

Gwydir Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“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 2018

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Overview

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

33 Maitland Street
Bingara NSW 2404

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

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

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

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

Gwydir Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 October 2018.



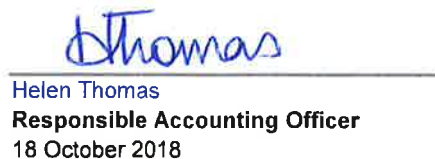
Cr John Coulton
Mayor
18 October 2018



Cr Catherine Egan
Councillor
18 October 2018



Max Eastcott
General Manager
18 October 2018



Helen Thomas
Responsible Accounting Officer
18 October 2018

Gwydir Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
10,020	Rates and annual charges	3a	9,999	9,538
3,112	User charges and fees	3b	3,376	3,184
207	Interest and investment revenue	3c	216	196
2,824	Other revenues	3d	3,739	3,138
8,959	Grants and contributions provided for operating purposes	3e,f	9,462	11,483
456	Grants and contributions provided for capital purposes	3e,f	2,738	541
25,578	Total income from continuing operations		29,530	28,080
Expenses from continuing operations				
10,628	Employee benefits and on-costs	4a	11,606	11,418
575	Borrowing costs	4b	519	856
4,269	Materials and contracts	4c	5,336	4,874
6,493	Depreciation and amortisation	4d	7,185	6,693
2,479	Other expenses	4e	2,116	2,470
–	Net losses from the disposal of assets	5	3,140	1,957
–	Revaluation decrement / impairment of IPP&E	4d	6,021	–
–	Reinstatement of Provision	9, 11	–	(3,321)
24,444	Total expenses from continuing operations		35,923	24,947
1,134	Operating result from continuing operations		(6,393)	3,133
1,134	Net operating result for the year		(6,393)	3,133
1,134	Net operating result attributable to Council		(6,393)	3,133
678	Net operating result for the year before grants and contributions provided for capital purposes		(9,131)	2,592

Gwydir Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		(6,393)	3,133
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	(8,474)	272
Total items which will not be reclassified subsequently to the operating result		(8,474)	272
Total other comprehensive income for the year		(8,474)	272
Total comprehensive income for the year		(14,867)	3,405
Total comprehensive income attributable to Council		(14,867)	3,405

Gwydir Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	9,327	6,517
Investments	6b	–	2,000
Receivables	7	2,415	1,052
Inventories	8	220	224
Other	8	3	10
Total current assets		11,965	9,803
Non-current assets			
Investments	6b	–	1,016
Receivables	7	–	76
Infrastructure, property, plant and equipment	9	405,441	422,553
Total non-current assets		405,441	423,645
TOTAL ASSETS		417,406	433,448
LIABILITIES			
Current liabilities			
Payables	10	2,584	2,175
Income received in advance	10	164	204
Borrowings	10	991	954
Provisions	11	2,698	2,893
Total current liabilities		6,437	6,226
Non-current liabilities			
Borrowings	10	7,686	8,994
Provisions	11	2,044	2,122
Total non-current liabilities		9,730	11,116
TOTAL LIABILITIES		16,167	17,342
Net assets		401,239	416,106
EQUITY			
Accumulated surplus	12	273,900	280,293
Revaluation reserves	12	127,339	135,813
Total equity		401,239	416,106

Gwydir Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		280,293	135,813	416,106	277,160	135,541	412,701
Net operating result for the year		(6,393)	–	(6,393)	3,133	–	3,133
Other comprehensive income							
Gain (loss) on revaluation of IPP&E	9	–	(8,474)	(8,474)	–	272	272
Other comprehensive income		–	(8,474)	(8,474)	–	272	272
Total comprehensive income		(6,393)	(8,474)	(14,867)	3,133	272	3,405
Equity – balance at end of the reporting period		273,900	127,339	401,239	280,293	135,813	416,106

Gwydir Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
10,014	Rates and annual charges		9,985	9,566
3,114	User charges and fees		3,391	3,144
228	Investment and interest revenue received		236	237
10,806	Grants and contributions		11,257	13,487
–	Bonds, deposits and retention amounts received		2	–
1,484	Other		4,622	2,781
Payments:				
(10,628)	Employee benefits and on-costs		(11,704)	(11,312)
(5,492)	Materials and contracts		(5,876)	(5,755)
(575)	Borrowing costs		(437)	(856)
–	Bonds, deposits and retention amounts refunded		–	(4)
(2,480)	Other		(2,737)	(2,443)
6,471	Net cash provided (or used in) operating activities	13b	8,739	8,845
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		3,016	–
810	Sale of infrastructure, property, plant and equipment		535	758
Payments:				
–	Purchase of investment securities		–	(948)
(7,159)	Purchase of infrastructure, property, plant and equipment		(8,209)	(7,669)
(6,349)	Net cash provided (or used in) investing activities		(4,658)	(7,859)
Cash flows from financing activities				
Receipts:				
750	Proceeds from borrowings and advances		–	–
Payments:				
(1,118)	Repayment of borrowings and advances		(1,271)	(920)
(368)	Net cash flow provided (used in) financing activities		(1,271)	(920)
(246)	Net increase/(decrease) in cash and cash equivalents		2,810	66
4,306	Plus: cash and cash equivalents – beginning of year	13a	6,517	6,451
4,060	Cash and cash equivalents – end of the year	13a	9,327	6,517
Additional Information:				
	plus: Investments on hand – end of year	6b	–	3,016
	Total cash, cash equivalents and investments		9,327	9,533

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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	n/a – not applicable	

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25/10/2018.

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

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

Basis of preparation

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

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

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

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

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

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

New accounting standards and interpretations issued not yet effective

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

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

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

- *AASB 9 Financial Instruments*

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

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

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

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

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

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

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

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

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).							
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations	Total assets held (current and non-current)
	2018	2017	2018	2017	2018	2017	2018	2018
Social	3,267	2,960	4,531	4,504	(1,264)	(1,544)	1,777	14,093
Economic	8,153	6,860	9,154	8,984	(1,001)	(2,124)	3,643	343,000
Environment	2,873	2,192	2,652	2,838	221	(646)	137	16,147
Civic Leadership	557	288	1,367	1,183	(810)	(895)	4,400	4,078
Governance	14,680	15,780	18,219	7,438	(3,539)	8,342	–	40,088
Total functions and activities	29,530	28,080	35,923	24,947	(6,393)	3,133	9,957	417,406

Gwydir Shire Council

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

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

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

Social

Includes aged and disability services, social services, library, emergency services, parks and urban spaces, public health.

Economic

Includes Gwydir Learning Region, shire roads, asset management, sewerage services, marketing & promotion.

Environment

Includes development and land use management, water supply, environmental protection, waste operations and circular economy.

Civic Leadership

Includes organisational development & recreational facilities.

Governance

Includes technical services, governance, financial operations, information services, compliance, town utilities and plant operations.

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,112	1,147
Farmland	6,134	5,984
Business	210	188
Total ordinary rates	7,456	7,319
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	645	543
Stormwater management services	36	36
Water supply services	643	589
Sewerage services	586	591
Waste management services (non-domestic)	633	460
Total annual charges	2,543	2,219
TOTAL RATES AND ANNUAL CHARGES	9,999	9,538

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

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

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

Water supply services	774	471
Sewerage services	65	60
Total specific user charges	839	531

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

Inspection services	3	6
Planning and building regulation	77	64
Private works – section 67	269	133
Registration fees	19	34
Section 603 certificates	11	13
Total fees and charges – statutory/regulatory	379	250

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	362	334
Cemeteries	41	35
Child care	4	–
Gwydir learning region	16	11
Home and community care / community transport	66	80
Pre-school services	46	79
RMS (formerly RTA) charges (state roads not controlled by Council)	1,429	1,667
Roxy theatre	56	56
Tourism	6	8
Wow fitness	30	26
Training	10	
Other	92	107
Total fees and charges – other	2,158	2,403
TOTAL USER CHARGES AND FEES	3,376	3,184

Accounting policy for user charges and fees

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

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

– Overdue rates and annual charges (incl. special purpose rates)	22	30
– Cash and investments	194	166
TOTAL INTEREST AND INVESTMENT REVENUE	216	196

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

Overdue rates and annual charges (general fund)	13	30
General Council cash and investments	51	34

Restricted investments/funds – external:

Development contributions		
– Section 7.11	–	7
Water fund operations	18	18
Sewerage fund operations	77	61
Domestic waste management operations	57	22

Restricted investments/funds – internal:

Internally restricted assets	–	24
Total interest and investment revenue recognised	216	196

Accounting policy for interest and investment revenue

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		244	246
Fines – other		5	12
Legal fees recovery – rates and charges (extra charges)		9	–
Commissions and agency fees		94	99
Diesel rebate		76	88
Emergency services reimbursements		88	62
Employee related		74	13
Festivals		8	8
Insurance claim recoveries		16	140
Medical centres		–	1
Naroo		2,442	2,117
Sales – general		45	44
Sewer operations		12	3
Tourism		35	31
Waste management revenues		95	31
Water supplies		4	2
Insurance Incentives		63	71
Companion Animals Reimbursement		52	–
Workers Compensation Premium Adjustment		129	–
Other – governance		25	24
Other		223	146
<u>TOTAL OTHER REVENUE</u>		<u>3,739</u>	<u>3,138</u>

Accounting policy for other revenue

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

Fines are recognised as revenue when the penalty has been paid.

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

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

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	4,331	6,264	–	–
Other				
Pensioners' rates subsidies – general component	48	54	–	–
Total general purpose	4,379	6,318	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	24	24	–	–
– Sewerage	20	21	–	–
– Domestic waste management	37	34	–	–
Water supplies	–	–	–	45
Aged care	–	–	42	–
Child care	27	–	–	–
Community care	36	–	–	–
Community centres	14	–	–	–
Economic development	30	–	–	–
Employment and training programs	21	21	–	–
Family first – DOCS	100	115	–	–
Home and community care	270	282	–	–
Library	47	47	–	–
Library – per capita	–	–	200	–
Noxious weeds	100	89	–	–
NSW rural fire services	173	173	–	–
Preschool	274	252	–	–
Recreation and culture	66	47	253	3
Street lighting	20	20	–	–
Tharawonga operational	295	317	–	–
Transport (other roads and bridges funding)	–	–	1,625	–
Transport (3x3, flood works, roads to recovery)	1,794	2,048	–	10
Innovation	110	–	–	–
Other	–	92	–	–
Total specific purpose	3,458	3,582	2,120	58
Total grants	7,837	9,900	2,120	58
Grant revenue is attributable to:				
– Commonwealth funding	6,641	8,312	801	–
– State funding	1,189	1,588	1,319	58
– Other funding	7	–	–	–
	7,837	9,900	2,120	58

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	256	35
Total developer contributions – cash		–	–	256	35
Total developer contributions	20	–	–	256	35
Other contributions:					
Cash contributions					
Bushfire services		–	–	–	128
Recreation and culture		–	–	27	–
RMS contributions (regional roads, block grant)		1,606	1,583	292	284
Self help roadwork contributions		–	–	9	23
Other		19	–	–	13
Total other contributions – cash		1,625	1,583	328	448
Non-cash contributions					
Community services		–	–	34	–
Total other contributions		1,625	1,583	362	448
Total contributions		1,625	1,583	618	483
TOTAL GRANTS AND CONTRIBUTIONS		9,462	11,483	2,738	541

Accounting policy for contributions

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	227	703
Add: operating grants recognised in the current period but not yet spent	143	85
Less: operating grants recognised in a previous reporting period now spent	(141)	(561)
Unexpended and held as restricted assets (operating grants)	<u>229</u>	<u>227</u>
Capital grants		
Add: capital grants recognised in the current period but not yet spent	237	–
Unexpended and held as restricted assets (capital grants)	<u>237</u>	<u>–</u>
Contributions		
Add: contributions recognised in the current period but not yet spent	256	–
Unexpended and held as restricted assets (contributions)	<u>256</u>	<u>–</u>

Gwydir Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	9,501	8,492
Travel expenses	223	128
Employee leave entitlements (ELE)	1,723	2,141
Superannuation	1,216	1,131
Workers' compensation insurance	371	650
Fringe benefit tax (FBT)	29	23
Training costs (other than salaries and wages)	195	123
Other	55	59
Total employee costs	13,313	12,747
Less: capitalised costs	(1,707)	(1,329)
TOTAL EMPLOYEE COSTS EXPENSED	11,606	11,418

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs

(i) Interest bearing liability costs

Interest on loans	381	793
Total interest bearing liability costs expensed	381	793

(ii) Other borrowing costs

Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	11	82
Amortisation of discounts and premiums: – unwinding discount on reduced interest loan		63
Total other borrowing costs		138
TOTAL BORROWING COSTS EXPENSED		519

Accounting policy for borrowing costs

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	2,673	2,521
Contractor and consultancy costs	1	–
– Consultants	163	205
– Domestic waste management contract	94	91
– Health services	2	2
– Pools	111	113
– Road infrastructure contractors	630	695
– Valuations	31	30
– Other	1,501	1,101
Auditors remuneration ⁽¹⁾	73	32
Legal expenses:		
– Legal expenses: debt recovery	12	75
– Legal expenses: other	45	9
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>5,336</u>	<u>4,874</u>

1. Auditor remuneration

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

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

Audit and review of financial statements	69	32
Remuneration for audit and other assurance services	69	32
Total Auditor-General remuneration	69	32

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

Audit and review of financial statements	4	–
Remuneration for audit and other assurance services	4	–
Total remuneration of non NSW Auditor-General audit firms	4	–
Total Auditor remuneration	73	32

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		918	935
Office equipment		57	60
Furniture and fittings		51	56
Infrastructure:			
– Buildings – non-specialised		545	538
– Buildings – specialised		460	549
– Other structures		317	308
– Roads		3,959	3,755
– Bridges		12	12
– Footpaths		19	19
– Stormwater drainage		46	48
– Water supply network		303	100
– Sewerage network		194	71
– Swimming pools		154	–
Other assets:			
– Other		9	9
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 11	103	233
– Quarry assets	9 & 11	38	–
Total gross depreciation and amortisation costs		7,185	6,693
Total depreciation and amortisation costs		7,185	6,693
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings – non-specialised		1,986	–
– Sewerage network		4,035	–
Total IPP&E impairment / revaluation decrement costs / (reversals)		6,021	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		13,206	6,693

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

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

Impairment of non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

(e) Other expenses

Advertising	52	106
Bad and doubtful debts	19	–
Contributions/levies to other levels of government	–	–
– Emergency services levy (includes FRNSW, SES, and RFS levies)	277	461
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	110	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	–	3
Donations, contributions and assistance to other organisations (Section 356)	122	85
Electricity and heating	589	512
Insurance	503	743
Street lighting	79	74
Subscriptions and publications	143	100
Telephone and communications	194	253
Other	1	–
Total other expenses	2,116	2,470
TOTAL OTHER EXPENSES	2,116	2,470

Accounting policy for other expenses

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		319	180
Less: carrying amount of property assets sold/written off		(168)	(139)
Net gain/(loss) on disposal		151	41
Plant and equipment	9		
Proceeds from disposal – plant and equipment		216	275
Less: carrying amount of plant and equipment assets sold/written off		(236)	(264)
Net gain/(loss) on disposal		(20)	11
Infrastructure	9		
Proceeds from disposal – infrastructure		–	303
Less: carrying amount of infrastructure assets sold/written off		(3,271)	(2,312)
Net gain/(loss) on disposal		(3,271)	(2,009)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		3,016	–
Less: carrying amount of financial assets sold/redeemed/matured		(3,016)	–
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,140)	(1,957)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	226	2,174
Cash-equivalent assets		
– Deposits at call	6,101	256
– Short-term deposits	3,000	4,087
Total cash and cash equivalents	9,327	6,517

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	–	–	–	1,016
b. 'Held to maturity'	–	–	2,000	–
Total investments	–	–	2,000	1,016
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	9,327	–	8,517	1,016
Financial assets at fair value through the profit and loss				
Managed funds	–	–	–	1,016
Total	–	–	–	1,016
Held to maturity investments				
Long term deposits	–	–	2,000	–
Total	–	–	2,000	–

Accounting policy for investments**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss or held to maturity.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(b) Held to maturity investments

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

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

Recognition and de-recognition

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	9,327	–	8,517	1,016
attributable to:				
External restrictions (refer below)	6,103	–	4,525	1,016
Internal restrictions (refer below)	3,137	–	3,889	–
Unrestricted	87	–	103	–
	9,327	–	8,517	1,016

\$ '000	2018	2017
Details of restrictions		
External restrictions – included in liabilities		
Aged care bonds	290	290
External restrictions – included in liabilities	290	290
External restrictions – other		
Developer contributions – general	256	–
Specific purpose unexpended grants	466	227
Water supplies	417	787
Sewerage services	3,202	3,018
Domestic waste management	1,472	1,219
External restrictions – other	5,813	5,251
Total external restrictions	6,103	5,541
Internal restrictions		
Employees leave entitlement	849	849
Deposits, retentions and bonds	99	97
Advance Payment Financial Assistance Grant	1,207	2,130
Other waste	982	813
Total internal restrictions	3,137	3,889
TOTAL RESTRICTIONS	9,240	9,430

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	345	–	331	–
Interest and extra charges	104	–	113	–
User charges and fees	323	–	147	–
Accrued revenues				
– Interest on investments	6	–	17	–
– Other income accruals	116	–	138	–
Government grants and subsidies	1,038	–	–	–
Loans to non-profit organisations	–	–	4	39
Net GST receivable	134	–	63	–
Sundry trade debtors	332	–	194	–
Other debtors	24	–	52	37
Total	2,422	–	1,059	76
Less: provision for impairment				
Sundry debtors	(7)	–	(7)	–
Total provision for impairment – receivables	(7)	–	(7)	–
<u>TOTAL NET RECEIVABLES</u>	<u>2,415</u>	<u>–</u>	<u>1,052</u>	<u>76</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	39	–	44	–
– Other	303	–	118	–
Sewerage services				
– Rates and availability charges	30	–	35	–
– Other	35	–	33	–
Domestic waste management	–	–	62	–
Total external restrictions	407	–	292	–
Unrestricted receivables	2,008	–	760	76
TOTAL NET RECEIVABLES	<u>2,415</u>	<u>–</u>	<u>1,052</u>	<u>76</u>
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			7	7
Balance at the end of the year			7	7

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Gwydir Shire Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	220	–	224	–
Total inventories at cost	220	–	224	–
TOTAL INVENTORIES	220	–	224	–
(b) Other assets				
Prepayments	3	–	10	–
TOTAL OTHER ASSETS	3	–	10	–
Externally restricted assets				
Water				
Stores and materials	21	–	22	–
Total water	21	–	22	–
Sewerage				
Stores and materials	2	–	2	–
Total sewerage	2	–	2	–
Total externally restricted assets	23	–	24	–
Total unrestricted assets	200	–	210	–
TOTAL INVENTORIES AND OTHER ASSETS	223	–	234	–

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

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

Gwydir Shire Council

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

Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	1,912	–	1,912	2,221	–	–	–	–	(1,323)	–	–	–	2,810	–	2,810
Plant and equipment	16,151	7,718	8,433	–	912	(190)	(918)	–	–	(80)	–	–	16,478	8,321	8,157
Office equipment	1,124	833	291	–	99	(45)	(57)	–	–	–	–	–	801	513	288
Furniture and fittings	1,254	460	794	–	6	–	(51)	–	–	–	–	–	1,260	511	749
Land:															
– Operational land	5,279	–	5,279	–	–	(5)	–	–	–	–	(322)	–	4,952	–	4,952
– Community land	2,557	–	2,557	–	–	–	–	–	–	–	–	–	2,557	–	2,557
Infrastructure:															
– Buildings – non-specialised	31,346	7,483	23,863	221	–	(681)	(545)	(1,986)	–	–	(3,339)	–	41,690	24,157	17,533
– Buildings – specialised	30,176	5,116	25,060	137	–	–	(460)	–	–	(3,042)	(5,578)	–	34,268	18,151	16,117
– Other structures	4,817	725	4,092	187	–	–	(317)	–	45	350	–	–	5,618	1,261	4,357
– Roads	323,492	41,238	282,254	4,213	–	(2,754)	(3,959)	–	1,112	–	–	–	324,381	43,515	280,866
– Bridges	38,547	381	38,166	–	–	–	(12)	–	–	–	–	–	38,547	393	38,154
– Footpaths	3,188	485	2,703	–	2	–	(19)	–	–	–	–	–	3,190	504	2,686
– Stormwater drainage	3,755	2,466	1,289	41	–	–	(46)	–	–	–	–	549	3,860	2,027	1,833
– Water supply network	16,993	5,284	11,709	80	–	–	(303)	–	67	2,692	–	801	22,405	7,359	15,046
– Sewerage network	12,954	3,435	9,519	96	–	–	(194)	(4,035)	99	80	(585)	–	12,392	7,412	4,980
– Swimming pools	2,679	47	2,632	28	–	–	(154)	–	–	–	–	–	2,707	201	2,506
Other assets:															
– Other	183	27	156	–	–	–	(9)	–	–	–	–	–	184	37	147
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
– Tip assets	1,462	–	1,462	–	–	–	(103)	–	–	–	–	–	1,462	103	1,359
– Quarry assets	398	16	382	–	–	–	(38)	–	–	–	–	–	397	53	344
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	498,267	75,714	422,553	7,224	1,019	(3,675)	(7,185)	(6,021)	–	–	(9,824)	1,350	519,959	114,518	405,441

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 20	Playground equipment	5 to 15
Office furniture	9 to 30	Benches, seats etc.	10 to 20
Vehicles, plant and equipment	5 to 50	Other Structures	5 to 100
Water and sewer assets		Buildings	
Dams and reservoirs	15 to 100	Buildings	15 to 100
Bores	10 to 30		
Reticulation pipes: PVC	100	Stormwater assets	
Pumps and telemetry	15 to 100	Drains	50 to 100
Treatment plant	10 to 100	Culverts	100
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	infinite
Sealed roads: structure	20 to 100	Swimming pools	60
Unsealed roads	9 to 100	Other Assets	10 to 100
Bridge: concrete	100		
Bridge: other	100		
Road pavements	60		
Kerb and gutter	80		
Footpaths	80 to 117		

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

Land under roads

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

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise rural fire service assets including land, buildings, some of the plant and vehicles.

Gwydir Shire Council

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

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	27	–	6	–
Accrued expenses:				
– Interest on bonds and deposits	69	–	79	–
– Salaries and wages	299	–	–	–
– Other expenditure accruals	36	–	243	–
Security bonds, deposits and retentions	99	–	97	–
Aged care deposits and bonds	1,934	–	1,637	–
Payments received in advance	41	–	41	–
Sundry	25	–	–	–
Other	54	–	72	–
Total payables	2,584	–	2,175	–
Income received in advance				
Payments received in advance	164	–	204	–
Total income received in advance	164	–	204	–
Borrowings				
Loans – secured ¹	991	7,686	954	8,994
Total borrowings	991	7,686	954	8,994
TOTAL PAYABLES AND BORROWINGS	3,739	7,686	3,333	8,994

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	259	1,766	76	2,207
Other	290	–	290	–
Payables and borrowings relating to externally restricted assets	549	1,766	366	2,207
Total payables and borrowings relating to restricted assets	549	1,766	366	2,207
Total payables and borrowings relating to unrestricted assets	3,190	5,920	2,967	6,787
TOTAL PAYABLES AND BORROWINGS	3,739	7,686	3,333	8,994

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 16.

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
---------	------	------

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	1,234	982
	1,234	982

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	9,948	(1,327)	–	56	–	8,677
TOTAL	9,948	(1,327)	–	56	–	8,677

\$ '000	2018	2017
---------	------	------

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

Bank overdraft facilities ⁽¹⁾	100	100
Credit cards/purchase cards	50	50
Total financing arrangements	150	150
Drawn facilities as at balance date:		
– Credit cards/purchase cards	36	–
Total drawn financing arrangements	36	–
Undrawn facilities as at balance date:		
– Bank overdraft facilities	100	100
– Credit cards/purchase cards	14	50
Total undrawn financing arrangements	114	150

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,077	–	1,136	–
Long service leave	1,621	103	1,757	263
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,941	–	1,859
Sub-total – asset remediation/restoration	–	1,941	–	1,859
<u>TOTAL PROVISIONS</u>	<u>2,698</u>	<u>2,044</u>	<u>2,893</u>	<u>2,122</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	–	–	22	6
Sewer	–	–	47	5
Provisions relating to externally restricted assets	–	–	69	11
Total provisions relating to restricted assets	–	–	69	11
Total provisions relating to unrestricted assets	2,698	2,044	2,824	2,111
<u>TOTAL PROVISIONS</u>	<u>2,698</u>	<u>2,044</u>	<u>2,893</u>	<u>2,122</u>

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,498	2,377
	<u>1,498</u>	<u>2,377</u>

Gwydir Shire Council

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

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

	Other provisions	
	Asset remediation	Total
2018		
At beginning of year	1,859	1,859
Changes to provision:		
Unwinding of discount	82	82
Total other provisions at end of year	1,941	1,941
2017		
At beginning of year	3,847	3,847
Changes to provision:		
Additional provisions	(1,988)	(1,988)
Total other provisions at end of year	1,859	1,859

Nature and purpose of non-employee benefit provisions**Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions (continued)

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

Rehabilitation

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

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

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

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

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

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

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

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 2018

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	9,327	6,517
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		9,327	6,517
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(6,393)	3,133
Adjust for non-cash items:			
Depreciation and amortisation		7,185	6,693
Net losses/(gains) on disposal of assets		3,140	1,957
Non-cash capital grants and contributions		(34)	(23)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		6,021	–
– Non cash revenue relating to Note 9a IPP&E		–	(1,333)
Unwinding of discount rates on reinstatement provisions		82	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,287)	(2)
Decrease/(increase) in inventories		4	6
Decrease/(increase) in other assets		7	5
Increase/(decrease) in payables		21	(14)
Increase/(decrease) in other accrued expenses payable		92	50
Increase/(decrease) in other liabilities		256	185
Increase/(decrease) in employee leave entitlements		(355)	176
Increase/(decrease) in other provisions		–	(1,988)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		8,739	8,845
(c) Non-cash investing and financing activities			
Other dedications		–	23
Donation of vehicle		34	–
Total non-cash investing and financing activities		34	23

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Warialda Bypass Project	998	500
Warialda Truck Wash	–	100
Purchase of Road Reclaimer	342	–
Total commitments	1,340	600
These expenditures are payable as follows:		
Within the next year	1,340	400
Later than one year and not later than 5 years	–	200
Total payable	1,340	600
Sources for funding of capital commitments:		
Unrestricted general funds	417	600
Future grants and contributions	923	–
Total sources of funding	1,340	600

Note 15. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Defined benefit superannuation contribution plans

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

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Defined benefit superannuation contribution plans (continued)

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

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

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

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

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

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

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

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Defined benefit superannuation contribution plans (continued)

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$ 315,092.72.

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

Council's expected contributions to the Fund for the next annual reporting period is \$ 275,691.72.

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

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

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

* Plus promotional increases

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

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

Council's additional lump sum contribution is around 0.87% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

Gwydir Shire Council

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

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

LIABILITIES NOT RECOGNISED (continued):

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

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 from APRA.

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

4. The Community Mutual Group

Council provides bank guarantees to the value of \$258,892.91 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.

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 2018

Note 16. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	9,327	6,517	9,327	6,517
Investments				
– 'Designated at fair value on initial recognition'	–	1,016	–	1,016
– 'Held to maturity'	–	2,000	–	2,000
Receivables	2,415	1,571	2,415	1,571
Total financial assets	11,742	11,104	11,742	11,104
Financial liabilities				
Payables	2,584	2,175	2,584	2,175
Loans/advances	8,677	9,948	8,677	9,948
Total financial liabilities	11,261	12,123	11,261	12,123

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** are based upon estimated future cash flows discounted by the current market 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**' are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	91	91	(91)	(91)
2017				
Possible impact of a 1% movement in interest rates	73	73	(73)	(73)

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	89%	98%	90%	50%
Overdue	11%	2%	10%	50%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	307	298
< 1 year overdue	38	33
	<u>345</u>	<u>331</u>

Other receivables

Current	2,003	177
0 – 30 days overdue	45	578
31 – 60 days overdue	–	5
61 – 90 days overdue	29	44
	<u>2,077</u>	<u>804</u>

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	99	2,485	-	-	2,584	2,584
Loans and advances	6.14%	-	1,547	4,852	4,304	10,703	8,677
Total financial liabilities		99	4,032	4,852	4,304	13,287	11,261
2017							
Trade/other payables	0.00%	97	2,078	-	-	2,175	2,175
Loans and advances	6.14%	-	967	4,327	5,097	10,391	9,948
Total financial liabilities		97	3,045	4,327	5,097	12,566	12,123

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 29 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	10,020	9,999	(21)	(0%)	U
User charges and fees	3,112	3,376	264	8%	F
Interest and investment revenue	207	216	9	4%	F
Other revenues	2,824	3,739	915	32%	F
Council received additional revenue for the following \$129k workers compensation premium refund for prior years \$272k additional fees for Narroo, \$153k reimbursement wages paid on behalf of the Namoi Joint Organisation \$52k Companion Animals reimbursement and \$25k Work for the Dole.					
Operating grants and contributions	8,959	9,462	503	6%	F
Capital grants and contributions	456	2,738	2,282	500%	F
Council received additional capital grants for the following; Warialda Bypass \$1,258k, Stronger Country Communities \$218k, Library \$200k, Developer Contributions \$201k, Donated Vehicle \$34k.					

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	10,628	11,606	(978)	(9%)	U
Borrowing costs	575	519	56	10%	F
Materials and contracts	4,269	5,336	(1,067)	(25%)	U
Council completed more works using contractors which resulted in savings in employee costs however contractor costs increased.					
Depreciation and amortisation	6,493	7,185	(692)	(11%)	U
Additional depreciation which was not budgeted includes roads \$284k, swimming pools \$154k, sewer assets \$119k, buildings \$135k and water assets \$142k.					
Other expenses	2,479	2,116	363	15%	F
Council paid 5 instalments for Emergency Service Levy in 2016/17 resulting in a saving of \$131k in 2017/18.					
Net losses from disposal of assets	-	3,140	(3,140)	0%	U
The loss on disposal is a result of the residual value of road assets being disposed when the road is reconstructed.					
Revaluation decrement / impairment of IPP&E	-	6,021	(6,021)	0%	U
Following the revaluation of buildings and sewer network assets there was insufficient in the asset revaluation reserve and there the significant reduction in asset value had to be charged to the income statement.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	6,471	8,739	2,268	35.0%	F
The additional income from grants increased the cash flow significantly.					
Cash flows from investing activities	(6,349)	(4,658)	1,691	(26.6%)	F
Council sold a number of investments as it is now investing for shorter terms.					
Cash flows from financing activities	(368)	(1,271)	(903)	245.4%	U
Council had proposed to borrow \$750,000 however this was not taken up.					

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/18	–	–	8,157	8,157
Office Equipment	30/06/18	–	–	288	288
Furniture & Fittings	30/06/18	–	–	749	749
Operational Land	30/06/18	–	–	4,952	4,952
Community Land	30/06/16	–	–	2,557	2,557
Buildings Specialised	30/06/18	–	–	16,117	16,117
Buildings Non-Specialised	30/06/18	–	–	17,533	17,533
Other Structures	30/06/16	–	–	4,357	4,357
Roads	30/06/15	–	–	280,866	280,866
Bridges	30/06/15	–	–	38,154	38,154
Footpaths	30/06/15	–	–	2,686	2,686
Stormwater Drainage	30/06/18	–	–	1,833	1,833
Water Supply Network	30/06/18	–	–	15,046	15,046
Sewerage Network	30/06/18	–	–	4,980	4,980
Swimming Pools	30/06/16	–	–	2,506	2,506
Other	30/06/16	–	–	147	147
Tip Asset	30/06/17	–	–	1,359	1,359
Quarry Asset	30/06/17	–	–	344	344
Work in Progress	30/06/18	–	–	2,810	2,810
Total infrastructure, property, plant and equipment		–	–	405,441	405,441

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/17	—	—	8,433	8,433
Office Equipment	30/06/17	—	—	291	291
Furniture & Fittings	30/06/17	—	—	794	794
Operational Land	30/06/13	—	—	5,279	5,279
Community Land	30/06/16	—	—	2,557	2,557
Buildings Specialised	30/06/13	—	—	25,060	25,060
Buildings Non-Specialised	30/06/13	—	—	23,863	23,863
Other Structures	30/06/16	—	—	4,092	4,092
Roads	30/06/15	—	—	282,254	282,254
Bridges	30/06/15	—	—	38,166	38,166
Footpaths	30/06/15	—	—	2,703	2,703
Stormwater Drainage	30/06/13	—	—	1,289	1,289
Water Supply Network	30/06/13	—	—	11,709	11,709
Sewerage Network	30/06/13	—	—	9,519	9,519
Swimming Pools	30/06/16	—	—	2,632	2,632
Other	30/06/16	—	—	156	156
Tip Asset	30/06/17	—	—	1,462	1,462
Quarry Asset	30/06/17	—	—	382	382
Work in Progress	30/06/17	—	—	1,912	1,912
Total infrastructure, property, plant and equipment		—	—	422,553	422,553

(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 2018

Note 18. Fair value measurement (continued)

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

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)
Land					
Saleable land	3	Market	4,952	-	4,952
Non saleable land	3	Cost	2,557	-	2,557
Total			7,509	-	7,509
Buildings (cost approach)					
Specialised buildings	3	Cost	34,268	18,151	16,117
Total			34,268	18,151	16,117
Buildings (market/income approach)					
Residential Buildings	3	Market	41,690	24,157	17,533
Total			41,690	24,157	17,533

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 2018

Note 18. Fair value measurement (continued)

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

As at 30 June 2018 a comprehensive revaluation was undertaken Scott Fullarton Valuers for Operational Land and Building Asset Classes.

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

1. Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the
2. 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 3 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.

Buildings

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.

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.

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

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

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 2016 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.

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 2018. 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 2018. 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 2015. 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 2018. 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.

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

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

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, and timing of remediation and indexation of labour costs. There has been changes 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, and timing of remediation and indexation of labour costs. There has been changes to the valuation process during the reporting period.

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)**a. The following tables present the changes in level 3 fair value asset classes.**

	Total
Opening balance – 1/7/16	422,664
Purchases (GBV)	7,705
Disposals (WDV)	(2,715)
Depreciation and impairment	(6,693)
FV gains – other comprehensive income	272
Other movement (details here)	1,320
Closing balance – 30/6/17	422,553
Purchases (GBV)	8,243
Disposals (WDV)	(3,675)
Depreciation and impairment	(7,185)
FV gains – other comprehensive income	(8,474)
Revaluation Decrements to P&L	(6,021)
Closing balance – 30/6/18	405,441

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant and equipment	8,157	Cost	Gross Replacement Costs, Useful Life, Residual Value
Office equipment	288	Cost	Gross Replacement Costs, Useful Life, Residual Value
Furniture and fittings	749	Cost	Gross Replacement Costs, Useful Life, Residual Value
Operational land	4,952	Relevant sales in the area	Land Value
Community land	2,557	Land Values issued by Valuer General	Land Value

Gwydir Shire Council

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

Note 18. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Buildings specialised	16,117	Depreciated Replacement Cost	Replacement Costs, Useful Life, Residual Value, Asset Condition
Buildings non-specialised	17,533	Depreciated Replacement Cost	Replacement Costs, Useful Life, Residual Value, Asset Condition
Other structures	4,357	Depreciated Replacement Cost	Replacement Costs, Useful Life, Residual Value, Asset Condition
Roads	280,866	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition
Bridges	38,154	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition
Footpaths	2,686	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition
Stormwater drainage	1,833	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Residual Value, Asset Condition
Water supply network	15,046	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Residual Value, Asset Condition
Sewerage network	4,980	Depreciated Replacement Cost	Replacement Costs, Useful Life, Residual Value, Asset Condition
Swimming pools	2,506	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life, Residual Value
Other	147	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life, Residual Value
Tip asset	1,359	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Residual Value, Asset Condition
Quarry asset	344	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.

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	842	958
Post-employment benefits	366	102
Total	1,208	1,060

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	(Actual \$)	(incl. loans and commitments) (Actual \$)		(Actual \$)	(Actual \$)
2018					
Employee Expenses relating to close family members of KMP	120	-		-	-
Supply of Gravel cartage	183	-		-	-
Nature of the transaction	Value of transactions during year	Outstanding balance	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	(Actual \$)	(incl. loans and commitments) (Actual \$)		(Actual \$)	(Actual \$)
2017					
Employee Expenses relating to close family members of KMP	107	-	Council staff award	-	-
Supply of Gravel cartage	125	-	7 days on invoice	-	-

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.11 not under plans	–	256	–	–	–	–	256	–
Total contributions	–	256	–	–	–	–	256	–

S7.11 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	–	256	–	–	–	–	256	–
Total	–	256	–	–	–	–	256	–

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Financial result and financial position by fund

Income Statement by fund				
\$ '000	2018	2018	2018	2018
Continuing operations	Waste	Water	Sewer	General¹
Income from continuing operations				
Rates and annual charges	1,370	698	633	7,298
User charges and fees	17	959	70	2,330
Interest and investment revenue	57	18	77	64
Other revenues	95	2	12	3,630
Grants and contributions provided for operating purposes	37	24	20	9,381
Grants and contributions provided for capital purposes	–	–	–	2,738
Total income from continuing operations	1,576	1,701	812	25,441
Expenses from continuing operations				
Employee benefits and on-costs	434	446	307	10,419
Borrowing costs	6	162	–	351
Materials and contracts	595	535	116	4,090
Depreciation and amortisation	183	331	202	6,469
Other expenses	2	223	44	1,847
Net losses from the disposal of assets	–	–	–	3,140
Revaluation decrement / impairment of IPPE	–	–	4,035	1,986
Total expenses from continuing operations	1,220	1,697	4,704	28,302
Operating result from continuing operations	356	4	(3,892)	(2,861)
Net operating result for the year before grants and contributions provided for capital purposes	356	4	(3,892)	(5,599)

¹ General fund refers to all Council's activities other than Water, Sewer and Waste

* Waste represents the collection and disposal of domestic waste and landfill operations

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 2018

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

Statement of Financial Position by fund				
\$ '000	2018	2018	2018	2018
ASSETS	Waste	Water	Sewer	General¹
Current assets				
Cash and cash equivalents	2,454	417	3,202	3,254
Receivables	79	342	65	1,929
Inventories	–	21	2	197
Other	–	–	–	3
Total current assets	2,533	780	3,269	5,383
Non-current assets				
Infrastructure, property, plant and equipment	1,999	16,549	5,433	381,460
Total non-current assets	1,999	16,549	5,433	381,460
TOTAL ASSETS	4,532	17,329	8,702	386,843
LIABILITIES				
Current liabilities				
Payables	–	–	–	2,584
Income received in advance	–	–	–	164
Borrowings	7	259	–	725
Provisions	–	–	–	2,698
Total current liabilities	7	259	–	6,171
Non-current liabilities				
Borrowings	58	1,766	–	5,862
Provisions	1,525	–	–	519
Total non-current liabilities	1,583	1,766	–	6,381
TOTAL LIABILITIES	1,590	2,025	–	12,552
Net assets	2,942	15,304	8,702	374,291
EQUITY				
Accumulated surplus	2,341	12,740	8,521	250,298
Revaluation reserves	601	2,564	181	123,993
Total equity	2,942	15,304	8,702	374,291

¹ General Fund refers to all Council's activities other than Water, Sewer and Waste

* Waste represents the collection and disposal of domestic waste and landfill operations

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 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>30</u>	0.11%	16.52%	2.57%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>26,792</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>17,330</u>	58.69%	57.18%	55.62%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>29,530</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>5,432</u>	1.72x	2.04x	2.11x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>3,156</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>7,734</u>	4.32x	6.81x	4.21x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,790</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>449</u>	4.29%	4.42%	5.32%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>10,474</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>9,327</u>	5.08 mths	4.8 mths	4.5 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>1,835</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 10 and 11.

⁽⁴⁾ Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-0.48%	17.13%	0.24%	-1.47%	17.61%	27.96%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	55.01%	53.93%	98.59%	95.07%	97.54%	97.29%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	1.72x	2.04x	3.01x	9.91x	No liabilities	65.70x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

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

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

Gwydir Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	7.98x	7.69x	1.18x	1.50x	0.00x	98.67x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.03%	4.11%	6.72%	6.95%	5.08%	5.80%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	3.44	2.89	3.08	7.64	82.28	73.91	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

END OF AUDITED FINANCIAL STATEMENTS

Gwydir Shire Council

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

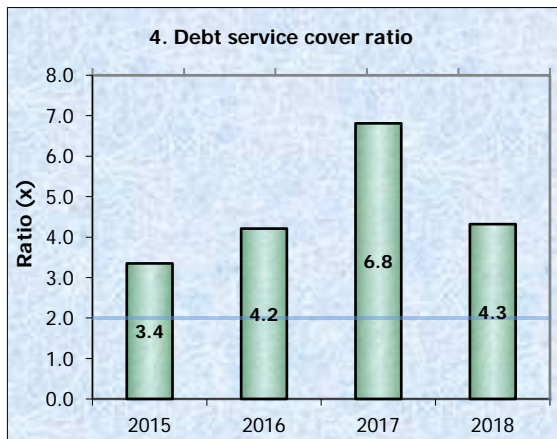
Note 22(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>-26%</td> </tr> <tr> <td>2016</td> <td>3%</td> </tr> <tr> <td>2017</td> <td>17%</td> </tr> <tr> <td>2018</td> <td>0%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	-26%	2016	3%	2017	17%	2018	0%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 0.11%</p> <p>This ratio has been impacted by additional depreciation expense and the continued deficit on the Naroo Aged Care facility operations.</p>
Year	Ratio %											
2015	-26%											
2016	3%											
2017	17%											
2018	0%											
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>58%</td> </tr> <tr> <td>2016</td> <td>56%</td> </tr> <tr> <td>2017</td> <td>57%</td> </tr> <tr> <td>2018</td> <td>59%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	58%	2016	56%	2017	57%	2018	59%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 58.69%</p> <p>Own source revenue has again been impacted by additional grant funding provided by both the commonwealth and state governments.</p>
Year	Ratio %											
2015	58%											
2016	56%											
2017	57%											
2018	59%											
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>2.2</td> </tr> <tr> <td>2016</td> <td>2.1</td> </tr> <tr> <td>2017</td> <td>2.0</td> </tr> <tr> <td>2018</td> <td>1.7</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (x)	2015	2.2	2016	2.1	2017	2.0	2018	1.7	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 1.72x</p> <p>The ratio whilst dropping slightly has now been above the benchmark for the past 4 years.</p>
Year	Ratio (x)											
2015	2.2											
2016	2.1											
2017	2.0											
2018	1.7											

Gwydir Shire Council

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

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



Purpose of debt service cover ratio

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

Commentary on 2017/18 result

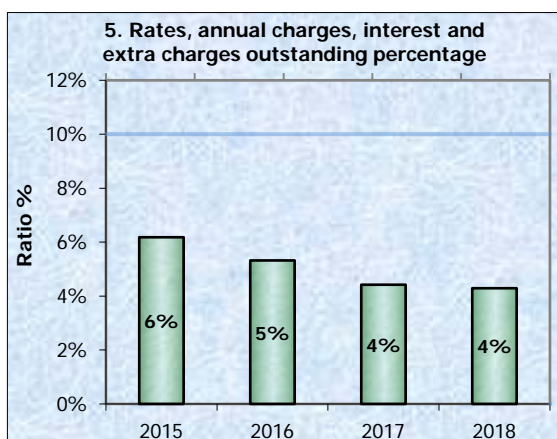
2017/18 ratio 4.32x

This ratio has dropped with the reduction in loan being repaid.

Benchmark: ——— Minimum ≥ 2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result

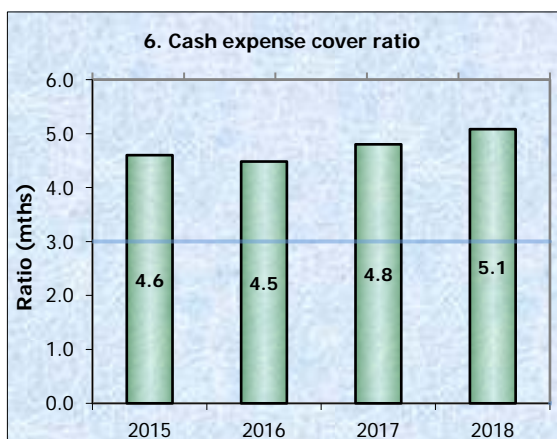
2017/18 ratio 4.29%

An outstanding result considering the difficult time most of council's ratepayers are currently experiencing. The ratio continues to improve as it has done for the past 4 years.

Benchmark: ——— Maximum $< 10.00\%$

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 5.08 mths

A satisfactory result with the benchmark being exceeded for the past 4 years.

Benchmark: ——— Minimum ≥ 3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



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

To the Councillors of the Gwydir Shire Council

Opinion

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

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:


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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a small flourish at the end.

James Sugumar
Director, Financial Audit Services

22 October 2018

SYDNEY

Cr John Coulton
Mayor
Gwydir Shire Council
PO Box 5
BINGARA NSW 2404

Contact: James Sugumar
Phone no: 02 9275 7288
Our ref: D1824404/1736

23 October 2018

Dear Mayor Coulton

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

I issued an unmodified audit opinion in my Independent Auditor's Report for the general purpose financial statements of Gwydir Shire Council (the Council) for the year ended 30 June 2018.

The audit was conducted in accordance with section 415 of the *Local Government Act 1993* (the Act).

This Report on the Conduct of the Audit is issued in accordance with section 417 of the Act and should be read in conjunction with my audit opinion issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I did not identify any significant audit issues or observations during my audit of the Council's general purpose financial statements.

FINANCIAL RESULTS

Income Statement

	2018 \$m	2017 \$m	Variation \$m	Variation %
Rates and annual charges revenue	10.0	9.5	0.5	↑ 5.3
Grants and contributions revenue	12.2	12.0	0.2	↑ 1.7
TOTAL INCOME	29.5	28.0	1.5	↑ 5.4
TOTAL EXPENSES	35.9	24.9	11	↑ 44.2
Operating result for the year	(6.4)	3.1	(9.5)	↓ (306)

Rates and annual charges revenue increased by \$0.5 million mainly due to 1.5% rate rise. Grants and contributions remained stable to prior year.

Total income increased by \$1.5 million due to growth in rates and user charges revenue.

Increase of \$11.0 million in total expenses was mainly due to:

- Write down of assets value from revaluation by \$6.0 million
- Larger losses from disposed assets of \$1.2 million.

Larger growth in expenses in comparison to income contributed to the operating loss for the year.

BALANCE SHEET

	2018 \$m	2017 \$m	Variation \$m	Variation %
Current assets	12.0	9.8	2.2	↑ 22.5
Non-current assets	405.4	423.6	(18.2)	↓ (4.3)
TOTAL ASSETS	417.4	433.4	(16.0)	↓ (3.7)
TOTAL LIABILITIES	16.2	17.3	(1.1)	↓ (6.4)
NET ASSETS	401.2	416.1	(14.9)	↓ (3.6)

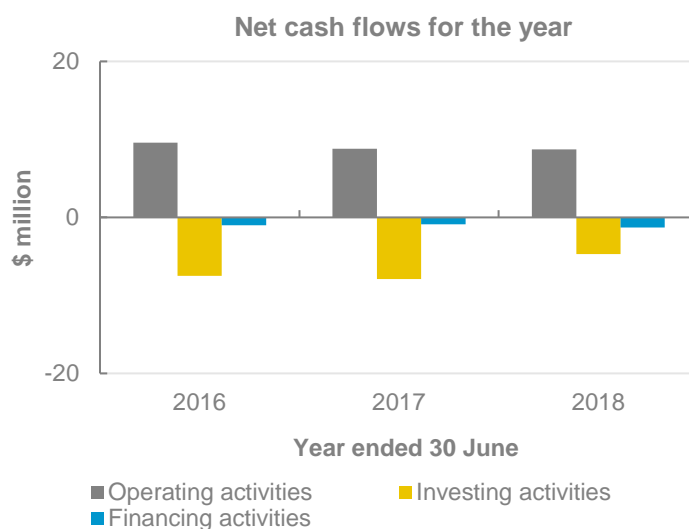
Current assets rose by \$2.2 million mainly from cash receipts from rates and grants and contributions.

Non-current assets decreased by \$18.2 million largely due to fall in value of operational land and buildings assets from reassessment of fair values at 30 June 2018.

CASH FLOWS

Councils cash flows for 30 June 2018 reflects the following cash flows:

- positive cash flows from operating activities
- negative investing activities cash flows from acquisition of assets of \$8.2 million
- negative financing activities cash flow from repayment of borrowings of \$1.3 million.



CASH POSITION

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	6.1	4.5	• Externally restricted cash balance increased from receipt of developer contributions and waste management fund.
Internal restrictions	3.1	3.9	• Internally restricted cash balance decreased by \$0.9 million mainly due to lower amount of financial assistance grant receipt.
Unrestricted	0.1	0.1	• Cash and investments increased by 0.8 million from receipt of rates and grants and contributions.
Cash and investments	9.3	8.5	

COUNCIL'S PERFORMANCE RATIOS FOR 30 JUNE 2018

I provide a summary of outcomes and analysis of the Council's key performance ratios for the year ended 30 June 2018 below:

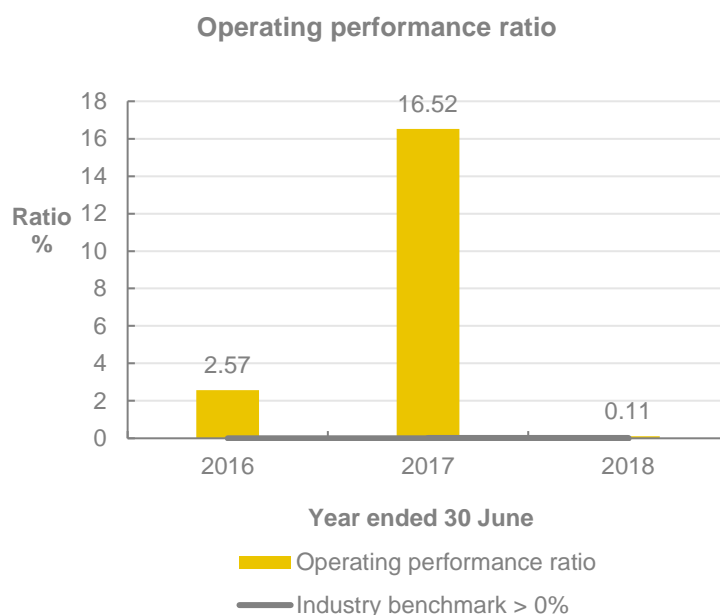
Performance ratio	Outcome	Reference
Operating performance ratio	Achieved	<u>1</u>
Own source operating revenue ratio	Not Achieved	<u>2</u>
Unrestricted current ratio	Achieved	<u>3</u>
Debt service cover ratio	Achieved	<u>4</u>
Rates and annual charges cover ratio	Achieved	<u>5</u>
Cash expense cover ratio	Achieved	<u>6</u>
Building and infrastructure renewals ratio	Not Achieved	<u>7</u>

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

PERFORMANCE RATIOS

Operating performance ratio

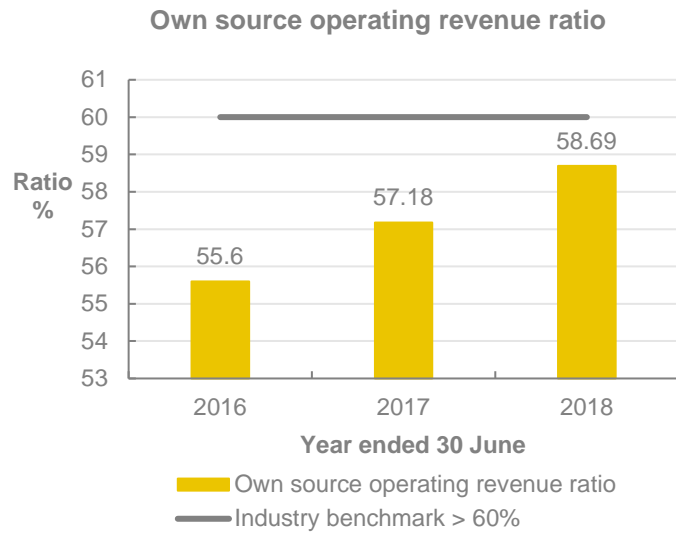
- Council achieved the operating performance ratio benchmark for 30 June 2018.
- The ratio fell significantly from 16.52 in 2017 to 0.11 in 2018 largely due to larger increase of expense.
- The ratio increased in 2016–17 from 2015–16 due to earlier receipt of financial assistance grants.



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

Own source operating revenue ratio

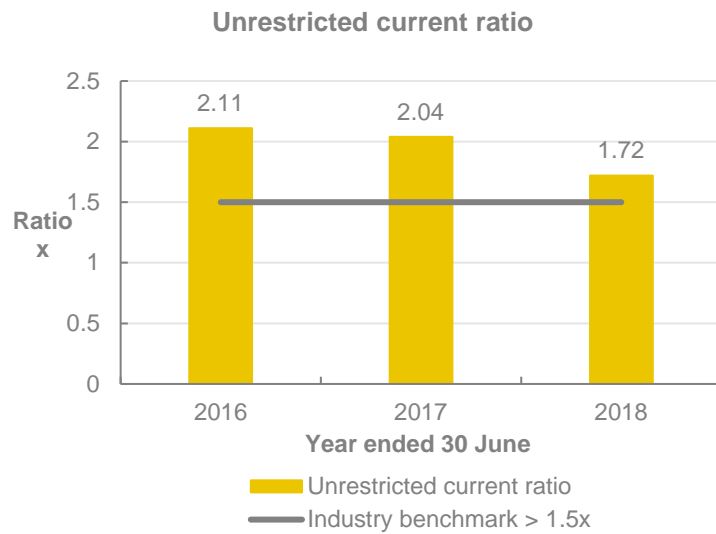
- Council's did not meet the own source operating revenue ratio benchmark for 30 June 2018.
- The ratio has improved in the past three years.
- The ratio was unfavourably impacted by receipt of external funding such as earlier receipt of financial assistance grant and capital grants.



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

Unrestricted current ratio

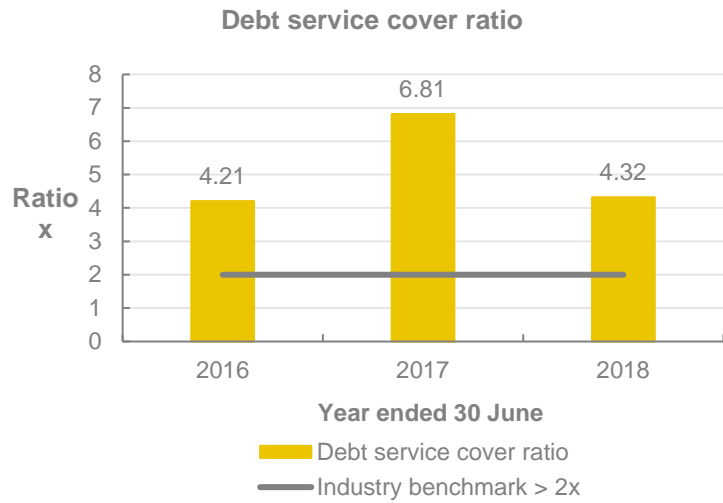
- Council met the unrestricted current ratio benchmark for 30 June 2018.
- It met the benchmark for the past two years.
- Council has sufficient liquid assets to meet its creditor payments as and when they fall due.



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

Debt service cover ratio

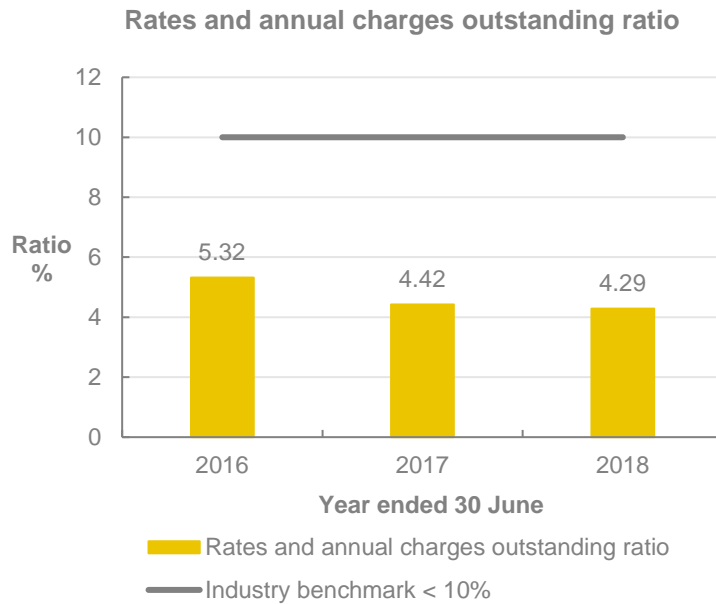
- Council met the debt service cover ratio benchmark for 30 June 2018.
- It continued to exceed the benchmark for the past two years.



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

Rates and annual charges outstanding ratio

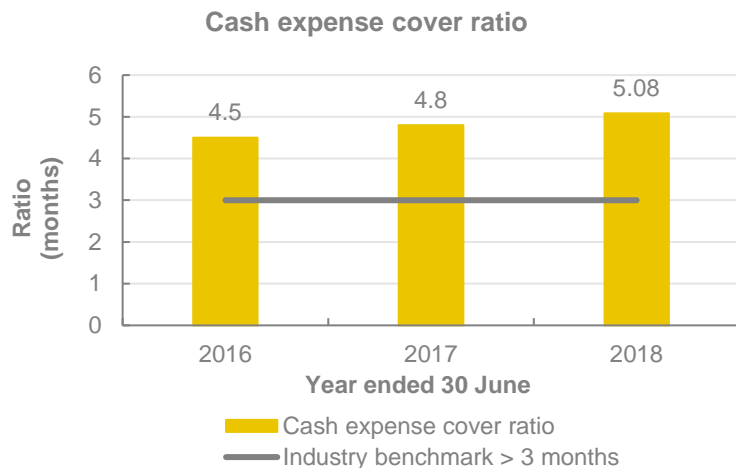
- Council met the rates and annual charges outstanding ratio benchmark for 30 June 2018.
- It did meet this ratio in the past two years.
- Council's collection procedures continue to contribute in meeting this the benchmark.



The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.

Cash expense cover ratio

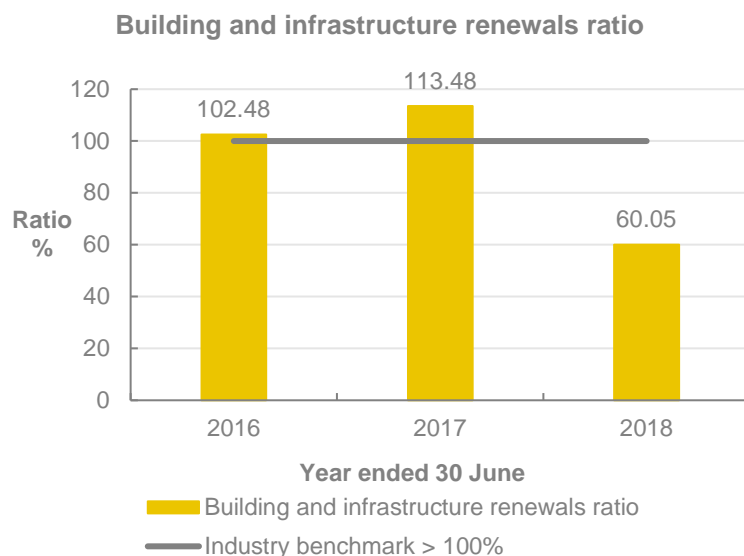
- Council met the cash expense cover ratio benchmark for 30 June 2018
- It met the benchmark of greater than three months for the past two years.



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

Building and infrastructure renewals ratio (unaudited)

- Council did not meet the building and infrastructure renewals ratio benchmark for 30 June 2018.
- It did meet the benchmark for the past two years.
- The ratio decreased mainly due to increased depreciation expense resulting from reassessment of fair values of infrastructure assets.



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

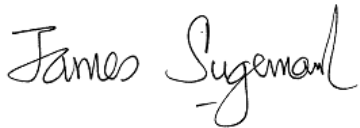
This ratio is sourced from council's Special Schedule 7 which has not been audited.

OTHER MATTERS

Legislative compliance

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

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



James Sugumar
Director, Financial Audit Services

cc: Mr Max Eastcott, General Manager
Ms Helen Thomas, Finance Manager
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Gwydir Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“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 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor’s Report	19

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).
-

Gwydir Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 October 2018.



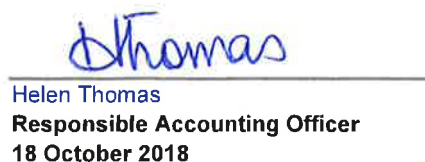
Cr John Coulton
Mayor
18 October 2018



Cr Catherine Egany
Councillor
18 October 2018



Max Eastcott
General Manager
18 October 2018



Helen Thomas
Responsible Accounting Officer
18 October 2018

Gwydir Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	698	642
User charges	956	663
Fees	3	4
Interest	18	21
Grants and contributions provided for non-capital purposes	24	24
Other income	2	2
Total income from continuing operations	1,701	1,356
Expenses from continuing operations		
Employee benefits and on-costs	446	376
Borrowing costs	162	176
Materials and contracts	535	415
Depreciation, amortisation and impairment	331	185
Loss on sale of assets	–	163
Debt guarantee fee (if applicable)	–	14
Other expenses	223	61
Total expenses from continuing operations	1,697	1,390
Surplus (deficit) from continuing operations before capital amounts	4	(34)
Grants and contributions provided for capital purposes	–	45
Surplus (deficit) from continuing operations after capital amounts	4	11
Surplus (deficit) from all operations before tax	4	11
Less: corporate taxation equivalent (30%) [based on result before capital]	(1)	–
SURPLUS (DEFICIT) AFTER TAX	3	11
Plus opening retained profits	12,736	12,711
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	–	14
– Corporate taxation equivalent	1	–
Closing retained profits	12,740	12,736
Return on capital %	1.0%	0.9%
Subsidy from Council	269	230
Calculation of dividend payable:		
Surplus (deficit) after tax	3	11
Less: capital grants and contributions (excluding developer contributions)	–	(45)
Surplus for dividend calculation purposes	3	–
Potential dividend calculated from surplus	1	–

Gwydir Shire Council

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

\$ '000	2018	2017
Income from continuing operations		
Access charges	633	628
User charges	70	60
Interest	77	64
Grants and contributions provided for non-capital purposes	20	21
Other income	12	3
Total income from continuing operations	812	776
Expenses from continuing operations		
Employee benefits and on-costs	307	261
Materials and contracts	116	171
Depreciation, amortisation and impairment	4,237	80
Other expenses	44	47
Total expenses from continuing operations	4,704	559
Surplus (deficit) from continuing operations before capital amounts	(3,892)	217
Surplus (deficit) from continuing operations after capital amounts	(3,892)	217
Surplus (deficit) from all operations before tax	(3,892)	217
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(65)
SURPLUS (DEFICIT) AFTER TAX	(3,892)	152
Plus opening retained profits	12,413	12,196
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	65
Closing retained profits	8,521	12,413
Return on capital %	-71.6%	2.1%
Subsidy from Council	4,035	25
Calculation of dividend payable:		
Surplus (deficit) after tax	(3,892)	152
Surplus for dividend calculation purposes	–	152
Potential dividend calculated from surplus	–	76

Gwydir Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

\$ '000	Waste business activity Category 2		Naroo aged care Category 1	
	2018	2017	2018	2017
Income from continuing operations				
Access charges	1,370	1,069	–	–
Rentals	–	–	2,383	2,113
User charges	17	–	–	–
Interest	57	46	7	6
Grants and contributions provided for non-capital purposes	37	34	–	–
Other income	95	31	56	4
Total income from continuing operations	1,576	1,180	2,446	2,123
Expenses from continuing operations				
Employee benefits and on-costs	434	432	2,032	1,819
Borrowing costs	6	7	(10)	351
Materials and contracts	595	657	539	416
Depreciation, amortisation and impairment	183	233	119	144
Loss on sale of assets	–	1	–	–
Debt guarantee fee (if applicable)	–	–	–	16
Restatement of provisions	–	(2,906)	–	–
Other expenses	2	7	71	102
Total expenses from continuing operations	1,220	(1,569)	2,751	2,848
Surplus (deficit) from continuing operations before capital amounts	356	2,749	(305)	(725)
Surplus (deficit) from continuing operations after capital amounts	356	2,749	(305)	(725)
Surplus (deficit) from all operations before tax	356	2,749	(305)	(725)
Less: corporate taxation equivalent (30%) [based on result before capital]	(107)	(825)	–	–
SURPLUS (DEFICIT) AFTER TAX	249	1,924	(305)	(725)
Plus opening retained profits	1,985	(764)	(54)	655
Plus adjustments for amounts unpaid:				
– Debt guarantee fees	–	–	–	16
– Corporate taxation equivalent	107	825	–	–
Closing retained profits	2,341	1,985	(359)	(54)
Return on capital %	18.1%	136.4%	-7.0%	-6.5%
Subsidy from Council	–	–	434	510

Gwydir Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	417	787
Receivables	342	162
Inventories	21	22
Total current assets	780	971
Non-current assets		
Infrastructure, property, plant and equipment	16,549	15,628
Total non-current assets	16,549	15,628
TOTAL ASSETS	17,329	16,599
LIABILITIES		
Current liabilities		
Borrowings	259	76
Provisions	–	22
Total current liabilities	259	98
Non-current liabilities		
Borrowings	1,766	2,207
Provisions	–	6
Total non-current liabilities	1,766	2,213
TOTAL LIABILITIES	2,025	2,311
NET ASSETS	15,304	14,288
EQUITY		
Accumulated surplus	12,740	12,736
Revaluation reserves	2,564	1,552
TOTAL EQUITY	15,304	14,288

Gwydir Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	3,202	3,018
Receivables	65	68
Inventories	2	2
Total current Assets	3,269	3,088
Non-current assets		
Infrastructure, property, plant and equipment	5,433	10,178
Total non-current assets	5,433	10,178
TOTAL ASSETS	8,702	13,266
LIABILITIES		
Current liabilities		
Provisions	–	47
Total current liabilities	–	47
Non-current liabilities		
Provisions	–	5
Total non-current liabilities	–	5
TOTAL LIABILITIES	–	52
NET ASSETS	8,702	13,214
EQUITY		
Accumulated surplus	8,521	12,413
Revaluation reserves	181	801
TOTAL EQUITY	8,702	13,214

Gwydir Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Waste business activity Category 2		Naroo aged care Category 1	
	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	2,454	2,033	290	290
Receivables	79	71	72	56
Total Current Assets	2,533	2,104	362	346
Non-current assets				
Receivables	–	–	–	387
Infrastructure, property, plant and equipment	1,999	2,021	4,510	5,712
Total non-current assets	1,999	2,021	4,510	6,099
TOTAL ASSETS	4,532	4,125	4,872	6,445
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	1,413	1,292
Payables	–	–	1	–
Borrowings	7	7	42	192
Aged care bonds	–	–	1,934	1,637
Provisions	–	27	–	–
Total current liabilities	7	34	3,390	3,121
Non-current liabilities				
Borrowings	58	65	2,739	3,256
Provisions	1,525	1,462	–	–
Other Liabilities	–	–	117	117
Total non-current liabilities	1,583	1,527	2,856	3,373
TOTAL LIABILITIES	1,590	1,561	6,246	6,494
NET ASSETS	2,942	2,564	(1,374)	(49)
EQUITY				
Accumulated surplus	2,341	1,985	(359)	(54)
Revaluation reserves	601	579	(1,015)	5
TOTAL EQUITY	2,942	2,564	(1,374)	(49)

Gwydir Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Gwydir Shire Council

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

Note 1. Significant accounting policies

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

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

Naroo Aged Care Facility -

Comprising the whole of the operations and assets of the aged care facility located at Warialda.

Gwydir Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Gwydir Shire Council

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

Note 1. Significant accounting policies (continued)

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the ‘owner’ of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face ‘true’ commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council’s borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, ‘subsidies disclosed’ (in relation to National Competition Policy) represents the difference between revenue generated from ‘rate of 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.

Gwydir Shire Council

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

Note 1. Significant accounting policies (continued)

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

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

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

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Gwydir Shire Council

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

Note 2. Water supply business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	5,037
(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]	1,400
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	50,370
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(75,200)

2018 Surplus	2,800	2017 Surplus	(34,000)	2016 Surplus	(44,000)
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	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 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,686
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	54.23%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	15,046
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,051
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	96
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.84%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Gwydir Shire Council

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	3,825
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	38,250
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(3,588,200)

2018 Surplus	(3,892,000)	2017 Surplus	151,900	2016 Surplus	151,900
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	737
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	4,980
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	407
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	96
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)]	%	2.36%
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	(1,612)
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	-2.73%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	192
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)]	%	1.97%
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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-6.64%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 432 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: 72 Interest expense (w4a + s4a) – interest income (w9 + s10)		6
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(3,888)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	44

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



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

To the Councillors of Gwydir Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Waste Business Activity
- Naroo aged care.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Emphasis of Matter - Basis of Accounting

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

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



James Sugumar
Director, Financial Audit Services

22 October 2018
SYDNEY

Gwydir Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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



Gwydir Shire Council

Special Schedules

for the year ended 30 June 2018

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

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Gwydir Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,455	4	–	(1,451)
Administration	3,865	312	–	(3,553)
Public order and safety				
Fire service levy, fire protection, emergency services	752	261	–	(491)
Beach control	–	–	–	–
Enforcement of local government regulations	44	–	–	(44)
Animal control	148	55	–	(93)
Other	2	–	–	(2)
Total public order and safety	946	316	–	(630)
Health	85	34	–	(51)
Environment				
Noxious plants and insect/vermin control	202	105	–	(97)
Other environmental protection	157	33	–	(124)
Solid waste management	1,220	1,576	–	356
Street cleaning	345	–	–	(345)
Drainage	–	–	–	–
Stormwater management	84	39	–	(45)
Total environment	2,008	1,753	–	(255)
Community services and education				
Administration and education	256	21	–	(235)
Social protection (welfare)	531	431	–	(100)
Aged persons and disabled	3,040	2,742	76	(222)
Children's services	412	354	–	(58)
Total community services and education	4,239	3,548	76	(615)
Housing and community amenities				
Public cemeteries	67	66	–	(1)
Public conveniences	107	–	–	(107)
Street lighting	79	20	–	(59)
Town planning	218	77	256	115
Other community amenities	333	343	–	10
Total housing and community amenities	804	506	256	(42)
Water supplies	1,697	1,701	–	4
Sewerage services	4,704	812	–	(3,892)

Gwydir Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	268	47	200	(21)
Museums	22	–	–	(22)
Art galleries	–	–	–	–
Community centres and halls	2,817	6	–	(2,811)
Performing arts venues	281	75	–	(206)
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	301	39	280	18
Swimming pools	372	–	–	(372)
Parks and gardens (lakes)	754	100	–	(654)
Other sport and recreation	21	30	–	9
Total recreation and culture	4,836	297	480	(4,059)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	39	29	–	(10)
Other mining, manufacturing and construction	83	40	–	(43)
Total mining, manufacturing and const.	122	69	–	(53)
Transport and communication				
Urban roads (UR) – local	350	–	–	(350)
Urban roads – regional	34	–	–	(34)
Sealed rural roads (SRR) – local	3,422	–	1,634	(1,788)
Sealed rural roads (SRR) – regional	2,341	1,605	292	(444)
Unsealed rural roads (URR) – local	2,594	1,802	–	(792)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	8	–	–	(8)
Bridges on SRR – local	5	–	–	(5)
Bridges on URR – local	41	–	–	(41)
Bridges on regional roads	8	–	–	(8)
Parking areas	12	–	–	(12)
Footpaths	37	–	–	(37)
Aerodromes	18	–	–	(18)
Other transport and communication	3	–	–	(3)
Total transport and communication	8,873	3,407	1,926	(3,540)
Economic affairs				
Camping areas and caravan parks	433	373	–	(60)
Other economic affairs	1,856	1,761	–	(95)
Total economic affairs	2,289	2,134	–	(155)
Totals – functions	35,923	14,893	2,738	(18,292)
General purpose revenues ⁽¹⁾	–	11,899	–	11,899
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	35,923	26,792	2,738	(6,393)

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	7,662	7,503
Plus or minus adjustments ⁽²⁾	b	(2)	(6)
Notional general income	c = (a + b)	7,660	7,497
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	176	112
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	7,836	7,609
Plus (or minus) last year's carry forward total	l	1	53
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	1	53
Total permissible income	o = k + n	7,837	7,663
Less notional general income yield	p	7,822	7,662
Catch-up or (excess) result	q = o – p	15	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	15	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 2 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 2 may not be suitable for another purpose.

The General Manager's Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

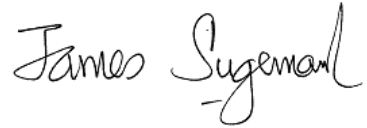
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

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

My opinion does *not* provide assurance:

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

James Sugumar
Director, Financial Audit Services

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a large initial 'J' and a stylized 'S'.

23 October 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	103	46
b. Engineering and supervision	59	18
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	101	84
d. Maintenance expenses	191	133
– Reservoirs		
e. Operation expenses	6	6
f. Maintenance expenses	23	34
– Pumping stations		
g. Operation expenses (excluding energy costs)	114	82
h. Energy costs	196	155
i. Maintenance expenses	19	21
– Treatment		
j. Operation expenses (excluding chemical costs)	40	23
k. Chemical costs	69	61
l. Maintenance expenses	95	66
– Other		
m. Operation expenses	34	31
n. Maintenance expenses	1	2
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	303	318
b. Plant and equipment	28	18
4. Miscellaneous expenses		
a. Interest expenses	162	142
b. Revaluation decrements	–	–
c. Other expenses	153	40
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,697	1,280

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	579	533
b. Usage charges	686	475
7. Non-residential charges		
a. Access (including rates)	119	109
b. Usage charges	267	187
8. Extra charges	3	3
9. Interest income	15	18
10. Other income	8	7
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	45
b. Grants for pensioner rebates	24	24
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	1,701	1,401
14. Gain (or loss) on disposal of assets	–	(96)
15. Operating result	4	25
15a. Operating result (less grants for acquisition of assets)	4	(20)

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	96	443
d. Plant and equipment	–	–
17. Repayment of debt	258	154
18. Totals	354	597
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,296	1,364
b. Residential (unoccupied, ie. vacant lot)	127	–
c. Non-residential (occupied)	250	250
d. Non-residential (unoccupied, ie. vacant lot)	6	6
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 43,225	\$ 44,538

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	417	–	417
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	39	–	39
c. User charges	292	–	292
d. Other	11	–	11
27. Inventories	21	–	21
28. Property, plant and equipment			
a. System assets	–	15,046	15,046
b. Plant and equipment	–	1,503	1,503
29. Other assets	–	–	–
30. Total assets	780	16,549	17,329
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	259	1,766	2,025
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	259	1,766	2,025
36. NET ASSETS COMMITTED	521	14,783	15,304
EQUITY			
37. Accumulated surplus			12,740
38. Asset revaluation reserve			2,564
39. Other reserves			–
40. TOTAL EQUITY			15,304
Note to system assets:			
41. Current replacement cost of system assets			22,405
42. Accumulated current cost depreciation of system assets			(7,359)
43. Written down current cost of system assets			15,046

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	15	68
b. Engineering and supervision	46	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	2	1
b. Maintenance expenses	28	27
– Pumping stations		
c. Operation expenses (excluding energy costs)	44	39
d. Energy costs	11	11
e. Maintenance expenses	26	20
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	113	148
g. Chemical costs	12	–
h. Energy costs	30	25
i. Effluent management	–	–
j. Biosolids management	–	2
k. Maintenance expenses	79	48
– Other		
l. Operation expenses	–	11
m. Maintenance expenses	1	6
3. Depreciation expenses		
a. System assets	194	79
b. Plant and equipment	8	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	60	74
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	669	559

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	570	559
7. Non-residential charges		
a. Access (including rates)	63	62
b. Usage charges	–	–
8. Trade waste charges		
a. Annual fees	–	7
b. Usage charges	62	60
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	2	3
10. Interest income	75	61
11. Other income	20	3
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	20	21
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>812</u>	<u>776</u>
15. Gain (or loss) on disposal of assets	(4,035)	–
16. Operating result	<u>(3,892)</u>	<u>217</u>
16a. Operating result (less grants for acquisition of assets)	(3,892)	217

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	96	192
d. Plant and equipment	–	–
18. Repayment of debt	–	3
19. Totals	96	195
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,036	1,101
b. Residential (unoccupied, ie. vacant lot)	65	–
c. Non-residential (occupied)	173	173
d. Non-residential (unoccupied, ie. vacant lot)	1	1
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 37,100	\$ 38,281

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,202	–	3,202
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	30	–	30
c. User charges	31	–	31
d. Other	4	–	4
28. Inventories	2	–	2
29. Property, plant and equipment			
a. System assets	–	4,980	4,980
b. Plant and equipment	–	453	453
30. Other assets	–	–	–
31. Total assets	<u>3,269</u>	<u>5,433</u>	<u>8,702</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>–</u>	<u>–</u>	<u>–</u>
37. NET ASSETS COMMITTED	<u>3,269</u>	<u>5,433</u>	<u>8,702</u>
EQUITY			
38. Accumulated surplus			8,521
39. Asset revaluation reserve			181
40. Other reserves			–
41. TOTAL EQUITY			<u>8,702</u>
Note to system assets:			
42. Current replacement cost of system assets			12,392
43. Accumulated current cost depreciation of system assets			(7,412)
44. Written down current cost of system assets			<u>4,980</u>

Gwydir Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Gwydir Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	1,035	–	383	383	17,533	41,690	7%	19%	64%	7%	3%
	Buildings – specialised	571	–	314	314	16,117	34,268	8%	26%	54%	12%	0%
	Sub-total	1,606	–	697	697	33,650	75,958	7.5%	22.2%	59.5%	9.3%	1.6%
Other structures	Other structures	–	–	–	–	4,357	5,618	64%	28%	8%	0%	0%
	Sub-total	–	–	–	–	4,357	5,618	64.0%	28.0%	8.0%	0.0%	0.0%
Roads	Sealed roads	1,213	–	1,183	1,183	184,180	216,754	45%	46%	5%	4%	0%
	Unsealed roads	1,073	–	859	859	94,179	104,516	86%	5%	4%	3%	2%
	Bridges	–	–	40	40	38,154	38,547	47%	49%	4%	0%	0%
	Footpaths	275	–	17	17	2,686	3,190	2%	21%	60%	17%	0%
	Kerb & Guttering	218	–	21	21	2,507	3,111	12%	54%	17%	14%	3%
	Sub-total	2,779	–	2,120	2,120	321,706	366,118	56.3%	34.5%	5.2%	3.5%	0.6%
Water supply network	Water supply network	221	–	419	419	15,046	22,045	50%	39%	3%	8%	0%
	Sub-total	221	–	419	419	15,046	22,045	50.0%	39.0%	3.0%	8.0%	0.0%
Sewerage network	Sewerage network	374	–	185	185	4,980	12,392	8%	50%	0%	42%	0%
	Sub-total	374	–	185	185	4,980	12,392	8.0%	50.0%	0.0%	42.0%	0.0%

Gwydir Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	171	–	38	38	1,833	3,860	1%	90%	9%	0%	0%
	Sub-total	171	–	38	38	1,833	3,860	1.0%	90.0%	9.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	–	–	2,506	2,707	0%	0%	100%	0%	0%
	Sub-total	–	–	–	–	2,506	2,707	0.0%	0.0%	100.0%	0.0%	0.0%
TOTAL – ALL ASSETS		5,151	–	3,459	3,459	384,078	488,698	46.5%	33.3%	14.0%	5.5%	0.7%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Gwydir Shire Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>7,224</u>	60.05%	113.48%	102.48%	>= 100%
Depreciation, amortisation and impairment	<u>12,030</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>5,151</u>	1.34%	3.11%	3.05%	< 2.00%
Net carrying amount of infrastructure assets	<u>384,078</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>3,459</u>	100.00%	100.00%	100.00%	> 100%
Required asset maintenance	<u>3,459</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>–</u>	0.00%	0.00%	0.00%	
Gross replacement cost	<u>488,698</u>				

Notes

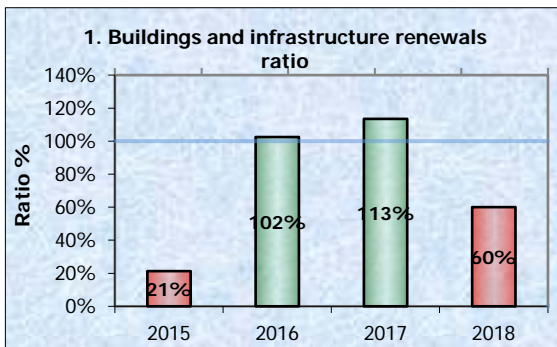
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Gwydir Shire Council

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



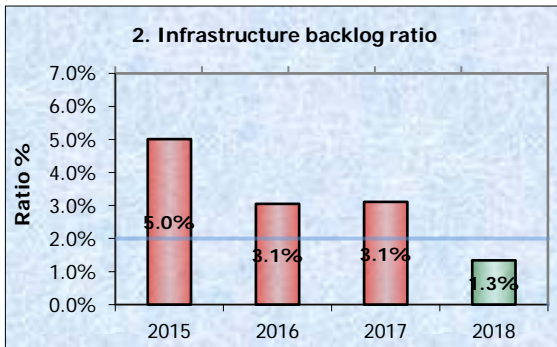
Purpose of asset renewals ratio

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

2017/18 Ratio 60.05%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



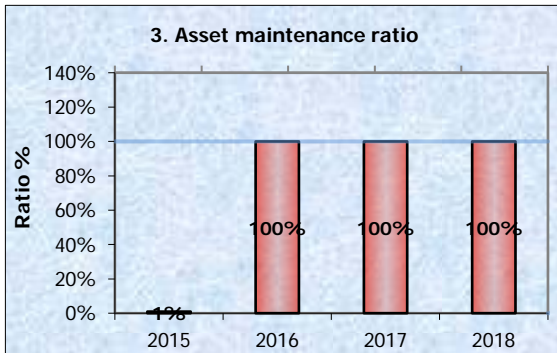
Purpose of infrastructure backlog ratio

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

2017/18 Ratio 1.34%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



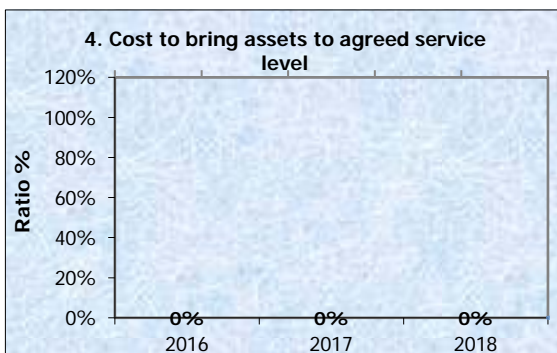
Purpose of asset maintenance ratio

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

2017/18 Ratio 100.00%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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

2017/18 Ratio 0.00%

Gwydir Shire Council

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

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	94.00%	105.34%	26.40%	352.00%	2.27%	377.46%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	1.25%	2.50%	1.47%	4.54%	7.51%	25.80%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.