
Investments	6b	—	—
Receivables	7	518	583
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	422,664	424,073
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
<b>Total non-current assets</b>		<b>423,182</b>	<b>424,656</b>
<b>TOTAL ASSETS</b>		<b>432,997</b>	<b>435,738</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	2,158	2,022
Borrowings	10	948	1,009
Provisions	10	2,833	2,951
<b>Total current liabilities</b>		<b>5,939</b>	<b>5,982</b>
<b>Non-current liabilities</b>			
Payables	10	—	—
Borrowings	10	10,363	11,332
Provisions	10	3,994	3,794
<b>Total non-current liabilities</b>		<b>14,357</b>	<b>15,126</b>
<b>TOTAL LIABILITIES</b>		<b>20,296</b>	<b>21,108</b>
<b>Net assets</b>		<b>412,701</b>	<b>414,630</b>
<b>EQUITY</b>			
Retained earnings	20	277,160	283,503
Revaluation reserves	20	135,541	131,127
Council equity interest		412,701	414,630
Non-controlling equity interests		—	—
<b>Total equity</b>		<b>412,701</b>	<b>414,630</b>

## Gwydir Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		283,503	131,127	<b>414,630</b>	–	<b>414,630</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>283,503</b>	<b>131,127</b>	<b>414,630</b>	<b>–</b>	<b>414,630</b>
<b>c. Net operating result for the year</b>		<b>(7,050)</b>	–	<b>(7,050)</b>	–	<b>(7,050)</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	5,121	<b>5,121</b>	–	<b>5,121</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>5,121</b>	<b>5,121</b>	<b>–</b>	<b>5,121</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>(7,050)</b>	<b>5,121</b>	<b>(1,929)</b>	<b>–</b>	<b>(1,929)</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		707	(707)	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>277,160</b>	<b>135,541</b>	<b>412,701</b>	<b>–</b>	<b>412,701</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		138,667	68,771	<b>207,438</b>	–	<b>207,438</b>
a. Correction of prior period errors	20 (c)	151,213	(151,213)	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>289,880</b>	<b>(82,442)</b>	<b>207,438</b>	<b>–</b>	<b>207,438</b>
<b>c. Net operating result for the year</b>		<b>(6,377)</b>	–	<b>(6,377)</b>	–	<b>(6,377)</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	213,569	<b>213,569</b>	–	<b>213,569</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>213,569</b>	<b>213,569</b>	<b>–</b>	<b>213,569</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>(6,377)</b>	<b>213,569</b>	<b>207,192</b>	<b>–</b>	<b>207,192</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>283,503</b>	<b>131,127</b>	<b>414,630</b>	<b>–</b>	<b>414,630</b>



## Gwydir Shire Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
8,703	Rates and annual charges		8,559	7,879
5,499	User charges and fees		6,266	5,566
229	Investment and interest revenue received		219	20
12,471	Grants and contributions		12,697	11,235
–	Bonds, deposits and retention amounts received		4	15
1,718	Other		3,612	1,887
<b>Payments:</b>				
(10,240)	Employee benefits and on-costs		(11,014)	(11,781)
(6,305)	Materials and contracts		(8,232)	(5,893)
(827)	Borrowing costs		(583)	(720)
–	Other		(1,951)	(2,805)
<b>11,248</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>9,577</b>	<b>5,403</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		932	–
–	Sale of infrastructure, property, plant and equipment		145	718
<b>Payments:</b>				
(6,570)	Purchase of infrastructure, property, plant and equipment		(8,597)	(4,264)
<b>(6,570)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(7,520)</b>	<b>(3,546)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
–	Proceeds from borrowings and advances		–	750
<b>Payments:</b>				
(679)	Repayment of borrowings and advances		(1,030)	(745)
<b>(679)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(1,030)</b>	<b>5</b>
<b>3,999</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,027</b>	<b>1,862</b>
4,562	Plus: cash and cash equivalents – beginning of year	11a	5,424	3,562
<b>8,561</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>6,451</b>	<b>5,424</b>
Additional Information:				
plus:	Investments on hand – end of year	6b	2,068	3,000
<b>Total cash, cash equivalents and investments</b>			<b>8,519</b>	<b>8,424</b>

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

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

# Gwydir Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

# Gwydir Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

### Note 1. Summary of significant accounting policies

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

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

#### (a) Basis of preparation

##### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

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

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

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

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

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

##### (v) Basis of accounting

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

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

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

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

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

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

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

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

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

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

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

Revenue is measured on major income categories as follows:

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

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

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

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

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

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

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

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

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

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

##### User charges, fees and other income

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

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

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

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

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

##### Interest and rents

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

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

##### Dividend income

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

##### Other income

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

#### (c) Principles of consolidation

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

##### (i) The Consolidated Fund

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

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

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

- \* General purpose operations
- \* Water supply
- \* Sewerage service
- \* Waste management service
- \* Naroo Aged Care

Council controls a number of S355 Committees. The majority of the Committees financial figures were consolidated into Councils financial statements at year end, the results of the remainder were not known at balance date; however this is not considered material.

The committees controlled by Council are the following:

- \* Bingara District Historical Society
- \* Gravesend Historical Society

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

- \* Warialda Historical Society
- \* Coolatai Sports' Ground Committee
- \* Croppa Creek Public Hall Management
- \* Crooble Public Hall Management
- \* Coolatai Public Hall Management
- \* Gravesend Public Hall Management
- \* Warialda Community Culture Centre (Carinda House)
- \* Bingara Hatchery
- \* North Star Public Hall
- \* Warialda Sports Council

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

<b>Total income from continuing operations</b>	\$5, 000
<b>Total expenditure from continuing operations</b>	\$5, 000
<b>Total net assets held (i.e. equity)</b>	\$12, 000

#### Note:

Where actual figures are not known, best estimates have been applied.

#### (ii) The trust fund

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

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

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

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

#### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Associates

Council has no interest in any associates.

##### County councils

Council is not a member of any county councils.

##### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

#### (d) Leases

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

##### Finance leases

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

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

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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



## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

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

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

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

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

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

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

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

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

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

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

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

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

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

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

##### Financial assets – reclassification

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

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

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

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

##### (i) Initial recognition

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

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

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

##### (ii) Subsequent measurement

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

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

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

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

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



## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Impairment

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

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

##### (iii) Types of investments

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

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

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

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

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

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

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

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

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

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

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

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

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

##### (h) Receivables

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

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

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

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

able to collect all amounts due according to the original terms of each receivable.

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

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

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

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

#### (i) Inventories

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

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

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

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

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

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

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

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

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

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

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

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

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

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

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

###### Acquisition of assets

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

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

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements**  
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**  
(external valuation)
- **Other structures**  
(as approximated by depreciated historical cost)

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

- **Roads assets including roads, bridges and footpaths**  
(internal valuation)

economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

- **Bulk earthworks** (internal valuation)

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

- **Stormwater drainage** (internal valuation)

- **Water and sewerage networks**  
(internal valuation)

#### Asset revaluations (including indexation)

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

- **Swimming pools**  
(internal valuation)

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,

- **Other open space/recreational assets**  
(internal valuation)

- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,

- **Other infrastructure**  
(internal valuation)

- **Other assets**  
(as approximated by depreciated historical cost)

- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

- **Investment properties** – refer Note 1(p),

#### Initial recognition

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

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

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

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

#### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future

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

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

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

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

#### Capitalisation thresholds

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

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Land

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

##### Plant and Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant and Equipment	> \$1,000

##### Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

##### Water and Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

##### Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

##### Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs	> \$10,000
Bridge construction and reconstruction	> \$10,000

##### Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000
Other Infrastructure	> \$10,000

#### Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PPandE include:

- Office Equipment	3 to 20 years
- Office furniture	3 to 30 years
- Vehicles and Road Making equip	3 to 30 years
- Other plant and equipment	3 to 30 years
- Buildings	50 to 150 years
- Other Structures	10 to 100 years
- Playground equipment	15 to 25 years
- Benches, seats etc	10 to 20 years
- Dams and reservoirs	80 to 100 years
- Reticulation pipes	100 years
- Pump Stations	50 to 75 years
- Treatment Works	50 to 70 years
- Drains	80 to 100 years
- Culverts	50 to 80 years
- Flood Control Structures	80 to 100 years
- Sealed Roads : Surface	15 to 60 years
- Sealed Roads : Structure	50 to 100 years
- Unsealed roads	10 to 20 years
- Bridges	50 to 100 years
- Bulk earthworks	Infinite
- Swimming Pools	15 to 25 years
- Other Open Space/ Recreational Assets	50 to 100 years
- Other Infrastructure	50 to 100 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

#### Disposal and derecognition

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

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

# Gwydir Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

#### (k) Land

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

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

#### (l) Land under roads

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

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

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

#### (m) Intangible assets

Council has not classified any assets as intangible.

#### (n) Crown reserves

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

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

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

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

#### (o) Rural fire service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration



## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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.

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to

the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

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

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

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

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

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

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

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

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

#### (r) Impairment of assets

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

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

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

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

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

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

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

#### (s) Payables

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

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

#### (t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

#### (u) 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.

#### (v) Provisions

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

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

Provisions are not recognised for future operating losses.

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

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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.

#### **(w) Employee benefits**

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

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

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

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

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

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

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

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

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

period) are recognised in the provision for employee benefits.

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

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

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

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

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

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

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

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

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

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



## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

experience of employee departures and periods of service.

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

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24/02/16 and covers the period ended 30/06/16.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 269,765.30.

The amount of additional contributions included in the total employer contribution advised above is \$ 512,000.00.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 240,168.12 as at 30 June 2016.

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

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

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

#### Defined contribution plans

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

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

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

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

#### (x) Self-insurance

Council does not self-insure.

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

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

liability is classified as current even if it is not expected to be settled within the next 12 months.

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

#### **(z) Taxes**

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

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

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

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

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

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

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

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

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

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

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

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

Council has not adopted any of these standards early.

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

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

#### **AASB 9 – Financial Instruments**

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

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

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

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

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

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

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

At this stage there is no specific date of release for a standard nor a date of applicability.

##### **AASB16 – Leases**

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

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

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

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

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

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

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

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

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

## Gwydir Shire Council

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

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

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(and fall under the related party reporting requirements).

##### **(ab) Rounding of amounts**

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

##### **(ac) 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.

##### **(ad) Disclaimer**

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

## Gwydir Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance (a)	–	36	–	197	234	179	(197)	(198)	(179)	–	–	–	–
Governance (b)	48	41	485	717	719	766	(669)	(678)	(281)	42	–	76	–
Technical services	8,149	9,066	5,171	10,542	12,265	15,628	(2,393)	(3,199)	(10,457)	3,399	2,491	329,382	336,550
Town services	2,468	2,316	2,507	5,379	6,722	3,163	(2,911)	(4,406)	(656)	45	44	45,940	44,601
Development and environmental services	1,830	2,029	1,899	3,571	7,517	4,568	(1,741)	(5,488)	(2,669)	211	180	35,350	37,106
Organisational and community development	4,324	4,262	5,025	6,265	6,459	7,173	(1,941)	(2,197)	(2,148)	2,738	2,305	16,909	13,944
Corporate services	113	199	1,339	1,726	1,743	1,224	(1,613)	(1,544)	115	–	–	5,340	3,537
<b>Total functions and activities</b>	<b>16,932</b>	<b>17,949</b>	<b>16,426</b>	<b>28,397</b>	<b>35,659</b>	<b>32,701</b>	<b>(11,465)</b>	<b>(17,710)</b>	<b>(16,275)</b>	<b>6,435</b>	<b>5,020</b>	<b>432,997</b>	<b>435,738</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	10,716	10,660	9,898	–	–	–	10,716	10,660	9,898	4,268	4,120	–	–
<b>Operating result from continuing operations</b>	<b>27,648</b>	<b>28,609</b>	<b>26,324</b>	<b>28,397</b>	<b>35,659</b>	<b>32,701</b>	<b>(749)</b>	<b>(7,050)</b>	<b>(6,377)</b>	<b>10,703</b>	<b>9,140</b>	<b>432,997</b>	<b>435,738</b>

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

## Gwydir Shire Council

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

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

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

##### **GOVERNANCE (a)**

Costs relating to the 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, area representation and public disclosure and compliance.

##### **GOVERNANCE (b)**

Other costs otherwise attributed to executive functions.

##### **ENGINEERING SERVICES**

Provision of infrastructure services such as aerodromes, roads, bridges & footpaths, emergency services and plant.

##### **BUILDING & ENVIRONMENTAL SERVICES**

Building, regulatory and environmental services.

##### **TOWN SERVICES**

Includes the provision of water and sewerage services as well as parks, gardens and stormwater services.

##### **ORGANISATIONAL & COMMUNITY DEVELOPMENT**

Provision of community fitness, human resource, medical centres, aged care, economic development and tourism and promotion functions.

##### **CORPORATE & SOCIAL SERVICES**

Provision of support services including accounts payable, accounts receivable, accounting services, information technology, graphical information systems as well as library, counter and social services.

## Gwydir Shire Council

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

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		948	699
Farmland		5,213	4,780
Business		142	83
<b>Total ordinary rates</b>		<b>6,303</b>	<b>5,562</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		536	523
Stormwater management services		36	39
Water supply services		586	586
Sewerage services		591	590
Waste management services (non-domestic)		447	450
<b>Total annual charges</b>		<b>2,196</b>	<b>2,188</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>8,499</b>	<b>7,750</b>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

## Gwydir Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific ‘actual use’ charges)			
Water supply services		507	673
Sewerage services		64	61
<b>Total user charges</b>		<b>571</b>	<b>734</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services		6	–
Planning and building regulation		73	51
Private works – section 67		90	70
Registration fees		23	22
Section 603 certificates		12	8
<b>Total fees and charges – statutory/regulatory</b>		<b>204</b>	<b>151</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Caravan park		344	322
Cemeteries		36	49
Gwydir Learning Region		29	18
Home and community care / community transport		86	97
Pre-school services		66	65
RMS (formerly RTA) charges (state roads not controlled by Council)		3,847	3,868
Roxy theatre		54	57
Tourism		8	10
WOW fitness		24	15
Other		1	–
Other		51	160
<b>Total fees and charges – other</b>		<b>4,546</b>	<b>4,661</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>5,321</b>	<b>5,546</b>



## Gwydir Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		22	34
– Interest earned on investments (interest and coupon payment income)		216	114
<b>Fair valuation of financial liabilities on recognition</b>			
– Interest free (or favourable) loans and advances received		–	147
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>238</u></b>	<b><u>295</u></b>

### Interest revenue is attributable to:

#### Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	22	34
General Council cash and investments	36	142

#### Restricted investments/funds – external:

Development contributions		
– Section 94	7	3
Water fund operations	35	31
Sewerage fund operations	78	48
Domestic waste management operations	29	19

#### Restricted investments/funds – internal:

Internally restricted assets	31	18
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<b>Total interest and investment revenue recognised</b>	<b>238</b>	<b>295</b>
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## (d) Other revenues

Rental income – other council properties	252	218
Fines – other	11	7
Commissions and agency fees	102	87
Diesel rebate	115	51
Emergency services reimbursements	21	–
Employee related	37	82
Festivals	3	1
Insurance claim recoveries	72	109
Medical centres	–	9
Naroo	702	614
Other – governance	17	100
Sales – general	56	37
Sewer operations	1	1
Tourism	34	32
Waste management revenues	12	17
Water supplies	2	3
Other	417	181
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>1,854</u></b>	<b><u>1,549</u></b>

## Gwydir Shire Council

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

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	4,216	4,076	–	–
Pensioners' rates subsidies – general component	52	44	–	–
<b>Total general purpose</b>	<b>4,268</b>	<b>4,120</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	24	24	–	–
– Sewerage	20	20	–	–
– Domestic waste management	36	42	–	–
Aged care	1,707	1,241	–	–
Community centres	–	–	–	25
Employment and training programs	19	46	–	–
Family first – DOCS	132	114	–	–
Gwydir learning region	–	–	–	281
Home and community care	310	278	–	–
Library	42	42	–	–
Noxious weeds	123	72	–	–
NSW rural fire services	238	259	75	129
Public halls	10	22	–	–
Recreation and culture	–	26	–	18
Roxy complex	–	4	–	–
Street lighting	19	19	–	–
Tharawonga operational	256	274	–	–
Transport (3x3, flood works, roads to recovery)	2,550	1,718	573	–
Other	284	331	17	35
<b>Total specific purpose</b>	<b>5,770</b>	<b>4,532</b>	<b>665</b>	<b>488</b>
<b>Total grants</b>	<b>10,038</b>	<b>8,652</b>	<b>665</b>	<b>488</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	–	3,348	–	–
– State funding	–	2,126	–	–
– Other funding	10,038	3,178	665	488
	<b>10,038</b>	<b>8,652</b>	<b>665</b>	<b>488</b>

## Gwydir Shire Council

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

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	70	35
<b>Total developer contributions</b> 17	<b>–</b>	<b>–</b>	<b>70</b>	<b>35</b>
<b>Other contributions:</b>				
RMS contributions (regional roads, block grant)	1,566	1,437	269	309
Other	73	260	16	3
<b>Total other contributions</b>	<b>1,639</b>	<b>1,697</b>	<b>285</b>	<b>312</b>
<b>Total contributions</b>	<b>1,639</b>	<b>1,697</b>	<b>355</b>	<b>347</b>
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>	<b><u>11,677</u></b>	<b><u>10,349</u></b>	<b><u>1,020</u></b>	<b><u>835</u></b>

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	1,140	142
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	10,892	1,044
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(11,329)	(46)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(437)</b>	<b>998</b>
<b>Unexpended and held as restricted assets</b>	<b><u>703</u></b>	<b><u>1,140</u></b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	387	1,020
– Developer contributions	316	120
	<b><u>703</u></b>	<b><u>1,140</u></b>

## Gwydir Shire Council

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

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		8,421	8,165
Travel expenses		163	160
Employee leave entitlements (ELE)		1,545	1,884
Superannuation		1,110	1,078
Workers' compensation insurance		693	385
Fringe benefit tax (FBT)		38	22
Training costs (other than salaries and wages)		181	229
Other		171	603
<b>Total employee costs</b>		<b>12,322</b>	<b>12,526</b>
Less: capitalised costs		(1,445)	(861)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>10,877</u></b>	<b><u>11,665</u></b>
Number of 'full-time equivalent' employees (FTE) at year end		156	162
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		501	695
<b>Total interest bearing liability costs</b>		<b>501</b>	<b>695</b>
Less: capitalised costs		–	(62)
<b>Total interest bearing liability costs expensed</b>		<b>501</b>	<b>633</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts and premiums: – unwinding discount on reduced interest loan	26	82	87
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	219	188
<b>Total other borrowing costs</b>		<b>301</b>	<b>275</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>802</u></b>	<b><u>908</u></b>

# Gwydir Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,454	3,889
Contractor and consultancy costs			
– Consultants		139	130
– Domestic waste management contract		89	82
– Health services		7	–
– Pools		113	114
– Road infrastructure contractors		2,258	–
– Valuations		36	29
– Other		1,144	1,633
Auditors remuneration <sup>(1)</sup>		102	67
Legal expenses:			
– Legal expenses: debt recovery		48	39
– Legal expenses: other		2	8
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>6,392</u></b>	<b><u>5,991</u></b>
<b>Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>Audit and other assurance services</b>			
– Audit and review of financial statements: Forsyths Chartered Accountants		91	67
– Due diligence services		11	–
<b>Remuneration for audit and other assurance services</b>		<b><u>102</u></b>	<b><u>67</u></b>
<b>Total Auditor remuneration</b>		<b><u>102</u></b>	<b><u>67</u></b>

## Gwydir Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	1,002	1,340
Office equipment		—	—	58	71
Furniture and fittings		—	—	56	55
Infrastructure:					
– Buildings – non-specialised		130	—	532	587
– Buildings – specialised		—	—	455	391
– Other structures		—	—	96	113
– Roads		—	—	3,374	7,558
– Bridges		—	—	11	616
– Footpaths		—	—	19	7
– Stormwater drainage		—	—	46	45
– Water supply network		—	—	99	97
– Sewerage network		—	—	70	73
– Swimming pools		—	—	—	13
Other assets					
– Other		—	—	18	—
Asset reinstatement costs	9 & 26	—	—	236	257
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>130</b>	<b>—</b>	<b>6,072</b>	<b>11,222</b>

## Gwydir Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		72	54
Bad and doubtful debts		192	28
Bushfire and SES equipment		412	372
Councillor expenses – mayoral fee		25	25
Councillor expenses – councillors' fees		105	104
Councillors' expenses (incl. mayor) – other (excluding fees above)		12	18
Donations, contributions and assistance to other organisations (Section 356)		102	102
Electricity and heating		536	585
Fair value decrements – I,PP&E	9(a)	5,430	–
Insurance		656	623
Street lighting		78	85
Subscriptions and publications		158	57
Telephone and communications		253	244
Other		5	5
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>8,036</u></b>	<b><u>2,302</u></b>

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

<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		6	169
Less: carrying amount of property assets sold/written off		(6)	(558)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(389)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		139	549
Less: carrying amount of plant and equipment assets sold/written off		(128)	(773)
<b>Net gain/(loss) on disposal</b>		<b>11</b>	<b>(224)</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(3,361)	–
<b>Net gain/(loss) on disposal</b>		<b>(3,361)</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(3,350)</u></b>	<b><u>(613)</u></b>

## Gwydir Shire Council

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

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		2,223	–	2,207	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		229	–	223	–
– Short-term deposits		3,999	–	2,994	–
<b>Total cash and cash equivalents</b>		<b>6,451</b>	<b>–</b>	<b>5,424</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		2,068	–	3,000	–
<b>Total investments</b>		<b>2,068</b>	<b>–</b>	<b>3,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>8,519</b>	<b>–</b>	<b>8,424</b>	<b>–</b>

<sup>1</sup> 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'		<b>6,451</b>	<b>–</b>	<b>5,424</b>	<b>–</b>
--	--	--------------	----------	--------------	----------

**Investments**

a. 'Held to maturity'	6(b-i)	2,068	–	3,000	–
<b>Investments</b>		<b>2,068</b>	<b>–</b>	<b>3,000</b>	<b>–</b>

**Note 6(b-i)**

**Reconciliation of investments  
classified as 'held to maturity'**

Balance at the beginning of the year		3,000	–	3,000	–
Disposals (sales and redemptions)		(932)	–	–	–
<b>Balance at end of year</b>		<b>2,068</b>	<b>–</b>	<b>3,000</b>	<b>–</b>

**Comprising:**

– Long term deposits		2,068	–	3,000	–
<b>Total</b>		<b>2,068</b>	<b>–</b>	<b>3,000</b>	<b>–</b>

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



## Gwydir Shire Council

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

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
<b>Total cash, cash equivalents and investments</b>	<b>8,519</b>	<b>–</b>	<b>8,424</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions (refer below)	6,233	–	6,694	–
Internal restrictions (refer below)	1,329	–	1,264	–
Unrestricted	957	–	466	–
	<b>8,519</b>	<b>–</b>	<b>8,424</b>	<b>–</b>

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

## Details of restrictions

## External restrictions – included in liabilities

Aged care bonds	290	–	–	290
<b>External restrictions – included in liabilities</b>	<b>290</b>	<b>–</b>	<b>–</b>	<b>290</b>

## External restrictions – other

Developer contributions – general (D)	120	196	–	316
RMS (formerly RTA) contributions (E)	614	–	(533)	81
Specific purpose unexpended grants (F)	406	–	(100)	306
Water supplies (G)	1,146	–	(118)	1,028
Sewerage services (G)	2,853	149	–	3,002
Domestic waste management (G)	1,265	–	(55)	1,210
<b>External restrictions – other</b>	<b>6,404</b>	<b>345</b>	<b>(806)</b>	<b>5,943</b>
<b>Total external restrictions</b>	<b>6,694</b>	<b>345</b>	<b>(806)</b>	<b>6,233</b>

## Internal restrictions

Employees leave entitlement	320	100	–	420
Deposits, retentions and bonds	100	1	–	101
Other waste	844	–	(36)	808
<b>Total internal restrictions</b>	<b>1,264</b>	<b>101</b>	<b>(36)</b>	<b>1,329</b>

## TOTAL RESTRICTIONS

<b>7,958</b>	<b>446</b>	<b>(842)</b>	<b>7,562</b>
--------------	------------	--------------	--------------

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

E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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

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

## Gwydir Shire Council

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

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		359	–	419	–
Interest and extra charges		122	–	97	–
User charges and fees		189	–	399	–
Accrued revenues					
– Interest on investments		49	–	55	–
– Other income accruals		54	–	969	–
Loans to non-profit organisations		4	39	4	39
Net GST receivable		3	–	–	–
Sundry trade debtors		151	477	112	544
Other debtors		127	2	125	–
<b>Total</b>		<b>1,058</b>	<b>518</b>	<b>2,180</b>	<b>583</b>
<b>Less: provision for impairment</b>					
Sundry debtors		(7)	–	(7)	–
<b>Total provision for impairment – receivables</b>		<b>(7)</b>	<b>–</b>	<b>(7)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>1,051</u></b>	<b><u>518</u></b>	<b><u>2,173</u></b>	<b><u>583</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		–	–	413	–
– Other		211	–	–	–
<b>Sewerage services</b>					
– Rates and availability charges		50	–	80	–
– Other		29	–	–	–
<b>Domestic waste management</b>		<b>89</b>	<b>–</b>	<b>87</b>	<b>–</b>
<b>Total external restrictions</b>		<b>379</b>	<b>–</b>	<b>580</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>672</b>	<b>518</b>	<b>1,593</b>	<b>583</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,051</b>	<b>518</b>	<b>2,173</b>	<b>583</b>

**Notes on debtors above:**

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

## Gwydir Shire Council

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

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		230	–	452	–
<b>Total inventories at cost</b>		<b>230</b>	<b>–</b>	<b>452</b>	<b>–</b>
(ii) Inventories at net realisable value (NRV)					
Nil					
<b>TOTAL INVENTORIES</b>		<b>230</b>	<b>–</b>	<b>452</b>	<b>–</b>
(b) Other assets					
Prepayments		15	–	33	–
<b>TOTAL OTHER ASSETS</b>		<b>15</b>	<b>–</b>	<b>33</b>	<b>–</b>
Externally restricted assets					
Water					
Stores and materials		22	–	18	–
<b>Total water</b>		<b>22</b>	<b>–</b>	<b>18</b>	<b>–</b>
Sewerage					
Stores and materials		2	–	2	–
<b>Total sewerage</b>		<b>2</b>	<b>–</b>	<b>2</b>	<b>–</b>
<b>Total externally restricted assets</b>		<b>24</b>	<b>–</b>	<b>20</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>221</b>	<b>–</b>	<b>465</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>245</b>	<b>–</b>	<b>485</b>	<b>–</b>

**Other disclosures****(a) Current assets not anticipated to be settled within the next 12 months**

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2016	2015
Other	–	86
	<b>–</b>	<b>86</b>

**(b) Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

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

Gwydir Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period								as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	Adjustments and transfers	Revaluation decrements to P&L	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment												depreciation	impairment	
Capital work in progress	1,783	–	–	–	1,783	833	–	–	–	–	–	–	–	2,616	–	–	–	2,616
Plant and equipment	–	15,886	7,117	–	8,769	757	–	(128)	(1,002)	–	–	–	–	–	15,929	7,533	–	8,396
Office equipment	–	985	701	–	284	1	94	–	(58)	–	–	–	–	–	1,081	759	–	322
Furniture and fittings	–	1,178	325	–	853	–	36	–	(56)	–	–	–	–	–	1,215	381	–	834
<b>Land:</b>																		
– Operational land	–	4,670	–	–	4,670	–	232	(6)	–	–	401	–	–	–	5,296	–	–	5,296
– Community land	–	8,404	–	–	8,404	–	–	–	–	–	(401)	(5,406)	–	–	2,597	–	–	2,597
<b>Infrastructure:</b>																		
– Buildings – non-specialised	–	32,950	6,714	–	26,236	118	–	–	(532)	(130)	–	–	–	–	33,120	7,183	245	25,692
– Buildings – specialised	–	28,162	3,950	–	24,212	188	145	–	(455)	–	52	–	–	–	28,560	4,393	124	24,043
– Other structures	–	3,127	1,036	–	2,091	106	–	–	(96)	–	(3)	(24)	2,165	–	4,657	418	–	4,239
– Roads	–	319,320	36,113	–	283,207	4,161	1,650	(3,269)	(3,374)	–	–	–	–	–	321,063	38,688	–	282,375
– Bridges	–	38,547	358	–	38,189	–	–	–	(11)	–	–	–	–	–	38,547	370	–	38,177
– Footpaths	–	3,188	446	–	2,742	–	–	–	(19)	–	–	–	–	–	3,188	466	–	2,722
– Stormwater drainage	–	3,632	2,300	–	1,332	17	–	–	(46)	–	–	–	19	–	3,704	2,384	–	1,320
– Water supply network	–	15,906	4,892	–	11,014	334	–	(92)	(99)	–	3	–	170	–	16,471	5,138	–	11,333
– Sewerage network	–	12,126	3,052	–	9,074	28	–	–	(70)	–	–	–	135	–	12,423	3,260	–	9,163
– Swimming pools	–	52	–	–	52	–	–	–	–	–	(52)	–	2,632	–	2,679	47	–	2,632
<b>Other assets:</b>																		
– Other	–	198	15	–	183	–	–	–	(18)	–	–	–	–	–	183	18	–	165
<b>Reinstatement, rehabilitation and restoration assets</b> (refer Note 26):																		
– Tip assets	–	2,548	1,660	–	888	–	–	–	(220)	–	–	–	–	–	2,548	1,880	–	668
– Quarry assets	–	371	281	–	90	–	–	–	(16)	–	–	–	–	–	371	297	–	74
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,783</b>	<b>491,250</b>	<b>68,960</b>	<b>–</b>	<b>424,073</b>	<b>6,543</b>	<b>2,157</b>	<b>(3,495)</b>	<b>(6,072)</b>	<b>(130)</b>	<b>–</b>	<b>(5,430)</b>	<b>5,121</b>	<b>2,616</b>	<b>493,632</b>	<b>73,215</b>	<b>369</b>	<b>422,664</b>

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

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

## Gwydir Shire Council

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

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

\$ '000	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
WIP	395	—	—	<b>395</b>	238	—	—	<b>238</b>
Plant and equipment	—	587	116	<b>471</b>	—	573	91	<b>482</b>
Land								
— Operational land	—	148	—	<b>148</b>	—	78	—	<b>78</b>
Buildings	—	3,438	369	<b>3,069</b>	—	3,429	320	<b>3,109</b>
Other structures	—	170	8	<b>162</b>	—	127	32	<b>95</b>
Infrastructure	—	16,471	5,138	<b>11,333</b>	—	15,906	4,892	<b>11,014</b>
<b>Total water supply</b>	<b>395</b>	<b>20,814</b>	<b>5,631</b>	<b>15,578</b>	<b>238</b>	<b>20,113</b>	<b>5,335</b>	<b>15,016</b>
<b>Sewerage services</b>								
WIP	147	—	—	<b>147</b>	41	—	—	<b>41</b>
Plant and equipment	—	101	52	<b>49</b>	—	96	51	<b>45</b>
Land								
— Operational land	—	284	—	<b>284</b>	—	284	—	<b>284</b>
Buildings	—	114	28	<b>86</b>	—	114	26	<b>88</b>
Other structures	—	129	2	<b>127</b>	—	20	6	<b>14</b>
Infrastructure	—	12,423	3,260	<b>9,163</b>	—	12,126	3,052	<b>9,074</b>
<b>Total sewerage services</b>	<b>147</b>	<b>13,051</b>	<b>3,342</b>	<b>9,856</b>	<b>41</b>	<b>12,640</b>	<b>3,135</b>	<b>9,546</b>
<b>Domestic waste management</b>								
WIP	8	—	—	<b>8</b>	33	—	—	<b>33</b>
Plant and equipment	—	13	3	<b>10</b>	—	19	5	<b>14</b>
Land								
— Operational land	—	192	—	<b>192</b>	—	192	—	<b>192</b>
Buildings	—	30	1	<b>29</b>	—	—	—	<b>—</b>
Other structures	—	350	40	<b>310</b>	—	68	20	<b>48</b>
Tip asset	—	2,548	1,880	<b>668</b>	—	2,548	1,660	<b>888</b>
<b>Total DWM</b>	<b>8</b>	<b>3,133</b>	<b>1,924</b>	<b>1,217</b>	<b>33</b>	<b>2,827</b>	<b>1,685</b>	<b>1,175</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>550</b>	<b>36,998</b>	<b>10,897</b>	<b>26,651</b>	<b>312</b>	<b>35,580</b>	<b>10,155</b>	<b>25,737</b>

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

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

Lowes service station impairment in excess of refvaluation reserve.

Impairment of fuel tank due to leaks

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

4(d)

(130)	—
<b>(130)</b>	<b>—</b>

<b>(130)</b>	<b>—</b>
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## Gwydir Shire Council

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

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		20	–	546	–
Payments received in advance		234	–	213	–
Accrued expenses:					
– Interest on bonds and deposits		89	–	96	–
– Other expenditure accruals		193	–	222	–
Security bonds, deposits and retentions		101	–	97	–
Aged care bonds		1,489	–	848	–
Other		32	–	–	–
<b>Total payables</b>		<b>2,158</b>	<b>–</b>	<b>2,022</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		948	10,363	1,009	11,332
<b>Total borrowings</b>		<b>948</b>	<b>10,363</b>	<b>1,009</b>	<b>11,332</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		1,041	–	1,056	–
Long service leave		1,792	147	1,895	166
Sub-total – aggregate employee benefits		<b>2,833</b>	<b>147</b>	<b>2,951</b>	<b>166</b>
Asset remediation/restoration (future works)	26	–	3,847	–	3,628
<b>Total provisions</b>		<b>2,833</b>	<b>3,994</b>	<b>2,951</b>	<b>3,794</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>					
		<b>5,939</b>	<b>14,357</b>	<b>5,982</b>	<b>15,126</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		191	2,419	332	2,455
Sewer		61	2	96	11
Domestic waste management		–	–	98	3,246
Other		290	–	–	–
Naroo aged care		–	–	848	–
Liabilities relating to externally restricted assets		<b>542</b>	<b>2,421</b>	<b>1,374</b>	<b>5,712</b>
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>542</b>	<b>2,421</b>	<b>1,374</b>	<b>5,712</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>5,397</b>	<b>11,936</b>	<b>4,608</b>	<b>9,414</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>5,939</b>	<b>14,357</b>	<b>5,982</b>	<b>15,126</b>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

## Gwydir Shire Council

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

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

	Actual 2016	Actual 2015
\$ '000		

## (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	2,550	2,553
Payables – security bonds, deposits and retentions	1,340	388
	<b>3,890</b>	<b>2,941</b>

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

Class of provision	2015	2016				
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	1,056	(15)	–	–	–	1,041
Long service leave	2,061	(122)	–	–	–	1,939
Asset remediation	3,628	219	–	–	–	3,847
<b>TOTAL</b>	<b>6,745</b>	<b>82</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,827</b>

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

## Gwydir Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	6,451	5,424
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>6,451</b>	<b>5,424</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>(7,050)</b>	<b>(6,377)</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		6,072	11,222
Net losses/(gains) on disposal of assets		3,350	613
Impairment losses recognition – I,PP&E		130	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Favourable financial liabilities (i.e. initial recognition at fair value)		–	(147)
– Write offs relating to the fair valuation of I,PP&E		5,430	–
Unwinding of discount rates on reinstatement provisions		219	188
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		1,187	273
Decrease/(increase) in inventories		222	(8)
Decrease/(increase) in other assets		18	(17)
Increase/(decrease) in payables		(526)	106
Increase/(decrease) in other accrued expenses payable		(29)	(893)
Increase/(decrease) in other liabilities		691	559
Increase/(decrease) in employee leave entitlements		(137)	(116)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>9,577</b>	<b>5,403</b>



## Gwydir Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities <sup>(1)</sup>		100	100
Credit cards/purchase cards		50	50
<b>Total financing arrangements</b>		<b>150</b>	<b>150</b>

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

#### (ii) Secured loan liabilities

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

#### Note 12. Commitments for expenditure

Nil

## Gwydir Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	710	2.57%	-25.89%	-41.75%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	27,589			
2. Own source operating revenue ratio				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	15,912	55.62%	57.51%	66.38%
Total continuing operating revenue <sup>(1)</sup>	28,609			
3. Unrestricted current ratio				
Current assets less all external restrictions <sup>(2)</sup>	3,179	2.11x	2.22x	0.58x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	1,507			
4. Debt service cover ratio				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	7,714	4.21x	3.35x	1.35x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,832			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	481	5.32%	6.18%	7.24%
Rates, annual and extra charges collectible	9,037			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	8,519	4.48 mths	4.6 mths	2.0 mths
Payments from cash flow of operating and financing activities	1,901			

## Notes

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

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

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

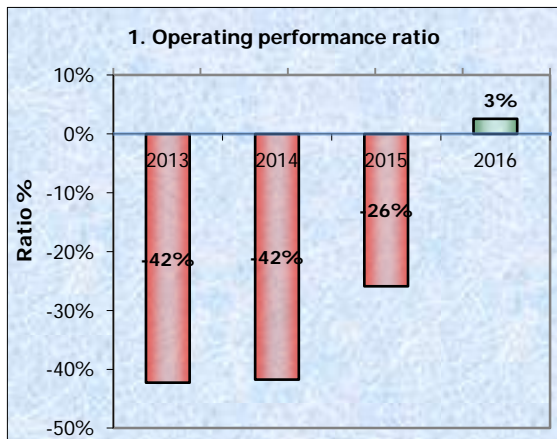
<sup>(3)</sup> Refer to Note 10(a).

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

# Gwydir Shire Council

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

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



Benchmark: — Minimum  $\geq 0.00\%$

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



#### Purpose of operating performance ratio

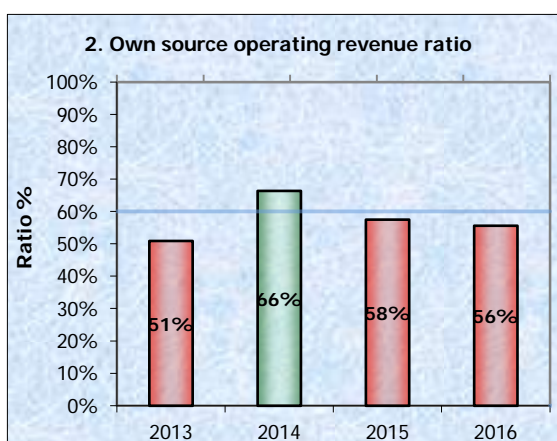
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

#### Commentary on 2015/16 result

**2015/16 ratio 2.57%**

The actions taken by Council in relation to Fit For the Future is shown in the improved results. The temporary additional Roads to Recovery funding is also a contributing factor in the improved result.

 Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Minimum  $\geq 60.00\%$

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



#### Purpose of own source operating revenue ratio

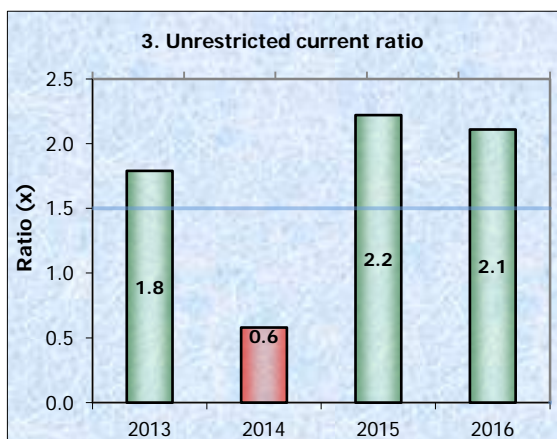
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

#### Commentary on 2015/16 result

**2015/16 ratio 55.62%**

This is an acceptable result and will improve in 2016/17 as a result of the approved Specail Rate Variation.

 Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Minimum  $\geq 1.50$

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



#### Purpose of unrestricted current ratio

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

#### Commentary on 2015/16 result

**2015/16 ratio 2.11x**

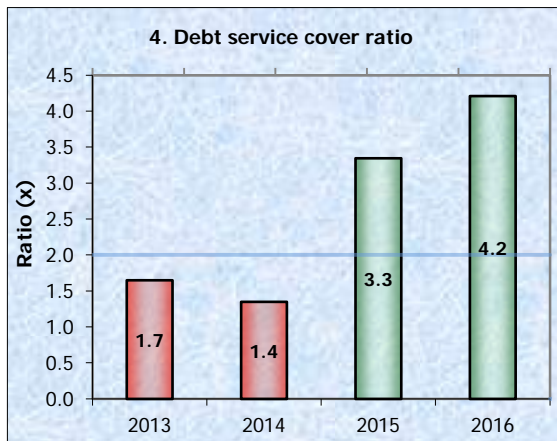
Council has been putting some effort in improving on the poor result in 2014.

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Gwydir Shire Council

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

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



Benchmark: — Minimum  $\geq 2.00$

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

#### Purpose of debt service cover ratio

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

#### Commentary on 2015/16 result

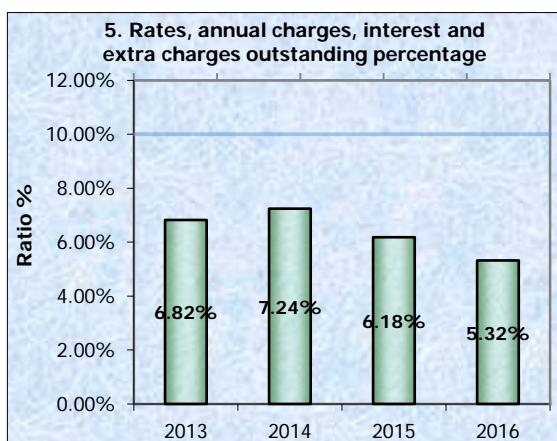
**2015/16 ratio 4.21x**

The debt service ratio is within acceptable boundaries.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum  $< 10.00\%$

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

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

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

#### Commentary on 2015/16 result

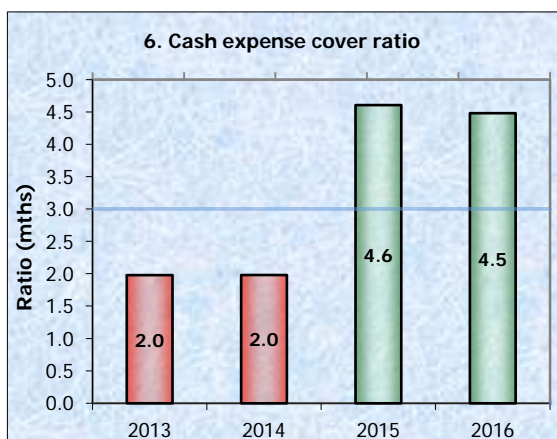
**2015/16 ratio 5.32%**

This ratio demonstrates that Council has acceptable debt levels in relation to outstanding rates and charges.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum  $\geq 3.00$

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

#### Purpose of cash expense cover ratio

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

#### Commentary on 2015/16 result

**2015/16 ratio 4.48 mths**

Council has made some effort in improving on the results of 2013-2014.



Ratio achieves benchmark

Ratio is outside benchmark

## Gwydir Shire Council

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

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

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>-1.91%</b>	<b>26.11%</b>	<b>2.06%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: -1.45%	32.16%	-29.24%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>98.29%</b>	<b>97.49%</b>	<b>51.92%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 98.27%	97.39%	53.92%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	<b>6.60x</b>	<b>50.54x</b>	<b>2.11x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 4.75x	30.57x	2.22x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>0.89x</b>	<b>295.00x</b>	<b>4.80x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 1.02x	54.33x	3.83x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>0.00%</b>	<b>7.89%</b>	<b>5.55%</b>
Rates, annual and extra charges collectible	prior period: 65.14%	12.66%	0.32%
<b>6. Cash expense cover ratio</b>			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>6.28 mths</b>	<b>33.32 mths</b>	<b>3.60 mths</b>
Payments from cash flow of operating and financing activities	prior period: 10.10 mths	77.81 mths	2.64 mths

## Notes

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

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

## Gwydir Shire Council

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

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	6,451	5,424	6,451	5,424
Investments				
– 'Held to maturity'	2,068	3,000	2,068	3,000
Receivables	1,569	2,756	1,569	2,756
<b>Total financial assets</b>	<b>10,088</b>	<b>11,180</b>	<b>10,088</b>	<b>11,180</b>
<b>Financial liabilities</b>				
Payables	1,924	1,809	1,924	1,809
Loans/advances	11,311	12,341	11,311	12,341
<b>Total financial liabilities</b>	<b>13,235</b>	<b>14,150</b>	<b>13,235</b>	<b>14,150</b>

Fair value is determined as follows:

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

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

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 1% movement in interest rates	63	63	(63)	(63)
<b>2015</b>				
Possible impact of a 1% movement in interest rates	84	84	(84)	(84)



# Gwydir Shire Council

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

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

\$ '000

#### (b) Credit risk

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	70%	34%	20%	11%
Overdue	30%	66%	80%	89%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	359	402	419	2,344
< 1 year overdue	0 – 30 days overdue	–	706	–	–
2 – 5 years overdue	60 – 90 days overdue	–	110	–	–
		<b>359</b>	<b>1,217</b>	<b>419</b>	<b>2,344</b>

<b>(iii) Movement in provision for impairment of receivables</b>	2016	2015
Balance at the beginning of the year	7	7
<b>Balance at the end of the year</b>	<b>7</b>	<b>7</b>

## Gwydir Shire Council

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

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

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	101	1,823	–	–	–	–	–	1,924	1,924
Loans and advances	–	948	1,000	1,049	1,007	893	6,414	11,311	11,311
Total financial liabilities	101	2,771	1,000	1,049	1,007	893	6,414	13,235	13,235
2015									
Trade/other payables	97	1,712	–	–	–	–	–	1,809	1,809
Loans and advances	–	1,009	1,024	1,080	1,131	1,099	6,998	12,341	12,341
Total financial liabilities	97	2,721	1,024	1,080	1,131	1,099	6,998	14,150	14,150

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,924	0.00%	1,809	0.00%
Loans and advances – fixed interest rate	11,311	6.14%	12,341	6.40%
	<u>13,235</u>		<u>14,150</u>	

## Gwydir Shire Council

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

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 25 February 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	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	8,703	8,499	(204)	(2%)	<b>U</b>
User charges and fees	5,499	5,321	(178)	(3%)	<b>U</b>
Interest and investment revenue	229	238	9	4%	<b>F</b>
Other revenues	1,562	1,854	292	19%	<b>F</b>
The major contribution to this favourable result is an unforeseen insurance claim \$134k					
Operating grants and contributions	8,582	11,677	3,095	36%	<b>F</b>
The major contribution to this favourable result is additional Roads to Recovery funding not budgeted and some operational grants budgeted incorrectly as capital grants					
Capital grants and contributions	3,073	1,020	(2,053)	(67%)	<b>U</b>
The major contribution to this unfavourable result is some operational grants incorrectly budgeted as capital grants.					

## Gwydir Shire Council

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

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
<b>EXPENSES</b>				
Employee benefits and on-costs	10,240	10,877	(637)	(6%) U
Borrowing costs	827	802	25	3% F
Materials and contracts	5,732	6,392	(660)	(12%) U
The major contribution to this favourable result was additional Roads to Recovery funding, resulting in a shift of operational works to capital works.				
Depreciation and amortisation	8,994	6,072	2,922	32% F
The major contribution to this favourable result is a reduction in depreciation as a result of significant work on road infrastructure depreciation undertaken in conjunction with road infrastructure fair value revaluation works.				
Impairment expenses	–	130	(130)	0% U
Other expenses	2,604	8,036	(5,432)	(209%) U
Net losses from disposal of assets	–	3,350	(3,350)	0% U

## Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	11,248	9,577	(1,671)	(14.9%) U
Cash flows from investing activities	(6,570)	(7,520)	(950)	14.5% U
Cash flows from financing activities	(679)	(1,030)	(351)	51.7% U

## Gwydir Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94 not under plans	120	189	–	7	–	–	316	–
<b>Total contributions</b>	<b>120</b>	<b>189</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>316</b>	<b>–</b>

## S94 CONTRIBUTIONS – NOT UNDER A PLAN

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	120	189	–	7	–	–	316	–
<b>Total</b>	<b>120</b>	<b>189</b>	<b>–</b>	<b>7</b>	<b>–</b>	<b>–</b>	<b>316</b>	<b>–</b>

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

### Contingent Liabilities

#### 1. The Community Mutual Group

Council provides bank guarantees to the value of \$221, 120.00 to provide additional assistance to borrowers for home loans relating to properties within the local government area. The guarantees are provided to The Community Mutual Group.

#### 2. 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 of claims incurred but not reported to June 30 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.

#### 3. 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 of APRA.

These further equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

#### 4. Local Government Superannuation Scheme – Pool B

The Local Government Superannuation Scheme – Pool B (the scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme

as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ended 30 June 2016 was \$269, 765.30. However, the position is monitored annually and the actuary has estimated that as at the 30<sup>th</sup> June 2016 a deficit still exists. Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$512, 000. The additional contributions remitted during the year are included in the total employer contributions set out in the beginning of this paragraph. The share of this deficient that can be broadly attributed to the employer was estimated to be in the order of \$240, 168.12 as at 30 June 2016.

#### 5. 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.

## Gwydir Shire Council

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

## Note 19. Interests in other entities

\$ '000

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		283,503	138,667
a. Correction of prior period errors	20 (c)	–	151,213
b. Net operating result for the year		(7,050)	(6,377)
c. Transfers between equity		707	–
<b>Balance at end of the reporting period</b>		<b>277,160</b>	<b>283,503</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		135,541	131,127
<b>Total</b>		<b>135,541</b>	<b>131,127</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		131,127	68,771
– Revaluations for the year	9(a)	5,121	213,569
– Transfer to retained earnings for asset disposals		(707)	–
– Correction of prior period errors	20(c)	–	(151,213)
<b>– Balance at end of year</b>		<b>135,541</b>	<b>131,127</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>135,541</b>	<b>131,127</b>

**(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.



## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
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##### (c) Correction of error/s relating to a previous reporting period

###### Correction of errors as disclosed in last year's financial statements:

As part of Council's transition to measuring all its I,PP&E at fair values, Council this year reviewed and brought to account fair values for the following asset classes:

Roads, bridges and other infrastructure

As part of that evaluation and measurement process, the remaining useful life of each asset has been reassessed to actual.

This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's financial reports had previously indicated.

Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/14 (the closing date for the comparative figures in last year's report).

As a result, Council adjusted the accumulated depreciation for the asset classes below as at 30/6/14 to reflect the correct value of accumulated depreciation;

Roads, bridges and other infrastructure decrease to accumulated depreciation	—	(151,213)
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This adjustment resulted in a net increase/(decrease) in Council's accumulated surplus as at 30/6/14.

##### (d) Voluntary changes in accounting policies

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

## Gwydir Shire Council

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

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

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016	Actual 2016
<b>Continuing operations</b>	<b>Other</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>				
Rates and annual charges	1,045	630	631	6,713
User charges and fees	4	771	65	4,481
Interest and investment revenue	59	35	78	66
Other revenues	12	2	1	1,839
Grants and contributions provided for operating purposes	36	24	20	11,597
Grants and contributions provided for capital purposes	–	1	1	1,018
<b>Other income</b>				
Net gains from disposal of assets	–	–	39	(39)
Share of interests in joint ventures and associates using the equity method	–	–	–	–
<b>Total income from continuing operations</b>	<b>1,156</b>	<b>1,463</b>	<b>835</b>	<b>25,675</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	425	389	253	9,810
Borrowing costs	7	166	–	629
Materials and contracts	742	413	181	5,576
Depreciation and amortisation	416	190	77	5,389
Impairment	–	–	–	130
Other expenses	37	241	105	7,653
Net losses from the disposal of assets	–	92	1	3,257
<b>Total expenses from continuing operations</b>	<b>1,627</b>	<b>1,491</b>	<b>617</b>	<b>32,444</b>
<b>Operating result from continuing operations</b>	<b>(471)</b>	<b>(28)</b>	<b>218</b>	<b>(6,769)</b>
<b>Discontinued operations</b>				
Net profit/(loss) from discontinued operations	–	–	–	–
<b>Net operating result for the year</b>	<b>(471)</b>	<b>(28)</b>	<b>218</b>	<b>(6,769)</b>
<b>Net operating result attributable to each council fund</b>	<b>(471)</b>	<b>(28)</b>	<b>218</b>	<b>(6,769)</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(471)</b>	<b>(29)</b>	<b>217</b>	<b>(7,787)</b>

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

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

## Gwydir Shire Council

Notes to the Financial Statements  
as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016	Actual 2016
	Other	Water	Sewer	General <sup>1</sup>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,768	778	1,502	2,403
Investments	250	250	1,500	68
Receivables	89	211	79	672
Inventories	–	22	2	206
Other	–	–	–	15
Non-current assets classified as 'held for sale'	–	–	–	–
<b>Total current assets</b>	<b>2,107</b>	<b>1,261</b>	<b>3,083</b>	<b>3,364</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	518
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,218	15,578	9,856	396,012
Investments accounted for using the equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
<b>Total non-current assets</b>	<b>1,218</b>	<b>15,578</b>	<b>9,856</b>	<b>396,530</b>
<b>TOTAL ASSETS</b>	<b>3,325</b>	<b>16,839</b>	<b>12,939</b>	<b>399,894</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	1	36	–	2,121
Borrowings	6	62	3	877
Provisions	73	93	58	2,609
<b>Total current liabilities</b>	<b>80</b>	<b>191</b>	<b>61</b>	<b>5,607</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	72	2,418	2	7,871
Provisions	3,358	1	–	635
<b>Total non-current liabilities</b>	<b>3,430</b>	<b>2,419</b>	<b>2</b>	<b>8,506</b>
<b>TOTAL LIABILITIES</b>	<b>3,510</b>	<b>2,610</b>	<b>63</b>	<b>14,113</b>
<b>Net assets</b>	<b>(185)</b>	<b>14,229</b>	<b>12,876</b>	<b>385,781</b>
<b>EQUITY</b>				
Retained earnings	(575)	12,811	12,196	252,728
Revaluation reserves	390	1,418	680	133,053
<b>Total equity</b>	<b>(185)</b>	<b>14,229</b>	<b>12,876</b>	<b>385,781</b>

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

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

## Gwydir Shire Council

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

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

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\$ '000

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

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

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

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

Accordingly, the 'authorised for issue' date is 27/10/16.

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

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

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

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

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

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

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

## Gwydir Shire Council

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

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

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Tip remediation	2026	3,358	3,167
Quarry remediation	2029	489	461
<b>Balance at end of the reporting period</b>	10(a)	<b>3,847</b>	<b>3,628</b>

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

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

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

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

Balance at beginning of year	3,628	3,440
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	219	188
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>3,847</b>	<b>3,628</b>

#### Amount of expected reimbursements

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

## Gwydir Shire Council

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

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

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\$ '000

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

###### **Restoration**

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

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

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

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

###### **Rehabilitation**

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

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

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

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

## Gwydir Shire Council

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

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

Fair value measurements		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
2016	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	2013	—	—	8,396	8,396
Office Equipment	2013	—	—	322	322
Furniture & Fittings	2013	—	—	834	834
Operational Land	2013	—	—	5,296	5,296
Community Land	2016	—	—	2,597	2,597
Buildings Specialised	2013	—	—	24,043	24,043
Buildings Non-Specialised	2013	—	—	25,692	25,692
Other Structures	2016	—	—	4,239	4,239
Roads	2015	—	—	282,375	282,375
Bridges	2015	—	—	38,177	38,177
Footpaths	2015	—	—	2,722	2,722
Stormwater Drainage	2015	—	—	1,320	1,320
Water Supply Network	2012	—	—	11,333	11,333
Sewerage Network	2012	—	—	9,163	9,163
Swimming Pools	2016	—	—	2,632	2,632
Other	2016	—	—	165	165
Tip Asset	2015	—	—	668	668
Quarry Asset	2015	—	—	74	74
Total infrastructure, property, plant and equipment		—	—	420,048	420,048



## Gwydir Shire Council

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

## Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	5/07/05	—	—	8,769	8,769
Office equipment	5/07/05	—	—	284	284
Furniture and fittings	5/07/05	—	—	853	853
Operational land	5/07/05	—	—	4,670	4,670
Community land	3/07/05	—	—	8,404	8,404
Buildings specialised	5/07/05	—	—	26,235	26,235
Buildings non-specialised	5/07/05	—	—	24,212	24,212
Other structures	3/07/05	—	—	2,091	2,091
Roads	7/07/05	—	—	283,207	283,207
Bridges	7/07/05	—	—	38,189	38,189
Footpaths	7/07/05	—	—	2,742	2,742
Stormwater drainage	7/07/05	—	—	1,332	1,332
Water supply network	4/07/05	—	—	11,014	11,014
Sewerage network	4/07/05	—	—	9,074	9,074
Swimming pools	3/07/05	—	—	52	52
Other	3/07/05	—	—	183	183
Tip asset	7/07/05	—	—	888	888
Quarry asset	7/07/05	—	—	90	90
Total infrastructure, property, plant and equipment		—	—	422,289	422,289

**(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.

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Land & Buildings

Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than its current use.

Valuation techniques and inputs.

Asset	Level of valuation input	Valuation technique	Gross (RC or MV) (\$, 000)	Accumulated Depreciation (\$,000)	Fair Value (\$, 000)
<b>Land</b>					
Saleable land	3	Market	5,296	-	5,296
Non saleable land	3	Cost	2,597	-	2,597
Total			7,893	-	7,893
<b>Buildings (cost approach)</b>					
Specialised buildings	3	Cost	28,560	4,517	24,043
Total			28,560	4,517	24,043
<b>Buildings (market/income approach)</b>					
Residential Buildings	3	Market	33,120	7,428	25,692
Total			69,573	11,945	57,628

##### Valuation techniques

##### Plant & Equipment, Office equipment. Furniture & Fittings and Other Structures

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 assets. Examples of assets within the classes are as follows:

*Plant & Equipment	Trucks, tractors, ride-on-mowers, earthmoving equipment and motor vehicles.
*Office Equipment	Electronic whiteboards and computer equipment
*Furniture & Fittings	Chairs, desks and filing cabinets.
*Other structures	Fences, small sheds, water tanks and street bins

The key unobservable inputs to the valuations are the remaining useful life and residual value. Council reviews the value of these

##### Community land

All valuations of Community land are based upon the land valuations issued by the Valuer-General on a regular basis.

## Gwydir Shire Council

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

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

##### Valuation techniques used to derive fair values - land and buildings

The council engages external, independent and qualified valuers to determine the fair value of the entities land and buildings on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim evaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between the Director of Corporate Services, Asset & Risk Manager, valuation team, Council and Audit Committee. As part of this process the team presents a report that explains the reasons for the fair value movements. As at 30 June 2013 a comprehensive revaluation was undertaken for all asset classes subject to revaluation by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows –

- o Cost for land restricted in use (non-saleable) – estimate cost to replace the existing land if council had to acquire it on the open
- o Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the
- o The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then

##### (i) Recurring fair value measurements

The following methods are used to determine the fair value measurements.

##### Land

Level 2 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

There were also some parks and reserves for which there was no observable market evidence of sales prices for comparable sites in close proximity. These were subsequently valued at the level 3 valuation input hierarchy by using the professional judgment of a Registered Valuer who adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability.

##### Buildings and investment properties

##### Level 2 valuation inputs

These were used to determine the fair value of a range of properties. This included the bulk of residential properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

##### Level 3 valuation inputs

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

## Gwydir Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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##### (ii) Non-recurring fair value measurements

Land and buildings classified as held for sale during the reporting period was measured at the lower of the carrying amount and the greater of the value in use and fair values less cost to sell. The fair value of these assets was also determined using the sales comparison approach.

##### Infrastructure assets

Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than its current use.

##### Valuation techniques used to derive fair values - land and buildings

Recurring fair value measurements

The following methods are used to determine the fair value measurements.

##### Infrastructure assets

Level 3 valuation inputs

Infrastructure assets were valued using the cost approach using professionally qualified internal staff. The approach estimated the 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 unit rates were based on inputs such as estimates of residual value, useful life, pattern of consumption and asset condition and required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

##### Swimming Pools

This is a new class of asset and the fair value amount has been derived from assets originally classed in Other Structures. Swimming pools were valued as part of Other Structures on 30 June 2011 by APV Valuers. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at level 3. This has been no change to the valuation process during the reporting period.

##### Open Space and Recreation

This asset class comprises of lighting, benches, bbq's, seating and any other asset relating to open spaces and recreation that where in the Other Structures class of asset. These assets were valued as part of the Other Structures valuation. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken on 30 June 2011 by APV Valuers.

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

## Gwydir Shire Council

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

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

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##### Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2013. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

##### Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2013. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

##### Roads, Bridges, Bulk Earthworks and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. The valuation of the infrastructure assets has been undertaken internally by Council's Engineering Department by experienced Engineers. This valuation relies on key unobservable inputs such as unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The valuation process also relied on the skill and experience of the Engineers. The key unobservable inputs and no active market places this asset category at Level 3. The last valuation was undertaken internally by Council's Engineers on 30 June 2012. There has been no change to the valuation process during the reporting year.

##### Stormwater Drainage

This class of assets includes culverts, mains, open drains, trash screens, GPT. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2013. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

##### Remediation Assets

This class of asset includes the various landfill sites within the local government areas. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period. Also included in this group are the various gravel pits (quarries) operated by Council. The remediation cost include final site management and works to comply with environmental requirements. The key unobservable inputs are discount rate, estimated costs, legislative requirements, timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period.

## Gwydir Shire Council

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

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Operational Land	Community Land	Buildings & Other	Roads	Total
<b>Opening balance – 1/7/14</b>	4,746	8,398	49,723	105,431	168,298
Purchases (GBV)	14	6	4,375	1,802	6,197
Disposals (WDV)	(90)	–	(468)	(7,558)	(8,116)
Depreciation and impairment	–	–	(1,091)	–	(1,091)
To Retained Earning	–	–	–	150,084	150,084
Revaluation Increments to Equity	–	–	–	33,448	33,448
<b>Closing balance – 30/6/15</b>	<b>4,670</b>	<b>8,404</b>	<b>52,539</b>	<b>283,207</b>	<b>348,820</b>
Transfers from/(to) another asset class	401	(401)	49	–	49
Purchases (GBV)	232	–	557	5,811	6,600
Disposals (WDV)	(6)	–	–	(3,269)	(3,275)
Depreciation and impairment	–	–	(1,213)	(3,374)	(4,587)
Revaluation Decrements to P&L	–	(5,406)	(24)	–	(5,430)
Revaluation Increments to Equity	–	–	2,165	–	2,165
<b>Closing balance – 30/6/16</b>	<b>5,297</b>	<b>2,597</b>	<b>54,073</b>	<b>282,375</b>	<b>344,342</b>

	Bridges	Footpaths	Stormwater Drainage	Water Supply Network	Total
<b>Opening balance – 1/7/14</b>	11,678	120	1,377	10,796	23,971
Purchases (GBV)	–	16	–	154	170
Disposals (WDV)	–	–	–	(2)	(2)
Depreciation and impairment	(616)	(7)	(45)	(97)	(765)
To Retained Earning	1,124	5	–	–	1,129
Revaluation Increments to Equity	26,003	2,608	–	163	28,774
<b>Closing balance – 30/6/15</b>	<b>38,189</b>	<b>2,742</b>	<b>1,332</b>	<b>11,014</b>	<b>53,277</b>
Transfers from/(to) another asset class	–	–	–	3	3
Purchases (GBV)	–	–	17	334	351
Disposals (WDV)	–	–	–	(92)	(92)
Depreciation and impairment	(11)	(19)	(46)	(99)	(175)
Revaluation Increments to Equity	–	–	19	170	189
<b>Closing balance – 30/6/16</b>	<b>38,178</b>	<b>2,723</b>	<b>1,322</b>	<b>11,330</b>	<b>53,553</b>

## Gwydir Shire Council

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

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Sewerage Network	Other Assets	Tip Assets	Plant and	Total
<b>Opening balance – 1/7/14</b>	8,946	190	1,110	11,696	21,942
Purchases (GBV)	67	183	–	447	697
Disposals (WDV)	–	–	–	(771)	(771)
Depreciation and impairment	(73)	(48)	(222)	(1,467)	(1,810)
Revaluation Increments to Equity	134	–	–	–	134
<b>Closing balance – 30/6/15</b>	<b>9,074</b>	<b>325</b>	<b>888</b>	<b>9,905</b>	<b>20,192</b>
Transfers from/(to) another asset class	–	(52)	–	–	(52)
Purchases (GBV)	28	–	–	888	916
Disposals (WDV)	–	–	–	(128)	(128)
Depreciation and impairment	(70)	(34)	(220)	(1,116)	(1,440)
Revaluation Increments to Equity	135	–	–	–	135
<b>Closing balance – 30/6/16</b>	<b>9,167</b>	<b>239</b>	<b>668</b>	<b>9,549</b>	<b>19,623</b>

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

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

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E</b>			
Plant and equipment	8,396	Cost	Gross Replacement Costs, Useful Life, Residual Value
Office equipment	322	Cost	Gross Replacement Costs, Useful Life, Residual Value
Furniture and fittings	834	Cost	Gross Replacement Costs, Useful Life, Residual Value
Operational land	5,296	Relevant sales in the area	Land Value
Community land	2,597	Land Values issued by Valuer General	Land Value

# Gwydir Shire Council

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

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

\$ '000

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

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

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

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
<b>I, PP&amp;E (cont'd)</b>			
Buildings specialised	24,043	Depreciated Replacement Cost	Replacement Costs, Useful Life, Residual Value, Asset Condition
Buildings non-specialised	25,692	Depreciated Replacement Cost	Replacement Costs, Useful Life, Residual Value, Asset Condition
Other structures	4,239	Depreciated Replacement Cost	Replacement Costs, Useful Life, Residual Value, Asset Condition
Roads	282,375	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition
Bridges	38,177	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition
Footpaths	2,722	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition
Stormwater drainage	1,320	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Residual Value, Asset Condition
Water supply network	11,333	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Residual Value, Asset Condition
Sewerage network	9,163	Depreciated Replacement Cost	Replacement Costs, Useful Life, Residual Value, Asset Condition
Swimming pools	2,632	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life, Residual Value
Other	165	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life, Residual Value
Tip asset	668	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition
Quarry asset	74	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition

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

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



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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

**INDEPENDENT AUDIT REPORT**  
**Report on the general purpose financial statements**

**To Gwydir Shire Council**

**SCOPE**

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Gwydir Shire Council (the Council), for the year ended 30<sup>th</sup> June 2016.

***Councils' responsibility for the financial statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1993* and regulations and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

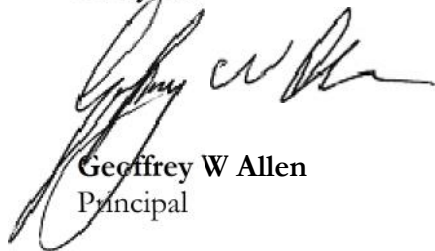
## AUDIT OPINION

In our opinion:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
  - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
  - (ii) are consistent with the Council's accounting records; and
  - (iii) presents fairly, in all material respects, the Council's financial position as at 30<sup>th</sup> June 2016 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

*Forsyths*

***Forsyths Business Services Pty Ltd***



Geoffrey W Allen  
Principal

27<sup>th</sup> October 2016  
92 Rusden Street Armidale

27 October 2016

The Mayor  
Gwydir Shire Council  
Locked Bag 5  
BINGARA NSW 2404

Dear Mr Mayor

**Armidale**

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**AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2016**

We are pleased to report that we have completed the audit of Council's financial statements and records for the year ended 30 June 2016 and have reported on the general purpose financial statements and special purpose financial statements as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

***Council's responsibilities***

Council is responsible for preparing financial statements that give a true and fair view of the financial position and performance of the Council, and which comply with Accounting Standards in Australia, in accordance with the *Local Government Act 1993*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

***Audit Objectives***

We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements and accordingly, we express no opinion on them.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the *Local Government Act 1993*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of

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the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial statements. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Council.

We have issued our audit opinion on the basis of the foregoing comments.

#### **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

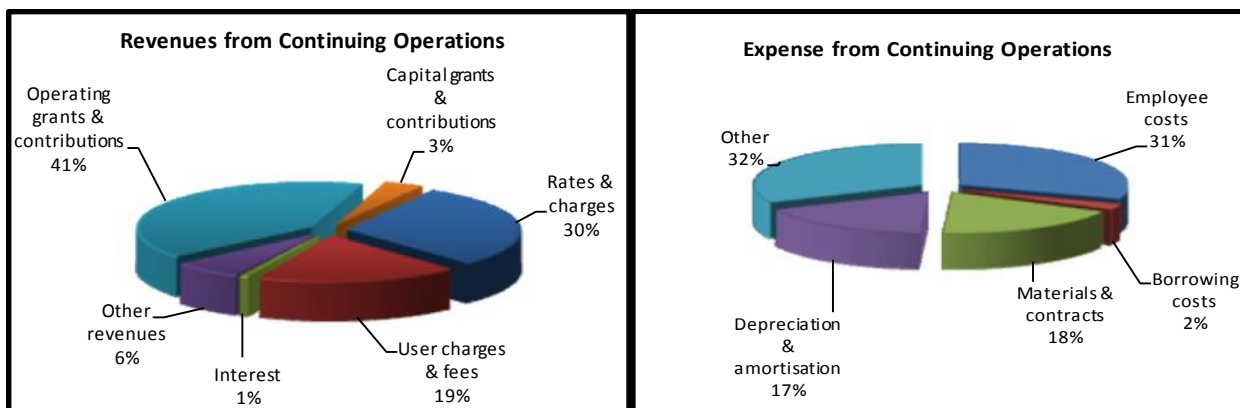
This auditor's report relates to the financial statements of Gwydir Shire Council for the year ended 30 June 2016 included on Gwydir Shire Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

### Additional Reporting Requirements

In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The Income Statement for the year ended 30 June 2016 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2016	2016	2015	Actual	Budget
	\$'000	\$'000	\$'000	%	%
<b>INCOME FROM CONTINUING OPERATIONS</b>					
Rates & annual charges	8,703	8,499	7,750	9.7%	-2.3%
User charges & fees	5,499	5,321	5,546	-4.1%	-3.2%
Interest	229	238	295	-19.3%	3.9%
Other revenues from ordinary activities	1,562	1,854	1,549	19.7%	18.7%
Grants & contributions for operating purposes	8,582	11,677	10,349	12.8%	36.1%
Grants & contributions for capital purposes	3,073	1,020	835	22.2%	-66.8%
Total income from continuing operations	27,648	28,609	26,324	8.7%	3.5%
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee benefits & oncosts	10,240	10,877	11,665	-6.8%	6.2%
Borrowing costs	827	802	908	-11.7%	-3.0%
Materials and contracts	5,732	6,392	5,991	6.7%	11.5%
Depreciation & amortisation	8,994	6,072	11,222	-45.9%	-32.5%
Other expenses from ordinary activities	2,604	8,036	2,302	249.1%	208.6%
Loss from disposal of assets	0	3,350	613	446.5%	115.8%
Impairment expense	0	130	0	-100.0%	-100.0%
Total Expenses from continuing operations	28,397	35,659	32,701	9.0%	25.6%
<b>NET OPERATING RESULT FOR YEAR</b>	(749)	(7,050)	(6,377)	10.6%	841.3%
<b>NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	(3,822)	(8,070)	(7,212)	11.9%	111.1%



Council reported a deficit of \$7.1m for 2016 compared with a deficit of \$6.4m in 2015. This result includes grants and contributions for capital purposes of \$1.0m. The expenditure of these grants is not recorded in the Income Statement but in the Statement of Financial Position. When excluded, for comparative purposes, the deficit was \$8.1m (2015: deficit \$7.2m).

Revenue increased by 8.7% mainly due to increases in rates & annual charges, other revenue, operating grants & contributions and capital grants & contributions which were partially offset by a decrease in user charges & fees and interest. The movements can be explained as follows:

- The increase in rates & annual charges was mainly a result of the 15% special rate variation during the year.

- The increase in other revenue was mainly due to an increase in diesel rebate and an increase in Naroo revenue during the year.
- Operational grants and contributions increased mainly as a result of higher Roads to Recovery revenue and grants in relation to the Naroo upgrade.
- Capital grants and contributions were higher mainly due to RMS grants in relation to Mosquito Creek Road.
- The decrease in user charges & fees was mainly due to a decrease in water consumption due to seasonal conditions.

Expenses increased by 9.0% from 2015 mainly due to an increase in materials & contracts, other expenses and loss on disposal of assets which were partially offset by decreases employee benefits & on-costs, borrowing costs and depreciation & amortisation. The movements can be explained as follows:

- The increase in materials & contracts is mainly due to redundancies during the year as council increased the use of contractors to conduct council work.
- The increase in other expenses is mainly a result the revaluation decrement as a result of the revaluation of community land during the year.
- The loss on disposal of assets was due to write off of the residual value of reconstructed roads.
- The decrease in employee costs is mainly a result of increased capitalisation of employee costs on capital projects during the year and a reduction in leave entitlements as a result of redundancies.
- The decrease in depreciation & amortisation is a result of the revaluation of roads and related infrastructure during the 2015 year.
- Borrowing costs decreased due to the a reduction in interest rates and a reduction in borrowings as a result of scheduled repayment of borrowings.

The continuing deficits, excluding capital grants for the past five years (as well as the budgeted deficit), highlight Council's difficulty in funding depreciation and therefore Council's ability to manage its infrastructure in the longer term.

The budget amounts included above are those adopted in the original budget and exclude re-votes from the previous year and variations to the budget during the year. The actual operating deficit for the year of \$7.1m compares with the original budget deficit of \$0.75m. The major variances to budget included:

Large Budget Variations >10% or \$200,000		Comment
Other revenues from ordinary activities	292,000	Favourable variance mainly due to an unforeseen insurance claim.
Operating Grants	3,095,000	Favourable variance to budget as a result of additional Roads to Recovery funding and incorrect budgeting of some operational grants.
Capital Grants	(2,053,000)	Capital grants were unfavourable to budget as a result of incorrectly budgeting some operational grants as capital grants.
Materials & Contracts	(660,000)	Unfavourable to budget mainly due to additional Roads to Recovery funded works.
Depreciation & Amortisation	2,922,000	Favourable to budget mainly due to the revaluation of roads and related infrastructure in 2015 and the resultant reduction in depreciation.
Other expenses from ordinary activities	(5,432,000)	Unfavourable to budget due to the fair value decrement on the revaluation of community land that was not anticipated in the budget.
Loss from disposal of assets	(3,350,000)	Unfavourable to budget due to the loss on the write off of infrastructure not being budgeted.

The following schedule of assets and liabilities has been extracted from the Statement of Financial Position as at 30<sup>th</sup> June 2016. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2016	2015	Variance
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6,451	5,424	18.9%
Investments	2,068	3,000	-31.1%
Receivables	1,051	2,173	-51.6%
Inventories	230	452	-49.1%
Other	15	33	-54.5%
<b>TOTAL CURRENT ASSETS</b>	<b>9,815</b>	<b>11,082</b>	<b>-11.4%</b>
<b>CURRENT LIABILITIES</b>			
Payables	2,158	2,022	6.7%
Borrowings	948	1,009	-6.0%
Provisions	2,833	2,951	-4.0%
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,939</b>	<b>5,982</b>	<b>-0.7%</b>
<b>NET CURRENT ASSETS</b>	<b>3,876</b>	<b>5,100</b>	<b>-24.0%</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	518	583	-11.1%
Infrastructure, Property Plant & Equipment	422,664	424,073	-0.3%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>423,182</b>	<b>424,656</b>	<b>-0.3%</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	-	-	0.0%
Provisions	3,994	3,794	5.3%
Borrowings	10,363	11,332	-8.6%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>14,357</b>	<b>15,126</b>	<b>-5.1%</b>
<b>NET ASSETS</b>	<b>412,701</b>	<b>414,630</b>	<b>-0.5%</b>

Cash & investments increased by \$0.1m due to improved cash from operations during the year.

Receivables decreased due a reduction in RMS debtors at year end

Current payables increased due to the increase in aged care bonds partially offset by a reduction in payable due to the payment of creditors prior to year-end.

Infrastructure, property, plant and equipment has decreased by \$1.4m which is due to the revaluation of community land of \$0.3m, depreciation and impairment of \$6.2m and asset disposals of \$3.5m which was partially offset by asset additions and renewals of \$8.7m.

The decrease in borrowings of \$1.0m was due to scheduled repayments.

#### NET CURRENT ASSETS

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. However, included in Current Assets are assets which are “Restricted” by regulation or other externally imposed requirements and therefore are not available for other than their restricted purpose. The table below shows the net current asset position adjusted for restricted assets.



	Water \$'000	Sewerage \$'000	Waste \$'000	General \$'000	Total \$'000
Current Assets	1,261	3,083	2,107	3,364	9,815
Current Liabilities	191	61	80	5,607	5,939
<b>Net Current Assets</b>	<b>1,070</b>	<b>3,022</b>	<b>2,027</b>	<b>(2,243)</b>	<b>3,876</b>
<b>Plus: Employee entitlements payable &gt;12mths</b>	-	-	-	2,550	2,550
<b>Plus: Bonds, deposits and retentions payable &gt;12mths</b>	-	-	-	1,340	1,340
<b>Total Funds before Restrictions</b>	<b>1,070</b>	<b>3,022</b>	<b>2,027</b>	<b>1,647</b>	<b>7,766</b>
<b>LESS: Restricted Cash &amp; Investments</b> (Included in Revenue)					
Developer Contributions (unexpended)	-	-	-	316	316
Unexpended Grants	-	-	-	306	306
RMS Contributions	-	-	-	81	81
Aged care bonds	-	-	-	290	290
	-	-	-	993	993
<b>NET FUNDS AVAILABLE</b>	<b>1,070</b>	<b>3,022</b>	<b>2,027</b>	<b>654</b>	<b>6,773</b>
<b>LESS Internal Restrictions</b>	-	-	808	521	1,329
<b>Net Funds After All Restrictions</b>	<b>1,070</b>	<b>3,022</b>	<b>1,219</b>	<b>133</b>	<b>5,444</b>

<b>INTERNAL RESTRICTIONS</b>	<b>Opening \$'000</b>	<b>Transfer to \$'000</b>	<b>Transfer from \$'000</b>	<b>Closing \$'000</b>
Other Waste	844	-	36	808
Deposits, bonds, etc	100	1	-	101
Employee leave entitlements	320	100	-	420
	<b>1,264</b>	<b>101</b>	<b>36</b>	<b>1,329</b>

The above table shows that after excluding water, sewerage and domestic waste functions, the general function had a working capital of \$0.7m before internal restrictions at 30 June 2016. Council has internally restricted \$1.3m. After funding these restrictions, Council's general function has a surplus of \$0.1m in working capital. Although an improvement from the prior year Council will need to continue to carefully examine their budgets and manage cash flow during the coming year to ensure that the general function has sufficient unrestricted funds for working capital requirements.

Council's internal restriction for employee leave entitlements of \$0.4m is 14% of the leave entitlement. The level of employee leave funding is considered very low when compared to Councils of similar size and the age profile of employees. The risk is that councils cash flow may be adversely impacted should employees take their leave entitlements.

## LOCAL GOVERNMENT INDUSTRY PERFORMANCE INDICATORS

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.



The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2016	2015	2014	Benchmarks
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	2.6%	-25.9%	-41.8%	>0%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	55.6%	57.3%	66.4%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.11	2.22	0.58	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	4.21	3.35	1.35	>2.0
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	5.3%	6.2%	7.2%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	4.48	4.60	1.98	>3

#### *Operating performance*

An operating performance surplus of 2.6% compares to a deficit in 2015 of 25.9% and means that Councils operating revenue, excluding capital grants and contributions are sufficient to cover operating expenditure. This compares to the Group 10 Councils average deficit of 2.67% and a State average deficit of 0.58% for 2015. The benchmark for this ratio is to breakeven or better over a three year period.

#### *Owned source operating revenue*

A ratio of 55.6% (2015: 57.3%) for the 2016 year highlights Council's dependence on grants and contributions and compares to a Group 10 average of 58.6% and a State average of 67% for 2015. The benchmark for sustainability is to have a ratio of greater than 60% over a three year period.

#### *Unrestricted Ratio*

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants and contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 2.11 as at 30 June 2016 indicates that there is \$2.11 of unrestricted current assets for every \$1.00 of current liabilities. Councils ratio of 2.11 is lower than the average of 4.29 for the Group 10 Councils and the State average of 3.92 for 2015, but, is above the benchmark of greater than 1.5.

### Debt service cover ratio

The debt service cover ratio of 4.21 times indicates that council has \$4.21 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Group 10 average of 27.7 and the State average of 104.1 for 2015. The benchmark for sustainability is to have a ratio of greater than 2.0.

### Outstanding rate ratio

The outstanding rate ratio of 5.3% compares favourably to the average of 6.74 % for Group 10 Councils and the State average of 5.82% for 2015. This ratio is an indicator of Councils activity to collect outstanding rate revenues.

### Cash expense ratio

The ratio indicates that Council can pay 4.48 months of its expenses without additional cash inflows. This compares to the Group 10 average of 11.4 and the State average of 11.4 for 2015. The benchmark is to have reserves to meet at least 3 months of operating expenditure.

The key financial indicators by fund disclosed in the Financial Statements are:

RATIO	PURPOSE	Water	Sewer	General	
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	-1.9%	26.1%	2.1%	2016
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	98.3%	97.5%	51.9%	2016
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	6.6	50.54	2.11	2016
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principle and lease payments.	0.9%	295.0%	4.8%	2016
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	0.0%	8.0%	5.6%	2016
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	6.28	33.32	3.6	2016

### Operating performance

The operating performance ratios by fund show that water fund has insufficient operating revenue, excluding capital grants and contributions to cover operating expenditure. As a result insufficient profit is being generated to fund the depreciation on assets in the water fund.

### Owned source operating revenue

The ratios show the Councils reliance on grant and contribution funding in the general fund. The water supply network and the sewer network have very little reliance on grant income.

### Unrestricted Ratio

The unrestricted ratios show that the sewer and water function and the general fund have sufficient working capital.

### Debt service cover ratio

The debt service cover ratio by fund shows that Council has little potential to increase borrowings to fund infrastructure backlogs in the general fund and the water function.

### Outstanding rate ratio

The outstanding rate ratio by fund shows that the outstanding rates by fund and reflects the timing of the levy of water rates.

### Cash expense ratio

This ratio shows that the general fund has low cash reserves and there is a need to build up reserves.

## Infrastructure Asset Performance Indicators (Unaudited)

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2016	2015	2014	Benchmarks
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	102.48 %	21.30%	73.94%	>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	3.1%	5.0%	21.8%	<2%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	100.0%	93.0%	104.0%	>100%

### Building and Infrastructure renewals ratio

The building and infrastructure renewals ratio outlines Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2016 Council spent \$1.02 for every \$1 in estimated asset deterioration. The Group 10 average for the asset renewal ratio was \$1.01 and the State average of \$0.92 for 2015. The benchmark is that councils should have a building and infrastructure renewals ratio of greater than one over a three year period.

The current trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past three years and therefore, based on this ratio, Council’s overall infrastructure has deteriorated over that period.

Council should aim to ensure infrastructure spending keeps pace with “wear and tear” and Council should seek to improve asset condition. The improvement in this year’s ratio can in part be attributed to the revaluation of roads and related infrastructure in the prior year and the resultant reduction in depreciation expense.

### Infrastructure backlog ratio

An infrastructure backlog ratio 3.1% indicates that the infrastructure backlog represents 3.1% of the value of Councils infrastructure and compares to a Group 10 average of 7.4% and State average of 8.7% for 2015. The benchmark is a ratio less than 20% and greater than 2%.

### *Asset maintenance ratio*

The Asset Maintenance ratio of 100% indicates that Council has been undertaking sufficient maintenance to keep pace with required maintenance requirements as determined by council's engineers and maintenance staff. This compares to a Group 10 average of 97.6% and State average of 100.7% for 2015. A ratio of greater than 100% is considered the benchmark.

The increase in cash and investments reflected in the Statement of Financial Position is also evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2016	Actual 2015	Variance
	\$'000	\$'000	%
<b>CASH INFLOWS</b>			
Operating Receipts	31,357	26,602	17.9%
Proceeds from Assets Sales	145	718	-79.8%
Proceeds from sale of investments	932	-	0.0%
Proceeds from Borrowings	-	750	0.0%
<b>TOTAL RECEIPTS</b>	<b>32,434</b>	<b>28,070</b>	<b>15.5%</b>
<b>CASH OUTFLOWS</b>			
Operating Payments	21,780	21,199	2.7%
Purchase of Assets	8,597	4,264	101.6%
Repayment of Loans	1,030	745	38.3%
<b>TOTAL PAYMENTS</b>	<b>31,407</b>	<b>26,208</b>	<b>19.8%</b>
<b>TOTAL CASH MOVEMENT</b>	<b>1,027</b>	<b>1,862</b>	<b>-44.8%</b>
Cash and cash equivalents	6,451	5,424	18.9%
Investments	2,068	3,000	-31.1%
<b>Total Cash &amp; Investments on Hand</b>	<b>8,519</b>	<b>8,424</b>	<b>1.1%</b>

Cash and investment increased by \$0.1m during the year due to expenditure on assets of \$8.6m and loan repayments of \$1.0m being funded by asset sales \$0.9m and cash from operations of \$9.6m.

Cash outflows for Purchase of Assets included road construction totalling \$5.8m and compares to the \$3.4m annual rate of depreciation of these assets. In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No.7, which is an unaudited statement prepared in conjunction with the financial statements, discloses that the estimated cost to bring road and bridges to a satisfactory standard is \$7.2m.

## **SPECIAL PURPOSE REPORTS**

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Statements and are subject to audit. Council has identified Water, Sewerage, Waste and Narroo Aged Care Facility as Category 2 Business Units.

### **WATER SUPPLY FUNCTION**

The Special Purpose Financial Statements disclose that the Water Supply function recorded an operating deficit of \$43,000 after allowing for depreciation of \$190,000. The Net Current Asset position records a positive balance of \$1,070,000 compared to \$1,245,000 for that of the previous year. The net current asset position is considered sufficient to cover medium term working capital needs given the size of the function.

## SEWERAGE SERVICES

The Special Purpose Financial Statements disclose that the sewerage function recorded an operating surplus of \$218,000 after allowing for depreciation of \$181,000. The Net Current Assets position show a surplus of \$3,022,000 compared with \$2,839,000 for the prior year. The net current asset position is considered sufficient to cover medium term working capital needs especially given the low levels of debt within the function.

## NAROO AGED CARE SERVICES

The Special Purpose Financial Statements disclose that Naroo Aged Care recorded an operating deficit of \$312,000 after allowing for depreciation of \$101,000. The Net Current Assets position shows a deficit of \$2,173,000 compared with a deficit of \$1,566,000 for the prior year. Included in current liabilities is \$1,489,000 of Aged Care Bonds which are required under accounting standards to be shown as currently liabilities even though they are unlikely to be repaid in the coming 12 months. Naroo Aged Care is dependent on funding from Council for its continued operation.

## WASTE SERVICES

The Special Purpose Financial Statements disclose that Waste Services recorded an operating deficit of \$471,000 after allowing for depreciation of \$416,000. The Net Current Assets position show a surplus of \$2,027,000 compared with \$2,098,000 for the prior year.

## GENERAL

### ***Reporting obligations under the Local Government Act***

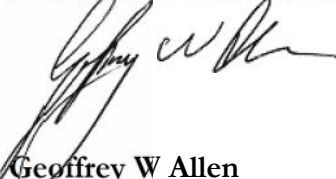
It is pleasing to report that Council's systems and records have been well maintained during the year and the audited financial statements will be submitted within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.

Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A Principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit.

Yours faithfully

**FORSYTHS BUSINESS SERVICES PTY LTD**



Geoffrey W Allen  
Principal

# Gwydir Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*"To be the recognised leader in Local Government  
through continuous learning and sustainability"*



# Gwydir Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
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## Gwydir Shire Council

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

### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 September 2016.



John Coulton  
Mayor



Catherine Egan  
Councillor



Max Eastcott  
General manager



Ron Wood  
Responsible accounting officer



## Gwydir Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	630	629
User charges	767	686
Fees	4	5
Interest	35	31
Grants and contributions provided for non-capital purposes	24	24
Profit from the sale of assets	–	–
Other income	2	8
<b>Total income from continuing operations</b>	<b>1,462</b>	<b>1,383</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	389	377
Borrowing costs	166	221
Materials and contracts	413	354
Depreciation and impairment	190	215
Water purchase charges	–	–
Loss on sale of assets	92	2
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	15	16
Other expenses	241	235
<b>Total expenses from continuing operations</b>	<b>1,506</b>	<b>1,420</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(44)</b>	<b>(37)</b>
Grants and contributions provided for capital purposes	1	1
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(43)</b>	<b>(36)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(43)</b>	<b>(36)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(43)</b>	<b>(36)</b>
Plus opening retained profits	12,839	12,923
Plus/less: prior period adjustments	–	(64)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	15	16
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>12,811</b>	<b>12,839</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>1.2%</b>
<b>Subsidy from Council</b>	<b>188</b>	<b>277</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(43)	(36)
Less: capital grants and contributions (excluding developer contributions)	(1)	(1)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Gwydir Shire Council

# Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	631	632
User charges	64	61
Liquid trade waste charges	—	—
Fees	1	1
Interest	78	48
Grants and contributions provided for non-capital purposes	20	20
Profit from the sale of assets	39	—
Other income	1	1
<b>Total income from continuing operations</b>	<b>834</b>	<b>763</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	253	271
Borrowing costs	—	1
Materials and contracts	181	130
Depreciation and impairment	77	81
Loss on sale of assets	1	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	105	36
<b>Total expenses from continuing operations</b>	<b>617</b>	<b>519</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>217</b>	<b>244</b>
Grants and contributions provided for capital purposes	1	2
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>218</b>	<b>246</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>218</b>	<b>246</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(65)	(73)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>153</b>	<b>173</b>
Plus opening retained profits	11,978	11,811
Plus/less: prior period adjustments	—	(79)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	65	73
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>12,196</b>	<b>11,978</b>
<b>Return on capital %</b>	<b>2.2%</b>	<b>2.6%</b>
<b>Subsidy from Council</b>	<b>—</b>	<b>48</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	153	173
Less: capital grants and contributions (excluding developer contributions)	(1)	(2)
<b>Surplus for dividend calculation purposes</b>	<b>152</b>	<b>171</b>
<b>Potential dividend calculated from surplus</b>	<b>76</b>	<b>85</b>

## Gwydir Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Waste business activity		Naroo aged care	
	Category 2		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
Access charges	1,045	1,037	—	—
Rentals	—	—	698	602
User charges	4	74	—	49
Interest	59	41	—	—
Grants and contributions provided for non-capital purposes	36	42	1,707	1,241
Investment revenues	—	—	6	2
Premiums on discounted loans	—	—	—	147
Donations	—	—	—	64
Other income	12	17	4	13
<b>Total income from continuing operations</b>	<b>1,156</b>	<b>1,211</b>	<b>2,415</b>	<b>2,118</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	425	439	1,975	1,579
Borrowing costs	7	8	125	91
Materials and contracts	742	572	425	418
Depreciation and impairment	416	381	101	32
Loss on sale of assets	—	—	—	—
Calculated taxation equivalents	—	—	—	—
Debt guarantee fee (if applicable)	—	—	22	24
Other expenses	37	2	79	75
<b>Total expenses from continuing operations</b>	<b>1,627</b>	<b>1,402</b>	<b>2,727</b>	<b>2,219</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(471)</b>	<b>(191)</b>	<b>(312)</b>	<b>(101)</b>
Grants and contributions provided for capital purposes	—	—	40	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(471)</b>	<b>(191)</b>	<b>(272)</b>	<b>(101)</b>
Surplus (deficit) from discontinued operations	—	—	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>(471)</b>	<b>(191)</b>	<b>(272)</b>	<b>(101)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—	—	—
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(471)</b>	<b>(191)</b>	<b>(272)</b>	<b>(101)</b>
Plus opening retained profits	(293)	(102)	1,060	1,264
Plus/less: prior period adjustments	—	—	—	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	—	—	—	—
– Debt guarantee fees	—	—	22	24
– Corporate taxation equivalent	—	—	—	—
Add:				
– Subsidy paid/contribution to operations	—	—	(155)	(127)
<b>Closing retained profits</b>	<b>(764)</b>	<b>(293)</b>	<b>655</b>	<b>1,060</b>
<b>Return on capital %</b>	<b>-38.1%</b>	<b>-15.6%</b>	<b>-3.2%</b>	<b>-0.2%</b>
<b>Subsidy from Council</b>	<b>488</b>	<b>62</b>	<b>302</b>	<b>188</b>

## Gwydir Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	778	1,146
Investments	250	–
Receivables	211	413
Inventories	22	18
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>1,261</b>	<b>1,577</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	15,578	15,016
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>15,578</b>	<b>15,016</b>
<b>TOTAL ASSETS</b>	<b>16,839</b>	<b>16,593</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	36	36
Borrowings	62	181
Provisions	93	115
<b>Total current liabilities</b>	<b>191</b>	<b>332</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	2,418	2,448
Provisions	1	7
<b>Total non-current liabilities</b>	<b>2,419</b>	<b>2,455</b>
<b>TOTAL LIABILITIES</b>	<b>2,610</b>	<b>2,787</b>
<b>NET ASSETS</b>	<b>14,229</b>	<b>13,806</b>
<b>EQUITY</b>		
Retained earnings	12,811	12,839
Revaluation reserves	1,418	967
Council equity interest	14,229	13,806
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>14,229</b>	<b>13,806</b>

## Gwydir Shire Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,502	2,853
Investments	1,500	–
Receivables	79	80
Inventories	2	2
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>3,083</b>	<b>2,935</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	9,856	9,546
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>9,856</b>	<b>9,546</b>
<b>TOTAL ASSETS</b>	<b>12,939</b>	<b>12,481</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Borrowings	3	5
Provisions	58	91
<b>Total current liabilities</b>	<b>61</b>	<b>96</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	2	9
Provisions	–	2
<b>Total non-current liabilities</b>	<b>2</b>	<b>11</b>
<b>TOTAL LIABILITIES</b>	<b>63</b>	<b>107</b>
<b>NET ASSETS</b>	<b>12,876</b>	<b>12,374</b>
<b>EQUITY</b>		
Retained earnings	12,196	11,978
Revaluation reserves	680	396
Council equity interest	12,876	12,374
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>12,876</b>	<b>12,374</b>

## Gwydir Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Waste business activity		Naroo aged care	
	Category 2		Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,768	2,109	–	–
Investments	250	–	–	–
Receivables	89	87	63	82
Inventories	–	–	–	–
Aged care bonds	–	–	290	290
<b>Total Current Assets</b>	<b>2,107</b>	<b>2,196</b>	<b>353</b>	<b>372</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	443	506
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,218	1,175	5,801	5,807
Investments accounted for using equity method	–	–	–	–
<b>Total non-current assets</b>	<b>1,218</b>	<b>1,175</b>	<b>6,244</b>	<b>6,313</b>
<b>TOTAL ASSETS</b>	<b>3,325</b>	<b>3,371</b>	<b>6,597</b>	<b>6,685</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	848	943
Payables	1	1	–	–
Borrowings	6	5	189	147
Aged care bonds	–	–	1,489	848
Provisions	73	92	–	–
<b>Total current liabilities</b>	<b>80</b>	<b>98</b>	<b>2,526</b>	<b>1,938</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	72	79	3,295	3,565
Aged care bonds	–	–	–	–
Provisions	3,358	3,167	–	–
Non-interest bearing liabilities	–	–	–	117
Other Liabilities	–	–	117	–
<b>Total non-current liabilities</b>	<b>3,430</b>	<b>3,246</b>	<b>3,412</b>	<b>3,682</b>
<b>TOTAL LIABILITIES</b>	<b>3,510</b>	<b>3,344</b>	<b>5,938</b>	<b>5,620</b>
<b>NET ASSETS</b>	<b>(185)</b>	<b>27</b>	<b>659</b>	<b>1,065</b>
<b>EQUITY</b>				
Retained earnings	(764)	(293)	654	1,060
Revaluation reserves	579	320	5	5
Council equity interest	(185)	27	659	1,065
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>(185)</b>	<b>27</b>	<b>659</b>	<b>1,065</b>

## Gwydir Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

## Gwydir Shire Council

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

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

(where gross operating turnover is over \$2 million)

**Nil**

##### Category 2

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

#### Gwydir Water Supply -

Comprising the whole of the operations and net assets of the water supply systems servicing the towns of Bingara, Warialda, Gravesend and North Star.

#### Gwydir Sewerage Services -

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems servicing the towns of Bingara and Warialda

#### Naroo Aged Care Facility -

Comprising the whole of the operations and assets of the aged care facility located at Warialda.

#### Gwydir Waste Management Services -

Comprising the whole of the operations and assets of the waste management service carried out by the

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).



## Gwydir Shire Council

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

#### Note 1. Significant accounting policies (continued)

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

##### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

##### Notional rate applied (%)

###### Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

##### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial

## Gwydir Shire Council

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

#### Note 1. Significant accounting policies (continued)

borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

#### (iii) Return on investments (rate of return)

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

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

The rate of return on capital is calculated as follows:

**Operating result before capital income + interest expense**

**Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

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

#### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## Gwydir Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements

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

2016

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	15,000
(ii)	Number of assessments multiplied by \$3/assessment	5,346
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	5,346
(iv)	Amounts actually paid for tax equivalents	–

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	48,114
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	28,200

2016 Surplus	(44,000)	2015 Surplus	(37,000)	2014 Surplus	109,200
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	–
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	

**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]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Gwydir Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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

2016

## National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,433
<b>NWI F4</b>	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)]	%	44.96%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	15,107
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	838
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	334
<b>NWI F17</b>	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)]	%	2.60%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## Gwydir Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements

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

2016

## 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	4,095
(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]	75,950
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	40,950
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	568,400

2016 Surplus	151,900	2015 Surplus	170,800	2014 Surplus	245,700
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	40,950
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

## 3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	NO
	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]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	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

## Gwydir Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2016

## National Water Initiative (NWI) financial performance indicators

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	721
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	9,807
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	420
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	28
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)]	%	2.27%
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	2,193
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	2.01%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	362
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)]	%	2.47%
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%

## Gwydir Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2016

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

<b>NWI F22</b>	Net debt to equity (water and sewerage)	%	<b>-5.70%</b>
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
<b>NWI F23</b>	Interest cover (water and sewerage)		<b>-</b>
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		<b>629</b>
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		<b>60</b>
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
<b>NWI F24</b>	Net profit after tax (water and sewerage)	\$'000	<b>192</b>
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
<b>NWI F25</b>	Community service obligations (water and sewerage)	\$'000	<b>44</b>
	Grants for pensioner rebates (w11b + s12b)		

- 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.
- a** refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



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Forsyth's Business Services Pty Ltd  
ABN 66 182 781 401

**INDEPENDENT AUDIT REPORT**  
**Report on the special purpose financial statements**

**To Gwydir Shire Council**

**SCOPE**

We have audited the special purpose financial statements of Gwydir Shire Council for the year ended 30<sup>th</sup> June 2016 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the financial statements. The financial statements include the financial results of the business activities of Council and the entities it controlled at the year's end or from time to time during the year.

***Councils' responsibility for the financial statements***

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the requirements of the Office of Local Government and Council. The Councils' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council or the Office of Local Government. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

**Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation



The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the report was prepared.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **INDEPENDENCE**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

## **AUDIT OPINION**

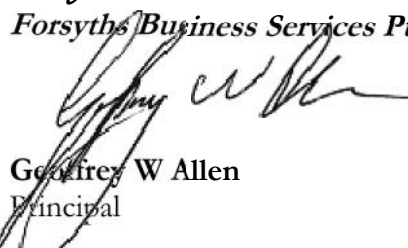
In our opinion, the special purpose financial statements of the Gwydir Shire Council for the year ended 30<sup>th</sup> June 2016 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

## **BASIS OF ACCOUNTING**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

*Forsyths*

**Forsyths Business Services Pty Ltd**

  
**Geoffrey W Allen**

Principal

27<sup>th</sup> October 2016

92 Rusden Street Armidale

# Gwydir Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

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*"To be the recognised leader in Local Government  
through continuous learning and sustainability"*



# Gwydir Shire Council

## Special Schedules for the year ended 30 June 2016

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<sup>1</sup> 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.

## Gwydir Shire Council

# Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>234</b>	<b>36</b>	<b>–</b>	<b>(198)</b>
<b>Administration</b>	<b>6,526</b>	<b>–</b>	<b>–</b>	<b>(6,526)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	701	294	75	(332)
Beach control	–	–	–	–
Enforcement of local government regulations	48	11	–	(37)
Animal control	128	19	–	(109)
Other	239	–	–	(239)
<b>Total public order and safety</b>	<b>1,116</b>	<b>324</b>	<b>75</b>	<b>(717)</b>
<b>Health</b>	<b>74</b>	<b>28</b>	<b>–</b>	<b>(46)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	173	136	–	(37)
Other environmental protection	–	60	–	60
Solid waste management	1,627	1,156	–	(471)
Street cleaning	296	–	–	(296)
Drainage	–	–	–	–
Stormwater management	93	40	–	(53)
<b>Total environment</b>	<b>2,189</b>	<b>1,392</b>	<b>–</b>	<b>(797)</b>
<b>Community services and education</b>				
Administration and education	835	568	–	(267)
Social protection (welfare)	139	109	–	(30)
Aged persons and disabled	3,114	2,852	–	(262)
Children's services	97	81	–	(16)
<b>Total community services and education</b>	<b>4,185</b>	<b>3,610</b>	<b>–</b>	<b>(575)</b>
<b>Housing and community amenities</b>				
Public cemeteries	57	73	–	16
Public conveniences	102	–	–	(102)
Street lighting	80	19	–	(61)
Town planning	16	69	70	123
Other community amenities	307	156	–	(151)
<b>Total housing and community amenities</b>	<b>562</b>	<b>317</b>	<b>70</b>	<b>(175)</b>
<b>Water supplies</b>	<b>1,490</b>	<b>1,625</b>	<b>1</b>	<b>136</b>
<b>Sewerage services</b>	<b>617</b>	<b>836</b>	<b>1</b>	<b>220</b>

## Gwydir Shire Council

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	234	42	—	(192)
Museums	24	—	—	(24)
Art galleries	—	—	—	—
Community centres and halls	364	164	8	(192)
Performing arts venues	306	74	—	(232)
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	246	20	—	(226)
Swimming pools	207	—	—	(207)
Parks and gardens (lakes)	3,796	4	24	(3,768)
Other sport and recreation	2,257	43	—	(2,214)
<b>Total recreation and culture</b>	<b>7,434</b>	<b>347</b>	<b>32</b>	<b>(7,055)</b>
<b>Mining, manufacturing and construction</b>				
Building control	528	38	—	(490)
Other mining, manufacturing and construction	46	49	—	3
<b>Total mining, manufacturing and const.</b>	<b>574</b>	<b>87</b>	<b>—</b>	<b>(487)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	316	5	—	(311)
Urban roads – regional	23	—	—	(23)
Sealed rural roads (SRR) – local	1,528	—	—	(1,528)
Sealed rural roads (SRR) – regional	1,539	1,551	269	281
Unsealed rural roads (URR) – local	2,065	2,546	572	1,053
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	3	—	—	(3)
Bridges on SRR – local	42	—	—	(42)
Bridges on SRR – regional	—	—	—	—
Bridges on URR – local	32	—	—	(32)
Bridges on regional roads	39	—	—	(39)
Parking areas	14	—	—	(14)
Footpaths	22	—	—	(22)
Aerodromes	10	—	—	(10)
Other transport and communication	3,684	3,781	—	97
<b>Total transport and communication</b>	<b>9,317</b>	<b>7,883</b>	<b>841</b>	<b>(593)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	514	369	—	(145)
Other economic affairs	827	75	—	(752)
<b>Total economic affairs</b>	<b>1,341</b>	<b>444</b>	<b>—</b>	<b>(897)</b>
<b>Totals – functions</b>	<b>35,659</b>	<b>16,929</b>	<b>1,020</b>	<b>(17,710)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>10,660</b>		<b>10,660</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>—</b>	<b>—</b>		<b>—</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>35,659</b>	<b>27,589</b>	<b>1,020</b>	<b>(7,050)</b>

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

(2) As reported in the Income Statement

## Gwydir Shire Council

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

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	150	2,850	3,000	–	150	–	–	42	150	2,700	2,850
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	742	8,599	9,341	–	880	–	–	459	798	7,663	8,461
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>892</b>	<b>11,449</b>	<b>12,341</b>	<b>–</b>	<b>1,030</b>	<b>–</b>	<b>–</b>	<b>501</b>	<b>948</b>	<b>10,363</b>	<b>11,311</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>892</b>	<b>11,449</b>	<b>12,341</b>	<b>–</b>	<b>1,030</b>	<b>–</b>	<b>–</b>	<b>501</b>	<b>948</b>	<b>10,363</b>	<b>11,311</b>

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

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

## Gwydir Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	64	52
b. Engineering and supervision	16	–
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	79	76
d. Maintenance expenses	170	135
– Reservoirs		
e. Operation expenses	5	4
f. Maintenance expenses	14	23
– Pumping stations		
g. Operation expenses (excluding energy costs)	108	101
h. Energy costs	171	223
i. Maintenance expenses	26	16
– Treatment		
j. Operation expenses (excluding chemical costs)	20	14
k. Chemical costs	70	45
l. Maintenance expenses	77	56
– Other		
m. Operation expenses	18	46
n. Maintenance expenses	–	1
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	165	188
b. Plant and equipment	25	27
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	166	221
b. Revaluation decrements	–	–
c. Other expenses	296	176
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,490</b>	<b>1,404</b>

## Gwydir Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	502	150
b. Usage charges	410	479
<b>7. Non-residential charges</b>		
a. Access (including rates)	128	366
b. Usage charges	358	320
<b>8. Extra charges</b>	4	5
<b>9. Interest income</b>	31	31
<b>10. Other income</b>	6	8
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	24	24
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	1	–
<b>13. Total income</b>	<b>1,464</b>	<b>1,383</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>(26)</b>	<b>(21)</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	(26)	(21)



## Gwydir Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	334	–
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	186	173
<b>18. Totals</b>	<b>520</b>	<b>173</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,349	1,356
b. Residential (unoccupied, ie. vacant lot)	160	167
c. Non-residential (occupied)	241	240
d. Non-residential (unoccupied, ie. vacant lot)	32	–
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 45,691	\$ 44,000

## Gwydir Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,028	–	1,028
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	–	–	–
d. Other	211	–	211
<b>27. Inventories</b>	22	–	22
<b>28. Property, plant and equipment</b>			
a. System assets	–	15,107	15,107
b. Plant and equipment	–	471	471
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>1,261</b>	<b>15,578</b>	<b>16,839</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	36	–	36
<b>33. Borrowings</b>	62	2,418	2,480
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	93	1	94
<b>35. Total liabilities</b>	<b>191</b>	<b>2,419</b>	<b>2,610</b>
<b>36. NET ASSETS COMMITTED</b>	<b>1,070</b>	<b>13,159</b>	<b>14,229</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			12,811
<b>38. Asset revaluation reserve</b>			1,418
<b>39. TOTAL EQUITY</b>			<b>14,229</b>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			20,622
<b>41. Accumulated current cost</b> depreciation of system assets			(5,515)
<b>42. Written down current cost</b> of system assets			15,107

## Gwydir Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	57	61
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	1	1
b. Maintenance expenses	38	24
– Pumping stations		
c. Operation expenses (excluding energy costs)	41	38
d. Energy costs	12	10
e. Maintenance expenses	17	16
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	146	146
g. Chemical costs	7	9
h. Energy costs	28	25
i. Effluent management	–	–
j. Biosolids management	2	2
k. Maintenance expenses	44	40
– Other		
l. Operation expenses	27	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	73	73
b. Plant and equipment	4	6
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	1
b. Revaluation decrements	–	–
c. Other expenses	120	62
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>617</b>	<b>514</b>

## Gwydir Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	513	478
<b>7. Non-residential charges</b>		
a. Access (including rates)	111	152
b. Usage charges	–	–
<b>8. Trade waste charges</b>		
a. Annual fees	7	–
b. Usage charges	64	61
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	3	–
<b>10. Interest income</b>	75	48
<b>11. Other income</b>	2	1
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	20	20
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	1	–
<b>14. Total income</b>	<b>796</b>	<b>760</b>
<b>15. Gain (or loss) on disposal of assets</b>	39	–
<b>16. Operating result</b>	<b>218</b>	<b>246</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	218	246

## Gwydir Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	28	–
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	1	5
<b>19. Totals</b>	<b>29</b>	<b>5</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,086	1,090
b. Residential (unoccupied, ie. vacant lot)	129	192
c. Non-residential (occupied)	135	127
d. Non-residential (unoccupied, ie. vacant lot)	15	40
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 37,866	\$ 38,000

## Gwydir Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	3,002	—	3,002
<b>27. Receivables</b>			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	50	—	50
c. User charges	29	—	29
d. Other	—	—	—
<b>28. Inventories</b>	2	—	2
<b>29. Property, plant and equipment</b>			
a. System assets	—	9,807	9,807
b. Plant and equipment	—	49	49
<b>30. Other assets</b>	—	—	—
<b>31. Total assets</b>	<b>3,083</b>	<b>9,856</b>	<b>12,939</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	—	—	—
<b>33. Creditors</b>	—	—	—
<b>34. Borrowings</b>	3	2	5
<b>35. Provisions</b>			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	58	—	58
<b>36. Total liabilities</b>	<b>61</b>	<b>2</b>	<b>63</b>
<b>37. NET ASSETS COMMITTED</b>	<b>3,022</b>	<b>9,854</b>	<b>12,876</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			12,274
<b>39. Asset revaluation reserve</b>			602
<b>40. TOTAL EQUITY</b>			<b>12,876</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			13,097
<b>42. Accumulated current cost</b> depreciation of system assets			(3,290)
<b>43. Written down current cost</b> of system assets			9,807

## Gwydir Shire Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

#### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## Gwydir Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>												
	Buildings – non-specialised	53	–	445	445	25,692	33,120	51%	47%	1%		0%
	Buildings – specialised	50	–	255	255	24,043	28,560	51%	47%	1%		0%
	<b>Sub-total</b>	<b>103</b>	<b>–</b>	<b>700</b>	<b>700</b>	<b>49,735</b>	<b>61,680</b>	<b>51.4%</b>	<b>47.4%</b>	<b>1.2%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other structures</b>												
	Other structures	56	–	–	–	4,239	4,657	62%	29%	8%	0%	0%
	<b>Sub-total</b>	<b>56</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,239</b>	<b>4,657</b>	<b>62.5%</b>	<b>29.5%</b>	<b>8.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>												
	Sealed roads	5,107	–	1,114	1,114	188,186	218,191	20%	66%	8%	6%	0%
	Unsealed roads	1,704	–	722	722	94,189	102,871	41%	30%	19%	11%	0%
	Bridges	10	–	5	5	38,177	38,547	47%	49%	4%		0%
	Footpaths	384	–	3	3	2,722	3,188	2%	21%	60%	17%	0%
	Other road assets	–	–	–	–	–	–	99%	1%	0%	0%	0%
	<b>Sub-total</b>	<b>7,205</b>	<b>–</b>	<b>1,844</b>	<b>1,844</b>	<b>323,274</b>	<b>362,797</b>	<b>28.6%</b>	<b>53.3%</b>	<b>11.0%</b>	<b>7.1%</b>	<b>0.0%</b>



## Gwydir Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	555	–	287	287	11,333	16,471	48%	41%	3%	9%	0%
	Sub-total	555	–	287	287	11,333	16,471	47.7%	40.9%	2.7%	8.7%	0.0%
Sewerage network	Sewerage network	2,285	–	99	99	9,163	12,423	6%	51%	0%	42%	0%
	Sub-total	2,285	–	99	99	9,163	12,423	6.3%	51.0%	0.4%	42.0%	0.4%
Stormwater drainage	Stormwater drainage	2,037	–	17	17	1,320	3,704			100%		0%
	Sub-total	2,037	–	17	17	1,320	3,704	0.0%	0.0%	100.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	16	–	–	–	2,632	2,679	100%				0%
	Other	–	–	–	–	–	–	69%	26%	5%		
	Sub-total	16	–	–	–	2,632	2,679	100.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	12,257	–	2,947	2,947	401,696	464,411	32.3%	51.0%	9.7%	6.9%	0.0%

## 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

## Gwydir Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals <sup>(1)</sup>	4,952	102.48%	21.30%	73.94%
Depreciation, amortisation and impairment	4,832			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	12,257	3.05%	5.01%	21.83%
Carrying value of infrastructure assets	401,696			
3. Asset maintenance ratio				
Actual asset maintenance	2,947	1.00	0.93	1.04
Required asset maintenance	2,947			

## Notes

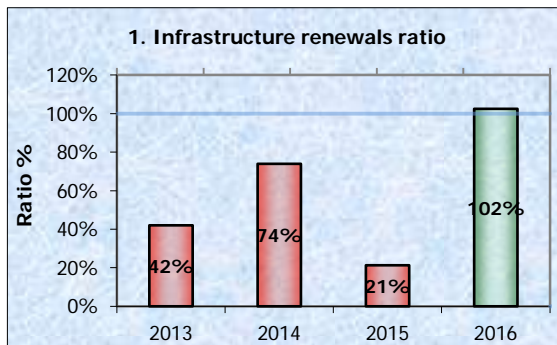
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

<sup>(1)</sup> 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.

## Gwydir Shire Council

# Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016



Benchmark: — Minimum  $\geq 100.00\%$

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

## Purpose of asset renewals ratio

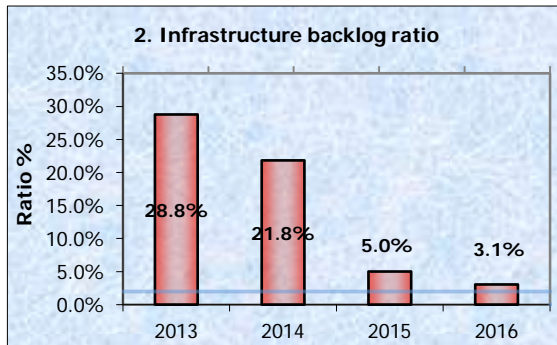
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

## Commentary on 2015/16 result

**2015/16 Ratio 102.48%**

Additional funding from Special Rate Variation and Roads to Recovery has improved this result.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Maximum  $< 2.00\%$

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

## Purpose of infrastructure backlog ratio

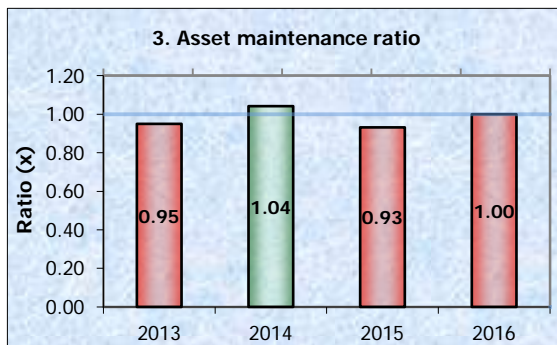
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

## Commentary on 2015/16 result

**2015/16 Ratio 3.05%**

Additional funding from Special Rate Variation and Roads to Recovery has improved this result.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum  $> 1.00$

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

## Purpose of asset maintenance ratio

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

## Commentary on 2015/16 result

**2015/16 Ratio 1.00 x**

Asset maintenance is close to optimal levels.

Ratio achieves benchmark  
Ratio is outside benchmark

## Gwydir Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>337.37%</b>	<b>40.00%</b>	<b>106.20%</b>
Depreciation, amortisation and impairment	prior period: 158.76%	91.78%	21.69%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>4.90%</b>	<b>24.94%</b>	<b>2.47%</b>
Carrying value of infrastructure assets	prior period: 7.81%	28.39%	4.37%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>
Required asset maintenance	prior period: 0.53	1.00	1.00

## 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.

## Gwydir Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	5,704	6,505
Plus or minus adjustments <sup>(2)</sup>	b	(43)	10
<b>Notional general income</b>	c = (a + b)	<b>5,661</b>	<b>6,515</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	15.00%	30.00%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	(719)
Plus special variation amount	h = d x (c - g)	849	1,739
Or plus rate peg amount	i = c x e	—	—
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>6,510</b>	<b>7,535</b>
Plus (or minus) last year's carry forward total	l	16	22
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	n = (l + m)	<b>16</b>	<b>22</b>
<b>Total permissible income</b>	o = k + n	<b>6,527</b>	<b>7,556</b>
Less notional general income yield	p	6,505	7,503
<b>Catch-up or (excess) result</b>	q = o - p	<b>22</b>	<b>53</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	—	—
Less unused catch-up <sup>(5)</sup>	s	—	—
<b>Carry forward to next year</b>	t = q + r - s	<b>22</b>	<b>53</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



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Forsyths Business Services Pty Ltd  
ABN 66 182 781 401

## **GWYDIR SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 8**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Gwydir Shire Council for the year ending 30 June 2017.

### **Responsibility of Council for Special Schedule No. 8**

The Council is responsible for preparation and fair presentation of Special No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant preparation and fair presentation of Special Schedule No. 8 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibilities**

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standard require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 and is free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

## **Knowledge with integrity**

Liability limited by a scheme approved under the Professional Standards Legislation

ARMIDALE | COONABARABRAN | GUNNEDAH | NARRABRI | TAMWORTH

**Gwydir Shire Council**

**INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 8**

Because of the inherent limitation of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

**Audit Opinion**

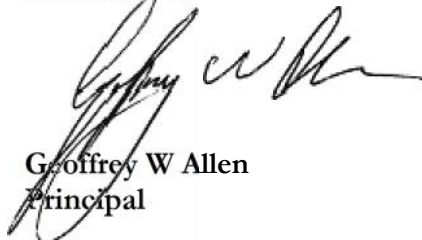
In our opinion Special Schedule No. 8 of Gwydir Shire Council for the year ending 30 June 2017 is properly drawn up in all material respects, in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

**Basis of Accounting**

Without modifying our opinion, we advise that the Special Schedule No. 8 has been prepared for distribution to the Office of Local Government for the purposes of confirming the Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the Special Schedule No. 8 may not be suitable for another purpose

*Forsyths*

**FORYSTHS BUSINESS SERVICES PTY LTD**



Geoffrey W Allen  
Principal

Dated at Armidale this 27<sup>th</sup> October 2016