

Gilgandra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*"Gilgandra Shire is a strong and sustainable rural
centre with a caring community that is building a
future together"*



Gilgandra Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

15 Warren Rd
Gilgandra NSW 2827

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.gilgandra.nsw.gov.au.

Gilgandra 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 16 October 2018.



Doug Batten
Mayor
16 October 2018



Ash Walker
Councillor
16 October 2018



David Neeves
General Manager
16 October 2018



Guy McAnally-Elwin
Responsible Accounting Officer
16 October 2018

Gilgandra 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>				
5,924	Rates and annual charges	3a	5,958	5,786
13,398	User charges and fees	3b	14,756	15,360
468	Interest and investment revenue	3c	572	514
714	Other revenues	3d	864	1,185
10,322	Grants and contributions provided for operating purpose	3e,f	10,625	11,782
1,755	Grants and contributions provided for capital purposes	3e,f	2,729	1,348
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	–	14
32,581	Total income from continuing operations		35,504	35,989
Expenses from continuing operations				
13,294	Employee benefits and on-costs	4a	14,336	13,238
176	Borrowing costs	4b	190	177
10,480	Materials and contracts	4c	10,182	8,404
4,034	Depreciation and amortisation	4d	4,827	4,544
1,854	Other expenses	4e	1,712	1,563
–	Net losses from the disposal of assets	5	392	–
29,838	Total expenses from continuing operations		31,639	27,926
2,743	Operating result from continuing operations		3,865	8,063
2,743	Net operating result for the year		3,865	8,063
2,743	Net operating result attributable to Council		3,865	8,063
–	Net operating result attributable to non-controlling interests		–	–
988	Net operating result for the year before grants and contributions provided for capital purposes		1,136	6,715

Gilgandra 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)		3,865	8,063
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	(4,034)	420
Impairment (loss) reversal relating to IPP&E	10a	1,872	(1,872)
Total items which will not be reclassified subsequently to the operating result		(2,162)	(1,452)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(2,162)	(1,452)
Total comprehensive income for the year		1,703	6,611
Total comprehensive income attributable to Council		1,703	6,611
Total comprehensive income attributable to non-controlling interests		-	-

Gilgandra Shire Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,926	8,609
Investments	6b	21,000	13,500
Receivables	7	2,764	2,105
Inventories	8	775	941
Total current assets		28,465	25,155
Non-current assets			
Receivables	7	179	198
Inventories	8	850	773
Infrastructure, property, plant and equipment	10	282,174	282,618
Total non-current assets		283,203	283,589
TOTAL ASSETS		311,668	308,744
LIABILITIES			
Current liabilities			
Payables	11	13,760	11,708
Income received in advance	11	231	218
Borrowings	11	453	579
Provisions	12	2,857	3,174
Total current liabilities		17,301	15,679
Non-current liabilities			
Borrowings	11	3,280	3,735
Provisions	12	748	694
Total non-current liabilities		4,028	4,429
TOTAL LIABILITIES		21,329	20,108
Net assets		290,339	288,636
EQUITY			
Accumulated surplus		88,382	84,517
Revaluation reserves		201,957	204,119
Council equity interest		290,339	288,636
Total equity		290,339	288,636

Gilgandra Shire Council

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	Notes	2018				2017					
		Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity
Opening balance		84,517	204,119	288,636	–	288,636	76,454	205,571	282,025	–	282,025
Net operating result for the year		3,865	–	3,865	–	3,865	8,063	–	8,063	–	8,063
Other comprehensive income											
– Gain (loss) on revaluation of IPP&E	10a	–	(4,034)	(4,034)	–	(4,034)	–	420	420	–	420
– Impairment (loss) reversal relating to IPP&E	10a	–	1,872	1,872	–	1,872	–	(1,872)	(1,872)	–	(1,872)
Other comprehensive income		–	(2,162)	(2,162)	–	(2,162)	–	(1,452)	(1,452)	–	(1,452)
Total comprehensive income		3,865	(2,162)	1,703	–	1,703	8,063	(1,452)	6,611	–	6,611
Equity – balance at end of the reporting period		88,382	201,957	290,339	–	290,339	84,517	204,119	288,636	–	288,636

Gilgandra 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:				
5,924	Rates and annual charges		5,950	5,719
13,398	User charges and fees		15,498	15,670
468	Investment and interest revenue received		543	506
12,077	Grants and contributions		13,432	13,174
714	Other		871	1,560
Payments:				
(13,294)	Employee benefits and on-costs		(14,630)	(13,520)
(10,390)	Materials and contracts		(10,356)	(9,220)
(175)	Borrowing costs		(167)	(146)
(1,854)	Other		(1,569)	(1,952)
6,868	Net cash provided (or used in) operating activities	14b	9,572	11,791
Cash flows from investing activities				
Receipts:				
–	Sale of real estate assets		45	–
484	Sale of infrastructure, property, plant and equipment		389	296
–	Deferred debtors receipts		–	10
Payments:				
–	Purchase of investment securities		(7,500)	–
(10,022)	Purchase of infrastructure, property, plant and equipment		(7,179)	(8,152)
–	Purchase of real estate assets		(77)	(195)
(9,538)	Net cash provided (or used in) investing activities		(14,322)	(8,041)
Cash flows from financing activities				
Receipts:				
2,300	Proceeds from borrowings and advances		–	1,312
1,000	Proceeds from Retirement Complex Contributions		2,252	1,316
Payments:				
(574)	Repayment of borrowings and advances		(581)	(445)
(1,000)	Repayment of Retirement Complex Contributions		(1,604)	(1,907)
1,726	Net cash flow provided (used in) financing activities		67	276
(944)	Net increase/(decrease) in cash and cash equivalents		(4,683)	4,026
–	Plus: cash and cash equivalents – beginning of year	14a	8,609	4,583
(944)	Cash and cash equivalents – end of the year	14a	3,926	8,609
Additional Information:				
	plus: Investments on hand – end of year	6b	21,000	13,500
	Total cash, cash equivalents and investments		24,926	22,109

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Gilgandra 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 16 October 2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 24 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 21 – 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

Gilgandra 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 investment properties –refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) estimated tip remediation provisions – refer Note 14,
- (iv) employee benefit provisions – refer Note 14.

Significant judgements in applying the Council's accounting policies

- (v) 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
- Orana Living
- Carlinda Enterprises
- Cooee Villa Units
- Cooee Lodge Hostel
- Jack Towney Hostel

(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 are not subject to Council's control and, therefore have not been included in these reports.

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

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.

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

New accounting standards and interpretations issued not yet effective

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

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

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

- *AASB 9 Financial Instruments*

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

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

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

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

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

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

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

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

- *AASB 16 Leases*

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

Gilgandra Shire Council

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

Note 1. Basis of preparation (continued)

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

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

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

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	153	188	(153)	(188)	–	–	–	29
Administration	445	532	8,646	8,141	(8,201)	(7,609)	140	241	17,470	12,995
Public order and safety	237	316	547	546	(310)	(230)	211	285	1,645	2,060
Health	77	74	403	378	(326)	(304)	–	–	2,607	2,076
Environment	627	592	738	700	(111)	(108)	–	–	3,285	2,976
Community services and education	10,520	11,553	8,115	7,211	2,405	4,342	1,221	2,004	32,298	34,472
Housing and community amenities	232	212	330	296	(98)	(84)	40	–	2,409	2,310
Water supplies	1,408	1,211	1,103	1,031	305	180	455	334	18,456	17,932
Sewerage services	935	880	754	655	181	225	15	17	15,216	14,849
Recreation and culture	434	250	1,057	904	(623)	(654)	334	142	7,338	8,607
Mining, manufacturing and construction	29	25	90	160	(61)	(135)	–	–	–	–
Transport and communication	11,153	9,766	9,118	7,125	2,035	2,641	6,037	3,717	207,989	205,224
Economic affairs	524	496	585	591	(61)	(95)	35	–	2,955	5,214
General purpose revenues	8,883	10,082	–	–	8,883	10,082	3,736	5,306	–	–
Total functions and activities	35,504	35,989	31,639	27,926	3,865	8,063	12,224	12,046	311,668	308,744

Gilgandra 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:

Governance

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

Administration

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

Public order and safety

Includes fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes food control and medical centres.

Environment

Includes noxious plants and insect / vermin control, solid waste management (including domestic, commercial and other waste management), street cleaning and stormwater management.

Community services and education

Includes administration and education, social protection (welfare), aged and disabled persons services and childrens services.

Housing and community amenities

Includes public cemeteries, public conveniences, street lighting, town planning and other community amenities including housing services.

Water supplies

Includes the provision of a water supply service to the town of Gilgandra and the village of Tooraweenah.

Sewerage services

Includes the provision of a sewerage service to the town of Gilgandra.

Recreation and culture

Includes public libraries, community centres and halls, other cultural services (heritage programs), sporting grounds and venues, swimming pools, parks and gardens and other sport and recreation services

Mining, manufacturing and construction

Includes building control and gravel pits.

Transport and communication

Includes urban roads, sealed and unsealed rural roads, regional roads, bridges, parking areas, footpaths, aerodromes and other transport services including RMS contract works, rural addressing, road safety officer and kerb and gutter.

Economic affairs

Includes camping areas and caravan parks, tourism and area promotion, real estate development, private works and other business undertakings.

Gilgandra 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	891	872
Farmland	3,527	3,471
Business	235	233
Total ordinary rates	4,653	4,576
Special rates		
Nil		
Total special rates	-	-
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	443	415
Stormwater management services	26	26
Water supply services	344	314
Sewerage services	389	356
Waste management services (non-domestic)	103	99
Total annual charges	1,305	1,210
TOTAL RATES AND ANNUAL CHARGES	5,958	5,786

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.

Gilgandra 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		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	554	499
Sewerage services	507	478
Total specific user charges	1,061	977
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	92	69
Private works – section 67	376	355
Total fees and charges – statutory/regulatory	468	424
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	55	55
Aged and disabled care	8,120	7,897
Caravan park	17	17
Cemeteries	59	55
RMS (formerly RTA) charges (state roads not controlled by Council)	4,598	5,562
Swimming centres	34	32
Waste disposal tipping fees	56	52
Companion animals	27	34
Government access centre	4	2
Rent and hire of council properties	224	216
Other	33	37
Total fees and charges – other	13,227	13,959
TOTAL USER CHARGES AND FEES	14,756	15,360

Accounting policy for user charges and fees

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	28	27
– Cash and investments	544	487
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>572</u>	<u>514</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	28	27
General Council cash and investments	466	394
Restricted investments/funds – external:		
Water fund operations	55	65
Sewerage fund operations	23	28
<u>Total interest and investment revenue recognised</u>	<u>572</u>	<u>514</u>

Accounting policy for interest and investment revenue

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

(d) Other revenues

Legal fees recovery – rates and charges (extra charges)	9	8
Commissions and agency fees	169	156
Insurance rebates and claim recoveries	210	216
Sales – general	99	134
Payroll tax reimbursement	–	276
Accommodation bonds retained	296	303
Tourism, promotion and economic development	14	32
Other	67	60
<u>TOTAL OTHER REVENUE</u>	<u>864</u>	<u>1,185</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.

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.

Gilgandra 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	3,689	5,255	–	–
Other				
Pensioners' rates subsidies – general component	47	51	–	–
Total general purpose	3,736	5,306	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	12	14	–	–
– Sewerage	12	13	–	–
Water supplies	–	–	431	308
Aged and disabled care	916	1,319	–	337
Bushfire and emergency services	215	97	–	188
Employment and training programs	198	209	–	–
Library	31	108	199	–
LIRS subsidy	57	64	–	–
Recreation and culture	3	7	102	–
Street lighting	40	40	–	–
Transport (roads and bridges funding)	4,213	3,387	1,884	400
Parental leave	3	36	–	–
Youth services	115	117	–	–
Other	31	50	26	46
Total specific purpose	5,846	5,461	2,642	1,279
Total grants	9,582	10,767	2,642	1,279
Grant revenue is attributable to:				
– Commonwealth funding	5,596	7,512	826	737
– State funding	3,986	3,255	1,816	542
	9,582	10,767	2,642	1,279

Gilgandra 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					
Other contributions:					
Cash contributions					
Recreation and culture		–	–	8	14
Roads and bridges		44	44	–	–
RMS contributions (regional roads, block grant)		383	377	79	55
Education (pre school)		494	488	–	–
Aged and disabled care		122	106	–	–
Total other contributions – cash		1,043	1,015	87	69
Non-cash contributions					
Nil					
Total other contributions – non-cash		–	–	–	–
Total other contributions		1,043	1,015	87	69
Total contributions		1,043	1,015	87	69
TOTAL GRANTS AND CONTRIBUTIONS		10,625	11,782	2,729	1,348

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.

Gilgandra 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	966	367
Add: operating grants recognised in the current period but not yet spent	803	966
Less: operating grants recognised in a previous reporting period now spent	(466)	(367)
Unexpended and held as restricted assets (operating grants)	<u>1,303</u>	<u>966</u>
Capital grants		
Unexpended at the close of the previous reporting period	94	13
Add: capital grants recognised in the current period but not yet spent	289	94
Less: capital grants recognised in a previous reporting period now spent	(14)	(13)
Unexpended and held as restricted assets (capital grants)	<u>369</u>	<u>94</u>
Contributions		
Unexpended at the close of the previous reporting period	75	102
Add: contributions recognised in the current period but not yet spent	–	75
Less: contributions recognised in a previous reporting period now spent	(29)	(102)
Unexpended and held as restricted assets (contributions)	<u>46</u>	<u>75</u>

Gilgandra 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	10,741	10,023
Travel expenses	11	11
Employee leave entitlements (ELE)	1,858	1,898
Superannuation	1,159	1,069
Workers' compensation insurance	585	565
Fringe benefits tax (FBT)	78	43
Training costs (other than salaries and wages)	222	144
Other	110	77
Total employee costs	14,764	13,830
Less: capitalised costs	(428)	(592)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>14,336</u>	<u>13,238</u>
Number of 'full-time equivalent' employees (FTE) at year end	179	176

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 19 for more information.

Gilgandra 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
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		158	146
Total interest bearing liability costs		158	146
Total interest bearing liability costs expensed		158	146
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)		–	–
– Remediation liabilities	14	32	31
Total other borrowing costs		32	31
TOTAL BORROWING COSTS EXPENSED		190	177

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.

(c) Materials and contracts

Raw materials and consumables		10,067	8,283
Auditors remuneration ⁽²⁾		52	45
Legal expenses:			
– Legal expenses: other		63	76
Total materials and contracts		10,182	8,404
TOTAL MATERIALS AND CONTRACTS		10,182	8,404

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		52	45
Remuneration for audit and other assurance services		52	45
Total Auditor-General remuneration		52	45
Total Auditor remuneration		52	45

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,013	1,030
Office equipment		112	88
Furniture and fittings		36	46
Infrastructure:			
– Buildings (non-specialised)		29	47
– Buildings (specialised)		345	329
– Other structures		394	242
– Roads, Bridges and Footpaths		1,954	1,849
– Stormwater drainage		61	61
– Water supply network		523	509
– Sewerage network		315	300
Other assets:			
– Heritage collections		–	–
– Library books		21	19
– Other		20	20
Reinstatement, rehabilitation and restoration assets:			
– Gravel Pit Assets	10 & 14	4	4
Total gross depreciation and amortisation costs		4,827	4,544
Total depreciation and amortisation costs		4,827	4,544

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 10 for IPPE assets and Note 12 for intangible assets.

Gilgandra Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	48	43
Bank charges	23	24
Councillor expenses – mayoral fee	23	23
Councillor expenses – councillors' fees	104	101
Councillors' expenses (incl. mayor) – other (excluding fees above)	25	32
Donations, contributions and assistance to other organisations (Section 356)	490	477
Election expenses	–	32
Electricity and heating	325	177
Insurance	313	328
Printing, stationery and postage	64	68
Street lighting	121	109
Telephone and communications	86	86
Valuation fees	42	23
Other	48	40
Total other expenses	1,712	1,563
TOTAL OTHER EXPENSES	1,712	1,563

Accounting policy for other expenses

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

Gilgandra 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)	10		
Proceeds from disposal – property		–	6
Less: carrying amount of property assets sold/written off		–	–
Net gain/(loss) on disposal		–	6
Plant and equipment	10		
Proceeds from disposal – plant and equipment		389	290
Less: carrying amount of plant and equipment assets sold/written off		(706)	(282)
Net gain/(loss) on disposal		(317)	8
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		45	–
Less: carrying amount of real estate assets sold/written off		(120)	–
Net gain/(loss) on disposal		(75)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(392)	14

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.

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	3,397	5,093
Cash-equivalent assets		
– Deposits at call	529	1,016
– Short-term deposits	–	2,500
Total cash and cash equivalents	3,926	8,609

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.

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'Held to maturity'	21,000	–	13,500	–
Total investments	21,000	–	13,500	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	24,926	–	22,109	–
Held to maturity investments				
Long term deposits	21,000	–	13,500	–
Total	21,000	–	13,500	–

Accounting policy for investments

Classification

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

(a) 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.

Gilgandra 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 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	24,926	–	22,109	–
attributable to:				
External restrictions (refer below)	5,348	–	5,061	–
Internal restrictions (refer below)	7,850	–	7,409	–
Unrestricted	11,728	–	9,639	–
	24,926	–	22,109	–

\$ '000	2018	2017
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended loans – general	41	182
External restrictions – included in liabilities	41	182
External restrictions – other		
RMS contributions	46	75
Specific purpose unexpended grants	1,672	1,060
Water supplies	2,429	2,378
Sewerage services	962	1,154
Domestic waste management	198	212
External restrictions – other	5,307	4,879
Total external restrictions	5,348	5,061
Internal restrictions		
Employees leave entitlement	1,427	927
Carry over works	1,372	1,601
Community services	238	166
Financial assistance grant	1,871	1,788
Recreation facilities	92	71
Transport	923	1,034
Aged and disabled	1,532	1,518
Administration	395	304
Total internal restrictions	7,850	7,409
TOTAL RESTRICTIONS	13,198	12,470

Gilgandra 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	270	75	230	107
Interest and extra charges	18	55	21	42
User charges and fees	1,614	49	1,668	49
Accrued revenues				
– Interest on investments	167	–	148	–
Government grants and subsidies	578	–	–	–
Other debtors	117	–	38	–
Total	2,764	179	2,105	198
<u>TOTAL NET RECEIVABLES</u>	<u>2,764</u>	<u>179</u>	<u>2,105</u>	<u>198</u>
Externally restricted receivables				
Water supply				
– Specific purpose grants	264	–	144	–
– Rates and availability charges	21	6	20	11
– Other	76	41	109	25
Sewerage services				
– Rates and availability charges	21	8	20	12
– Other	37	7	32	7
Total external restrictions	419	62	325	55
Unrestricted receivables	2,345	117	1,780	143
TOTAL NET RECEIVABLES	2,764	179	2,105	198

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quote 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.

Gilgandra Shire Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	602	850	794	773
Stores and materials	109	–	97	–
Trading stock	64	–	50	–
Total inventories at cost	775	850	941	773
TOTAL INVENTORIES	775	850	941	773
Externally restricted assets				
There are no restrictions applicable to the above assets.				
Total unrestricted assets	775	850	941	773
TOTAL INVENTORIES AND OTHER ASSETS	775	850	941	773

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		–	850	20	773
Industrial/commercial		602	–	774	–
Total real estate for resale		602	850	794	773
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		154	99	266	99
Development costs		448	751	528	674
Total real estate for resale		602	850	794	773
Movements:					
Real estate assets at beginning of the year		794	773	789	583
– Purchases and other costs		–	77	5	190
– Transfers in from (out to) Note 10		(72)	–	–	–
– WDV of sales (expense)	5	(120)	–	–	–
Total real estate for resale		602	850	794	773

(b) Current assets not anticipated to be settled within the next 12 months

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

	2018	2017
Real estate for resale	452	–
	452	–

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Gilgandra Shire Council

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

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000

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

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Gilgandra Shire Council

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

Note 10(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Plant and equipment	15,879	9,461	6,418	–	1,468	(706)	(1,013)	–	–	–	–	–	14,965	8,798	6,167
Office equipment	1,080	711	369	–	122	–	(112)	–	–	–	–	–	1,202	823	379
Furniture and fittings	727	546	181	–	–	–	(36)	–	–	–	–	–	727	582	145
Land:															
– Operational land	3,549	–	3,549	–	153	–	–	–	–	72	–	166	3,940	–	3,940
– Community land	1,148	–	1,148	–	89	–	–	–	–	–	–	–	1,237	–	1,237
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	–	–	–	–	185	–	185
Infrastructure:															
– Buildings – non-specialised	1,615	131	1,484	13	–	–	(29)	–	18	–	–	339	1,825	–	1,825
– Buildings – specialised	43,532	5,015	38,517	336	136	–	(345)	–	(18)	–	(5,143)	–	47,523	14,040	33,483
– Other structures	5,094	2,341	2,753	362	166	–	(394)	–	–	–	–	–	5,622	2,735	2,887
– Roads, bridges & footpaths	260,216	62,796	197,420	3,168	–	–	(1,954)	1,872	–	–	–	–	263,384	62,878	200,506
– Stormwater drainage	5,810	3,950	1,860	–	–	–	(61)	–	–	–	–	–	5,810	4,011	1,799
– Water supply network	28,212	13,120	15,092	579	–	–	(523)	–	–	–	–	318	29,395	13,929	15,466
– Sewerage network	22,932	9,559	13,373	563	–	–	(315)	–	–	–	–	286	23,988	10,081	13,907
Other assets:															
– Heritage collections	50	50	–	–	–	–	–	–	–	–	–	–	50	50	–
– Library books	187	184	3	–	24	–	(21)	–	–	–	–	–	211	205	6
– Other	583	530	53	–	–	–	(20)	–	–	–	–	–	583	550	33
Reinstatement, rehabilitation and restoration assets (refer Note 14):															
– Gravel Pit Assets	272	59	213	–	–	–	(4)	–	–	–	–	–	272	63	209
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	391,071	108,453	282,618	5,021	2,158	(706)	(4,827)	1,872	–	72	(5,143)	1,109	400,919	118,745	282,174

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

Gilgandra Shire Council

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

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least 5 yearly, 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	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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 has recognised rural fire service assets including land, buildings, plant and vehicles.

Gilgandra Shire Council

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

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
Plant and equipment	89	52	37	89	45	44
Land						
– Operational land	115	–	115	109	–	109
Infrastructure	29,395	13,929	15,466	28,212	13,120	15,092
Total water supply	29,599	13,981	15,618	28,410	13,165	15,245
Sewerage services						
Plant and equipment	83	83	–	83	83	–
Land						
– Operational land	274	–	274	246	–	246
Infrastructure	23,988	10,081	13,907	22,431	9,125	13,306
Total sewerage services	24,345	10,164	14,181	22,760	9,208	13,552
TOTAL RESTRICTED IPP&E	53,944	24,145	29,799	51,170	22,373	28,797

Gilgandra Shire Council

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

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2018	2017
(i) Impairment losses recognised direct to equity (ARR):			
– council was subjected to an exceptionally wet winter which caused significant damage to the local road network. During the course of the year, some reinstatement works were done but there remains damage to the network as at 30 June 2017.		–	(1,872)
Total impairment losses		–	(1,872)
(ii) Reversals of impairment losses previously recognised direct to equity (ARR):			
– Council was subjected to an exceptionally wet winter in 2016 which caused significant damage to the local road network. Remedial works have now been carried out and the full loss has been reinstated as at 30 June 2018.		1,872	–
Total impairment reversals		1,872	–
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>		<u>1,872</u>	<u>(1,872)</u>

Gilgandra Shire Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services	2,424	–	1,093	–
Accrued expenses:				
– Borrowings	40	–	49	–
– Salaries and wages	244	–	178	–
Retirement complex contributions	10,974	–	10,325	–
Other	78	–	63	–
Total payables	13,760	–	11,708	–
Income received in advance				
Payments received in advance	231	–	218	–
Total income received in advance	231	–	218	–
Borrowings				
Loans – secured ¹	453	3,280	579	3,735
Total borrowings	453	3,280	579	3,735
TOTAL PAYABLES AND BORROWINGS	14,444	3,280	12,505	3,735

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	168	301	139	348
Sewer	75	103	27	118
Payables and borrowings relating to externally restricted assets	243	404	166	466
Internally restricted assets				
Nil				
Payables and borrowings relating to internally restricted assets	–	–	–	–
Total payables and borrowings relating to restricted assets	243	404	166	466
Total payables and borrowings relating to unrestricted assets	14,201	2,876	12,339	3,269
TOTAL PAYABLES AND BORROWINGS	14,444	3,280	12,505	3,735

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 20.

Gilgandra Shire Council

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

Note 11. 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	9,877	9,292
	<u>9,877</u>	<u>9,292</u>

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	4,314	(581)	–	–	–	3,733
TOTAL	4,314	(581)	–	–	–	3,733

(d) Financing arrangements

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

Credit cards/purchase cards	70	70
Total financing arrangements	<u>70</u>	<u>70</u>
Drawn facilities as at balance date:		
– Credit cards/purchase cards	–	–
Total drawn financing arrangements	<u>–</u>	<u>–</u>
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	70	70
Total undrawn financing arrangements	<u>70</u>	<u>70</u>

Gilgandra Shire Council

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

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
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Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,366	–	1,491	–
Long service leave	1,384	152	1,577	130
Other leave	107	–	106	–
Sub-total – aggregate employee benefits	2,857	152	3,174	130
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	596	–	564
Sub-total – asset remediation/restoration	–	596	–	564
<u>TOTAL PROVISIONS</u>	<u>2,857</u>	<u>748</u>	<u>3,174</u>	<u>694</u>

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

Total provisions relating to unrestricted assets	2,857	748	3,174	694
TOTAL PROVISIONS	<u>2,857</u>	<u>748</u>	<u>3,174</u>	<u>694</u>

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

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

Provisions – employees benefits	945	1,649
	<u>945</u>	<u>1,649</u>

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,491	–	1,707	–	106	3,304
Additional provisions	494	–	180	–	92	766
Amounts used (payments)	(813)	–	(322)	–	(106)	(1,241)
Remeasurement effects	194	–	(29)	–	15	180
Total ELE provisions at end of year	1,366	–	1,536	–	107	3,009

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,482	–	1,917	–	122	3,521
Additional provisions	610	–	221	–	108	939
Amounts used (payments)	(804)	–	(424)	–	(138)	(1,366)
Remeasurement effects	203	–	(7)	–	14	210
Total ELE provisions at end of year	1,491	–	1,707	–	106	3,304

2018	Other provisions			Total
	Other	Self-insurance	Asset remediation	
At beginning of year	–	–	564	564
Changes to provision:				
Unwinding of discount	–	–	32	32
Total other provisions at end of year	–	–	596	596

2017	Other provisions			Total
	Other	Self-insurance	Asset remediation	
At beginning of year	–	–	533	533
Changes to provision:				
Unwinding of discount	–	–	31	31
Total other provisions at end of year	–	–	564	564

Gilgandra Shire Council

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

Note 12. Provisions (continued)

\$ '000

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.

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.

Gilgandra Shire Council

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

Note 12. Provisions (continued)

\$ '000

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Gilgandra Shire Council

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

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(c) Voluntary changes in accounting policies

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

(d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	3,926	8,609
Balance as per the Statement of Cash Flows		3,926	8,609
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,865	8,063
Adjust for non-cash items:			
Depreciation and amortisation		4,827	4,544
Net losses/(gains) on disposal of assets		392	(14)
Non-cash capital grants and contributions		–	(188)
Unwinding of discount rates on reinstatement provisions		32	31
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(640)	(583)
Decrease/(increase) in inventories		(26)	58
Increase/(decrease) in payables		1,331	(35)
Increase/(decrease) in accrued interest payable		(9)	–
Increase/(decrease) in other accrued expenses payable		66	35
Increase/(decrease) in other liabilities		29	97
Increase/(decrease) in employee leave entitlements		(295)	(217)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,572	11,791
(c) Non-cash investing and financing activities			
Bushfire grants		–	188
Total non-cash investing and financing activities		–	188

Gilgandra Shire Council

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

Note 15. Interests in other entities

\$ '000

Council acknowledges a 25% interest in a joint venture with the North West Library, however, this joint venture has not been included in the financial statements as it is not considered material.

Council is also a member of the Castlereagh-Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to administer and control noxious weeds in the district. Council is one of five constituent members and does not have significant influence over the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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		
Buildings	383	414
Plant and equipment	522	630
Land Development	57	10
Infrastructure	1,767	1,360
Total commitments	2,729	2,414
These expenditures are payable as follows:		
Within the next year	2,146	2,414
Later than one year and not later than 5 years	302	–
Later than 5 years	281	–
Total payable	2,729	2,414
Sources for funding of capital commitments:		
Unrestricted general funds	2,319	1,732
Unexpended grants	369	500
Unexpended loans	41	182
Total sources of funding	2,729	2,414

Details of capital commitments

Council is committed to spending on the above capital items with all being included in the 17/18 budget and carried forward to the 18/19 year. Funding has been allocated and has been placed in an internal reserve as at 30 June 2018.

Gilgandra Shire Council

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

Note 17. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

Member councils are treated as Pooled Employers for the purposes of AASB 119. 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 lifetime 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 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 at 30 June 2017.

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

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.

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 employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$109,037.84. 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.

The expected contributions to the Fund for the next annual reporting period are \$87,903.84.

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

<i>Employer Reserves Only*</i>	<i>\$millions</i>	<i>Asset Coverage</i>
Assets	1,817.80	
Past Service Liabilities	1,787.50	101.7%
Vested Benefits	1,778.00	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.

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The contributions 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 0.28% 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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

Gilgandra Shire Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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	3,926	8,609	3,930	8,609
Investments				
– 'Held to maturity'	21,000	13,500	21,000	13,500
Receivables	2,943	2,303	2,943	2,303
Total financial assets	27,869	24,412	27,873	24,412
Financial liabilities				
Payables	13,760	11,708	13,760	11,708
Loans/advances	3,733	4,314	3,733	4,314
Total financial liabilities	17,493	16,022	17,493	16,022

Fair value is determined as follows:

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 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 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	195	195	(195)	(195)
2017				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	162	162	(162)	(162)

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	53%	0%	69%
Overdue	100%	47%	100%	31%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Gilgandra Shire Council

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

Note 18. Financial risk management (continued)

\$ '000

(ii) Ageing of receivables – value	2018	2017
Rates and annual charges		
Current	–	–
< 1 year overdue	191	229
1 – 2 years overdue	46	42
> 2 years overdue	108	66
	345	337
Other receivables		
Current	1,376	1,373
0 – 30 days overdue	823	371
31 – 60 days overdue	30	24
61 – 90 days overdue	84	11
> 91 days overdue	285	187
	2,598	1,966

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 for the term of the loan. 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%	–	13,760	–	–	13,760	13,760
Loans and advances	4.09%	–	593	2,174	1,526	4,293	3,733
Total financial liabilities		–	14,353	2,174	1,526	18,053	17,493
2017							
Trade/other payables	0.00%	–	11,708	–	–	11,708	11,708
Loans and advances	3.96%	–	743	2,240	2,054	5,037	4,314
Total financial liabilities		–	12,451	2,240	2,054	16,745	16,022

Loan agreement breaches

There were no breaches to loan agreements during the reporting year.

Gilgandra Shire Council

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

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 06 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	5,924	5,958	34	1%	F
User charges and fees	13,398	14,756	1,358	10%	F
The income received from RMS contract works was greater than expected as too were contract funds for aged and disabled care.					
Interest and investment revenue	468	572	104	22%	F
Surplus funds that were invested were higher than estimated.					
Other revenues	714	864	150	21%	F
The retained bond income from Council's aged care facility was greater than expected and there was also a one off vehicle insurance claim that resulted in a significant payment from the insurer.					
Operating grants and contributions	10,322	10,625	303	3%	F
Capital grants and contributions	1,755	2,729	974	55%	F
Council received one off funding for an extension to the library and also for renewal road works.					

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	13,294	14,336	(1,042)	(8%)	U
Borrowing costs	176	190	(14)	(8%)	U
Materials and contracts	10,480	10,182	298	3%	F
Depreciation and amortisation	4,034	4,827	(793)	(20%)	U
Depreciation was greater than estimated due to changes brought about by revaluations.					
Other expenses	1,854	1,712	142	8%	F
Net losses from disposal of assets	-	392	(392)	0%	U
Council does not budget for gains or losses on the disposal of assets but does include the income from those sales within a capital budget.					

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

Cash flows from operating activities	6,868	9,572	2,704	39.4%	F
The increase in income overall has led to a greater level of cash flow from operating activities than was originally allowed for in the 17/18 budget.					
Cash flows from investing activities	(9,538)	(14,322)	(4,784)	50.2%	U
The movement between cash and investments was not taken into account in the 17/18 budget.					
Cash flows from financing activities	1,726	67	(1,659)	(96.1%)	U
The original budget included borrowings which did not take place during 17/18.					

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Land	30/06/18	–	5,362	–	5,362
Buildings	30/06/18	–	–	35,308	35,308
Other structures	n/a	–	–	2,887	2,887
Roads, bridges & footpaths	30/06/15	–	–	200,506	200,506
Stormwater drainage	30/06/10	–	–	1,799	1,799
Water supply	30/06/15	–	–	15,466	15,466
Sewerage services	30/06/15	–	–	13,907	13,907
Other assets	30/06/18	–	–	39	39
Gravel pits	30/06/18	–	–	209	209
Total infrastructure, property, plant and equipment		–	5,362	270,121	275,483

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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					
Land	30/06/13	–	4,882	–	4,882
Buildings	30/06/13	–	–	40,001	40,001
Other structures	n/a	–	–	2,753	2,753
Roads, bridges & footpaths	30/06/15	–	–	197,420	197,420
Stormwater drainage	30/06/10	–	–	1,860	1,860
Water supply	30/06/15	–	–	15,092	15,092
Sewerage services	30/06/15	–	–	13,373	13,373
Other assets	30/06/17	–	–	56	56
Gravel pits	30/06/17	–	–	213	213
Total infrastructure, property, plant and equipment		–	4,882	270,768	275,650

(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.

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

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

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

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

Council engaged the services of professional valuers to provide valuations for land and buildings. The values used for infrastructure assets (roads, bridges and footpaths, stormwater drainage, water supply and sewerage services) have been determined by qualified Council staff by using known constructions costs, current condition assessments, current renewal practices and known construction dates. The values of the remaining asset classes (plant and equipment, office equipment, furniture and fittings, other structures and other assets) have been determined by deeming that the transaction price equals the fair value at initial recognition.

Gilgandra Shire Council

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

Note 20. 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.

	Roads, Bridges & Footpaths	Stormwater Drainage	Water Supply	Sewerage Services	Total
Opening balance – 1/7/16	196,307	1,870	14,650	13,308	226,135
Purchases (GBV)	4,834	51	731	165	5,781
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	(3,721)	(61)	(509)	(300)	(4,591)
FV gains – other comprehensive income	–	–	220	200	420
Closing balance – 30/6/17	197,420	1,860	15,092	13,373	227,745
Purchases (GBV)	3,168	–	579	563	4,310
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	(82)	(61)	(523)	(315)	(981)
FV gains – other comprehensive income	–	–	318	286	604
Closing balance – 30/6/18	200,506	1,799	15,466	13,907	231,678

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Other Structures	Other Assets	Gravel Pits	Total
Opening balance – 1/7/16	2,719	85	217	3,021
Purchases (GBV)	276	10	–	286
Disposals (WDV)	–	–	–	–
Depreciation and impairment	(242)	(39)	(4)	(285)
FV gains – other comprehensive income	–	–	–	–
Closing balance – 30/6/17	2,753	56	213	3,022
Purchases (GBV)	528	24	–	552
Disposals (WDV)	–	–	–	–
Depreciation and impairment	(394)	(41)	(4)	(439)
FV gains – other comprehensive income	–	–	–	–
Closing balance – 30/6/18	2,887	39	209	3,135

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

There were no transfers into or out of the Level 3 Fair Valuation hierarchy as listed in the tables above.

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Buildings	35,308	Independent valuation.	Depreciated replacement cost, market
Roads, bridges, etc.	200,506	In house valuation.	Depreciated replacement cost.
Stormwater drainage	1,799	In house valuation.	Depreciated replacement cost.
Water supply	15,466	In house valuation.	Depreciated replacement cost.
Sewerage services	13,907	In house valuation.	Depreciated replacement cost.
Other structures	2,887	Transaction price.	Purchase price of asset used.
Other assets	39	Transaction price.	Purchase price of asset used.
Gravel pits	209	In house valuation.	Depreciated replacement cost.

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

d. The valuation process for level 3 fair value measurements

Buildings

Council engaged APV Valuers and Asset Management to conduct a revaluation of its buildings in 2017/18. The majority of the buildings were valued using a depreciated replacement cost method however there was a small portion where a market value approach was used. The market value portion was considered to be minor compared to the total value of the building assets.

Roads, Bridges & Footpaths

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the road network including bridges and footpaths, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition rating were then used to calculate a value based on the current depreciated replacement cost of the assets.

Stormwater Drainage

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the stormwater network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Water Supply

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the water supply network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Sewerage Services

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the sewerage services network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Gilgandra Shire Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

d. The valuation process for level 3 fair value measurements (continued)

Other Structures

Fair value at initial recognition that equals the transaction price has been used for all other assets. This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

Other Assets

Fair value at initial recognition that equals the transaction price has been used for all other assets. This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

Gravel Pits

Council management determined that as Council's engineering staff are experts available who can provide informed values of the rehabilitation costs of a gravel pit, then the advice and opinions of those experts should be used. The cost to rehabilitate Council's 79 gravel pits was determined, this cost was then inflated out by 3% per year until 2064 when it was determined the gravel pits would need to be rehabilitated. To determine the cost at a present value, the inflated cost is then discounted back to the current year using the bond rate at the time.

(5). Highest and best use

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	1,754,892	953,436
Other long-term benefits	472,043	624,429
Total	<u>2,226,935</u>	<u>1,577,865</u>

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. 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 (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Electrical works.	1	44,220	-	7 day invoice.	-	-
Wages of employees.	2	166,370	-	Weekly pay cycle.	-	-
Function costs.	3	2,329	-	7 day invoice.	-	-
Earth moving and road works.	4	1,428,454	-	7 day invoice.	-	-
Meat provided for meals.	5	23,038	-	7 day invoice.	-	-
Lawn mowing and gardening services	6	18,046	-	7 day invoice.	-	-
Cabinet making works.	7	10,521	-	7 day invoice.	-	-
2017						
Electrical works.	1	71,646	-	7 day invoice.	-	-
Wages of employees.	2	160,585	-	Weekly pay cycle.	-	-
Function costs.	3	4,063	-	7 day invoice.	-	-
Earth moving and road works.	4	351,952	-	7 day invoice.	-	-
Meat provided for meals.	5	19,667	-	7 day invoice.	-	-
Lawn mowing and gardening services	6	18,810	-	7 day invoice.	-	-
Cabinet making works.	7	18,045	-	7 day invoice.	-	-

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

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

- 1 Council contracted to a local business for electrical works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 2 Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis.
- 3 Council used a local hotel for functions and entertaining purposes. The hotel owner is a KMP. All transactions are at arms length.
- 4 Council contracted to a local business to provide earth moving and road works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 5 Council used a local butcher to provide meal for meals for various community services. The business is owned by a related party to a KMP. All transactions are at arms length.
- 6 Council contracted to a local business to provide lawn mowing and gardening services. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 7 Council contracted to a local business to provide cabinet making services. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.

Gilgandra Shire Council

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

Note 22. Events occurring after the reporting date

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

Gilgandra Shire Council

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

Note 23. Statement of developer contributions

Council currently has no S7.11 Developer Contribution Plans or S7.11 Funds on hand from prior years.

Gilgandra Shire Council

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

Note 23. Statement of developer contributions

Council currently has no S7.11 Developer Contribution Plans or S7.11 Funds on hand from prior years.

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Financial result and financial position by fund

\$ '000

Income Statement by fund

\$ '000	2018	2018	2018
	Water	Sewer	General ¹
Continuing operations			
Income from continuing operations			
Rates and annual charges	392	438	5,128
User charges and fees	664	513	13,579
Interest and investment revenue	55	23	494
Other revenues	2	22	840
Grants and contributions provided for operating purposes	24	15	10,586
Grants and contributions provided for capital purposes	431	–	2,298
Total income from continuing operations	1,568	1,011	32,925
Expenses from continuing operations			
Employee benefits and on-costs	228	177	13,931
Borrowing costs	19	5	166
Materials and contracts	445	448	9,289
Depreciation and amortisation	529	320	3,978
Other expenses	129	41	1,542
Net losses from the disposal of assets	–	–	392
Total expenses from continuing operations	1,350	991	29,298
Operating result from continuing operations	218	20	3,627
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	218	20	3,627
Net operating result attributable to each council fund	218	20	3,627
Net operating result for the year before grants and contributions provided for capital purposes	(213)	20	1,329

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

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

Gilgandra Shire Council

Notes to the Financial Statements

as at 30 June 2018

Note 24. Financial result and financial position by fund (continued)

\$ '000

Statement of Financial Position by fund

\$ '000	2018	2018	2018
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	429	962	2,535
Investments	2,000	–	19,000
Receivables	361	58	2,345
Inventories	–	–	775
Total current assets	2,790	1,020	24,655
Non-current assets			
Receivables	47	15	117
Inventories	–	–	850
Infrastructure, property, plant and equipment	15,618	14,181	252,375
Total non-current assets	15,665	14,196	253,342
TOTAL ASSETS	18,455	15,216	277,997
LIABILITIES			
Current liabilities			
Payables	83	60	13,617
Income received in advance	38	–	193
Borrowings	47	15	391
Provisions	–	–	2,857
Total current liabilities	168	75	17,058
Non-current liabilities			
Borrowings	301	103	2,876
Provisions	–	–	748
Total non-current liabilities	301	103	3,624
TOTAL LIABILITIES	469	178	20,682
Net assets	17,986	15,038	257,315
EQUITY			
Accumulated surplus	11,201	5,762	71,419
Revaluation reserves	6,785	9,276	185,896
Council equity interest	17,986	15,038	257,315
Non-controlling interests	–	–	–
Total equity	17,986	15,038	257,315

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

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(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>1,528</u>	4.66%	19.35%	9.64%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>32,775</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>22,150</u>	62.39%	63.50%	70.78%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>35,504</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>22,246</u>	3.57x	4.32x	3.36x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>6,236</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>6,545</u>	8.49x	18.36x	8.22x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>771</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>418</u>	6.54%	6.87%	5.76%	10%
Rates, annual and extra charges collectible	<u>6,395</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>24,926</u>	10.35 mths	9.8 mths	8.5 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,409</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 13 and 14.

⁽⁴⁾ Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,528</u>	4.66%	19.35%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>32,775</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>22,150</u>	62.39%	63.50%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>35,504</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>22,246</u>	3.57x	4.32x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>6,236</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>6,545</u>	8.49x	18.36x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>771</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>418</u>	6.54%	6.87%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>6,395</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>24,926</u>	10.35 mths	9.8 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,409</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 13 and 14.

⁽⁴⁾ Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(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	5.62%	20.81%	-18.73%	-17.53%	1.98%	9.92%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	60.87%	62.05%	70.98%	75.30%	98.52%	98.21%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	3.57x	4.32x	16.61x	19.07x	13.60x	44.67x	> 1.5x
Current liabilities less specific purpose liabilities ^(3,4)							

Notes

(1) - (4) Refer to Notes at Note 28a above.

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

Gilgandra Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(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							
<hr/>							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
	8.52x	19.78x	5.23x	5.52x	18.16x	21.32x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding							
<hr/>							
Rates, annual and extra charges collectible							
	6.50%	7.89%	6.89%	8.73%	6.62%	8.02%	< 10% regional & rural
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
<hr/>							
Payments from cash flow of operating and financing activities							
	9.77	9.08	0.00	0.00	0.00	0.00	> 3 months
	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 28a 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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Gilgandra Shire Council

To the Councillors of the Gilgandra Shire Council

Opinion

I have audited the accompanying financial report of Gilgandra 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 19 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.



Caroline Karakatsanis
Director, Financial Audit Services

26 October 2018
SYDNEY

Mr Doug Batten
Mayor
Gilgandra Shire Council
PO Box 23
GILGANDRA NSW 2827

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D1814467/11729

26 October 2018

Dear Mayor

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





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

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

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

INCOME STATEMENT

Operating result

	2018	2017	Variance
	\$m	\$m	%
Rates and annual charges revenue	6.0	5.8	 3.0
Grants and contributions revenue	13.4	13.1	 1.7
Operating result for the year	3.9	8.1	 52.1
Net operating result before capital amounts	1.1	6.7	 83.1

Council’s operating result of \$3.9 million including the effect of depreciation and amortisation expense of \$4.8 million was \$4.2 million lower than the 2016–17 result.

The net operating result before capital grants and contributions of \$1.1million was \$5.6 million lower than the 2016–17 result.

Rates and annual charges revenue \$6.0 million increased by \$0.2 million (3.0 per cent) in 2017–2018 due to normal increases in rates levies and movements in property valuations during the year.

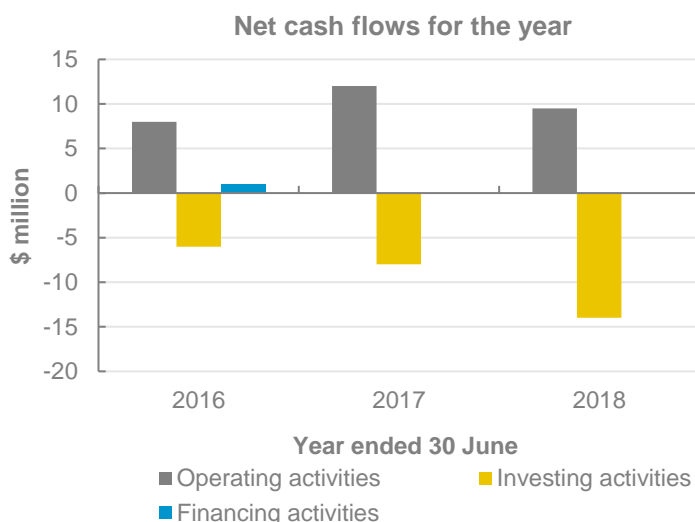
Grants and contributions revenue \$13.4 million increased by \$0.2million (1.7 per cent) in 2017–2018 due to:

- \$1.8 million of 2017–2018 financial assistance grants received in 2016–17
- Transport (roads and bridges funding) increased by \$2.1 million due to additional NDRAA funding and continued capital grants funding for bridges.

Total user charges and fees of \$14.8 million decreased by \$0.6 million, primarily due to RMS charges decreasing by \$1.0 million since less work being performed on State Roads during the year.

STATEMENT OF CASH FLOWS

The net cash outflow of \$4.7 million (inflow of \$4.0 million in 2017) was due to a \$2.2 million decrease in cash provided by operating activities which was mainly due to an increase in employee costs of \$1.1 million and materials and contracts of \$1.8 million. This allowed Council to acquire \$7.5 million in investments and \$7.2 million in IPP&E (\$6.5 million more outflow than 2017) and make loan repayments of \$0.6 million.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	5.3	5.1	Externally restricted balances include unexpended specific purpose grants, water, sewer and domestic waste management.
Internal restrictions	7.8	7.4	
Unrestricted	11.8	9.6	Balances are internally restricted due to Council policy or decision for forward plans including works programs. Unrestricted balances provide liquidity for day to day operations.
Cash and investments	24.9	22.1	

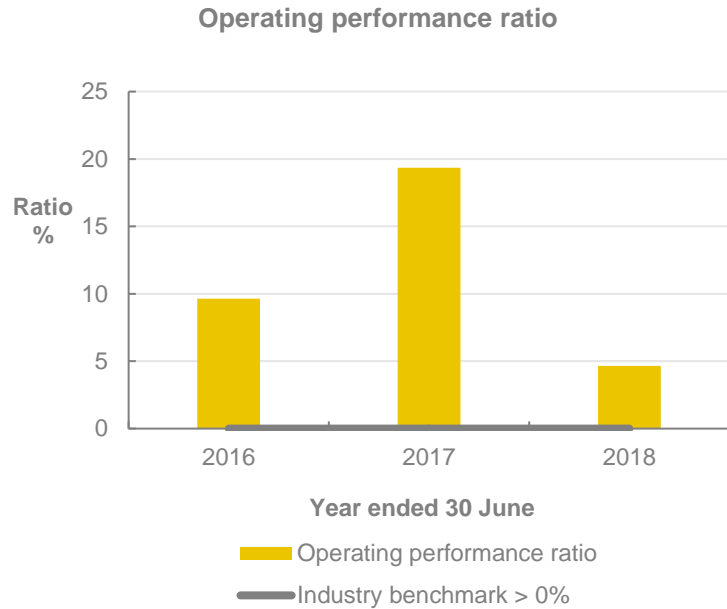
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 25 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7 which has not been audited.

Operating performance ratio

The Council has achieved a positive ratio of 4.66 per cent in 2018 and has exceeded the benchmark for the past 3 years.

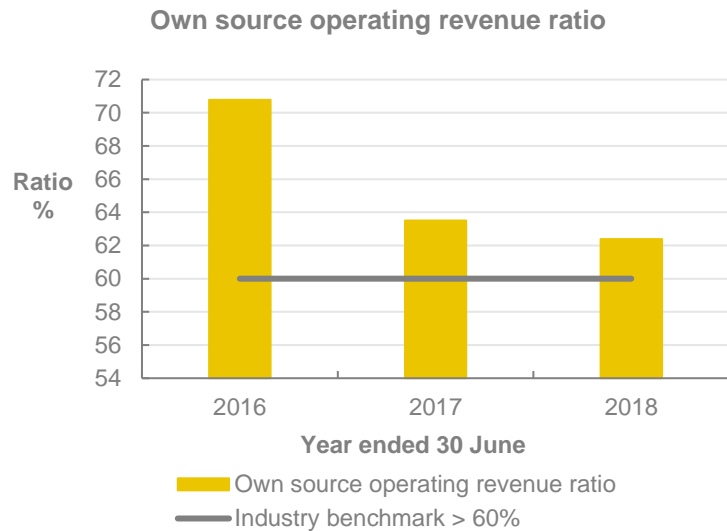
The ‘operating performance ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council has exceeded the benchmark for the past 3 years. This year the ratio has decreased slightly due to an increase in grants and contributions.

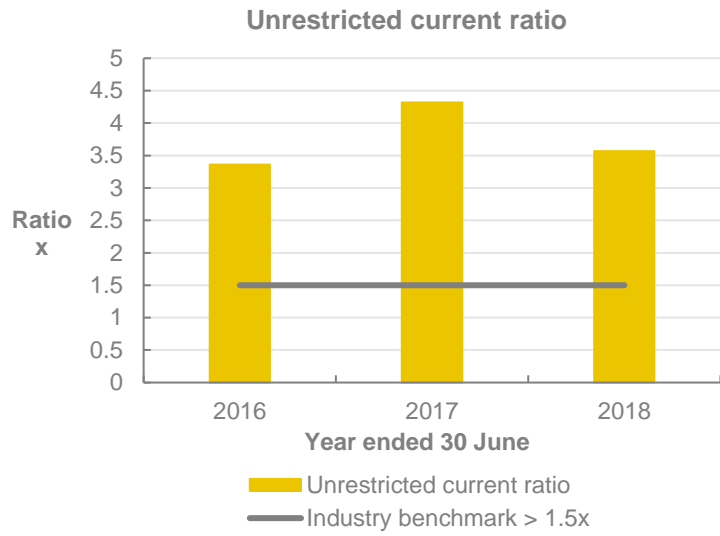
The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council effectively manages its liquidity to consistently exceed the benchmark of 1.5 times.

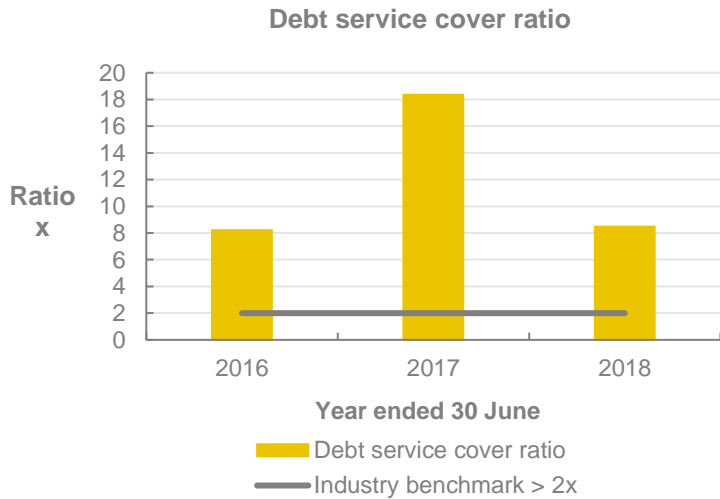
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

This ratio continues to be strong as Council repays its existing loans and has not drawn down additional loans.

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.

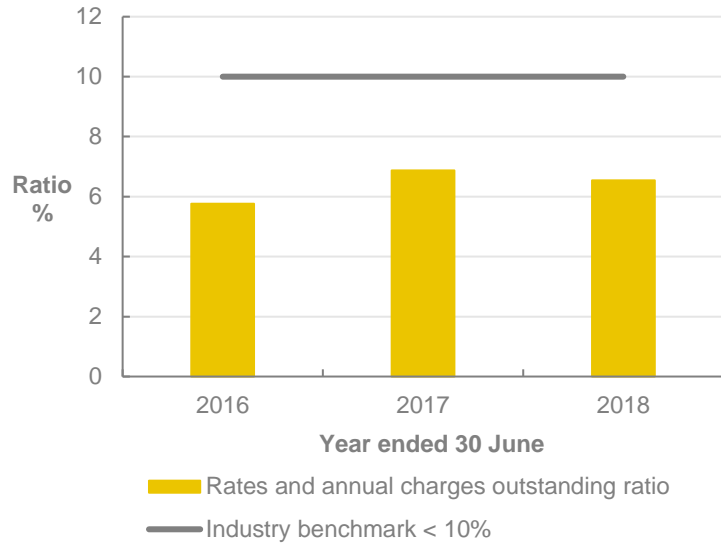


Rates and annual charges outstanding ratio

Council has consistently performed well with this ratio and continues to outperform the benchmark for rural Councils with an effective debt recovery program.

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.

Rates and annual charges outstanding ratio

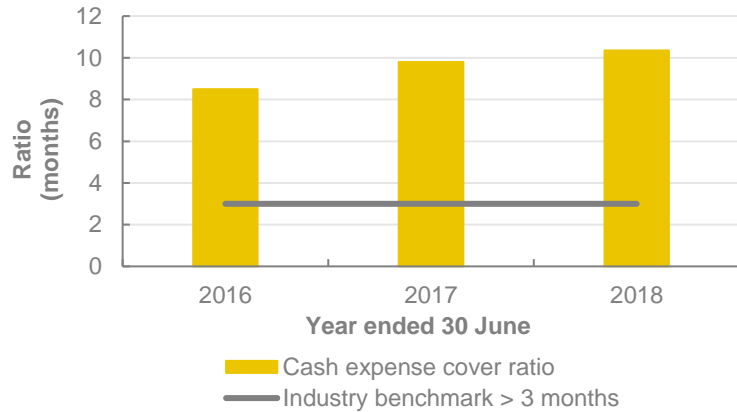


Cash expense cover ratio

Council has a strong liquidity position and has continued to improve exceeding the benchmark.

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

Cash expense cover ratio

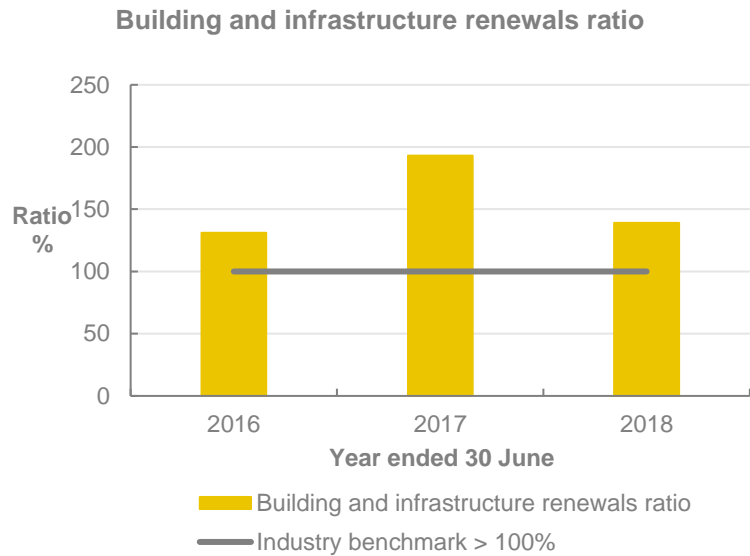


Building and infrastructure renewals ratio (unaudited)

Council has performed significant renewal works on roads over the past 3 years, which has enabled Council to exceed the industry benchmark.

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

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

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

Caroline Karakatsanis
Director, Financial Audit Services

cc: David Neeves, General Manager
Tim Hurst, Chief Executive of the Office of Local Government

Gilgandra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*"Gilgandra Shire is a strong and sustainable rural
centre with a caring community that is building a
future together"*



Gilgandra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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4. Auditor’s Report	

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).
-

Gilgandra 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 16 October 2018.



Doug Batten
Mayor



Ash Walker
Councillor



David Neeves
General manager



Guy McAnally-Elwin
Responsible accounting officer

Gilgandra 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	392	355
User charges	664	596
Interest	55	65
Grants and contributions provided for non-capital purposes	24	26
Other income	2	2
Total income from continuing operations	1,137	1,044
Expenses from continuing operations		
Employee benefits and on-costs	228	225
Borrowing costs	19	21
Materials and contracts	445	354
Depreciation, amortisation and impairment	529	515
Other expenses	129	112
Total expenses from continuing operations	1,350	1,227
Surplus (deficit) from continuing operations before capital amounts	(213)	(183)
Grants and contributions provided for capital purposes	431	308
Surplus (deficit) from continuing operations after capital amounts	218	125
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from all operations before tax	218	125
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	218	125
Plus opening retained profits	17,445	17,099
Plus/less: other adjustments (revaluations)	323	221
Closing retained profits	17,986	17,445
Return on capital %	-1.2%	-1.1%
Subsidy from Council	630	525
Calculation of dividend payable:		
Surplus (deficit) after tax	218	125
Less: capital grants and contributions (excluding developer contributions)	(431)	(308)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Gilgandra 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	438	399
User charges	513	489
Interest	23	28
Grants and contributions provided for non-capital purposes	15	17
Other income	22	15
Total income from continuing operations	1,011	948
Expenses from continuing operations		
Employee benefits and on-costs	177	200
Borrowing costs	5	5
Materials and contracts	448	308
Depreciation, amortisation and impairment	320	306
Other expenses	41	35
Total expenses from continuing operations	991	854
Surplus (deficit) from continuing operations before capital amounts	20	94
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	20	94
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	20	94
Less: corporate taxation equivalent (30%) [based on result before capital]	(6)	(28)
SURPLUS (DEFICIT) AFTER TAX	14	66
Plus opening retained profits	14,704	14,410
Plus/less: other adjustments (revaluations)	314	200
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	6	28
Closing retained profits	15,038	14,704
Return on capital %	0.2%	0.7%
Subsidy from Council	371	225
Calculation of dividend payable:		
Surplus (deficit) after tax	14	66
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	14	66
Potential dividend calculated from surplus	7	33

Gilgandra Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Carlinda Enterprises		Cooee Villa Units	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	242	272	312	317
Interest	–	–	33	37
Grants and contributions provided for non-capital purposes	–	–	10	11
Other income	239	278	242	219
Total income from continuing operations	481	550	597	584
Expenses from continuing operations				
Employee benefits and on-costs	409	392	131	142
Borrowing costs	–	–	12	13
Materials and contracts	81	101	174	177
Depreciation, amortisation and impairment	13	13	124	127
Other expenses	4	4	31	30
Total expenses from continuing operations	507	510	472	489
Surplus (deficit) from continuing operations before capital amounts	(26)	40	125	95
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(26)	40	125	95
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(26)	40	125	95
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(12)	(38)	(29)
SURPLUS (DEFICIT) AFTER TAX	(26)	28	88	67
Plus opening retained profits	485	445	6,425	6,330
Plus/less: other adjustments (revaluations)	–	–	(1,099)	–
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	–	12	38	29
Closing retained profits	459	485	5,451	6,425
Return on capital %	-24.8%	34.2%	1.2%	0.9%
Subsidy from Council	29	–	186	191

Gilgandra 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	429	378
Investments	2,000	2,000
Receivables	361	273
Total current assets	2,790	2,651
Non-current assets		
Receivables	47	36
Infrastructure, property, plant and equipment	15,618	15,245
Total non-current assets	15,665	15,281
TOTAL ASSETS	18,455	17,932
LIABILITIES		
Current liabilities		
Payables	83	55
Income received in advance	38	39
Borrowings	47	45
Total current liabilities	168	139
Non-current liabilities		
Borrowings	301	348
Total non-current liabilities	301	348
TOTAL LIABILITIES	469	487
NET ASSETS	17,986	17,445
EQUITY		
Accumulated surplus	11,201	10,983
Revaluation reserves	6,785	6,462
TOTAL EQUITY	17,986	17,445

Gilgandra 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	962	1,154
Receivables	58	52
Total current Assets	1,020	1,206
Non-current assets		
Receivables	15	19
Infrastructure, property, plant and equipment	14,181	13,624
Total non-current assets	14,196	13,643
TOTAL ASSETS	15,216	14,849
LIABILITIES		
Current liabilities		
Payables	60	13
Borrowings	15	14
Total current liabilities	75	27
Non-current liabilities		
Borrowings	103	118
Total non-current liabilities	103	118
TOTAL LIABILITIES	178	145
NET ASSETS	15,038	14,704
EQUITY		
Accumulated surplus	5,762	5,742
Revaluation reserves	9,276	8,962
TOTAL EQUITY	15,038	14,704

Gilgandra Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Carlinda Enterprises		Cooee Villa Units	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	319	337	210	258
Investments	–	–	1,000	1,000
Receivables	12	23	–	2
Inventories	25	12	–	–
Total Current Assets	356	372	1,210	1,260
Non-current assets				
Infrastructure, property, plant and equipment	105	117	11,561	12,544
Total non-current assets	105	117	11,561	12,544
TOTAL ASSETS	461	489	12,771	13,804
LIABILITIES				
Current liabilities				
Payables	2	4	7,023	7,047
Borrowings	–	–	38	36
Total current liabilities	2	4	7,061	7,083
Non-current liabilities				
Borrowings	–	–	259	296
Total non-current liabilities	–	–	259	296
TOTAL LIABILITIES	2	4	7,320	7,379
NET ASSETS	459	485	5,451	6,425
EQUITY				
Accumulated surplus	459	485	1,445	1,320
Revaluation reserves	–	–	4,006	5,105
TOTAL EQUITY	459	485	5,451	6,425

Gilgandra Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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Gilgandra 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)

There are no business activities under this heading.

Gilgandra 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)

a. Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the town of Gilgandra and the village of Tooraweenah and is established as a separate fund.

b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage service system servicing the town of Gilgandra and is established as a separate fund.

c. Carlginda Enterprises

Comprising the whole of the operations and assets of Carlginda Enterprises which is carried out by Council in its own name. Carlginda Enterprises provides employment opportunities to people with intellectual and physical disabilities through collection and sale of recyclable waste.

d. Cooee Villa Units

Comprising the whole of the operations and assets of Cooee Villa Units which is carried out by Council in its own name. Cooee Villa Units provides 61 self contained units where residents live independently within a secure environment.

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.

Gilgandra Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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.

Gilgandra Shire Council

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

Note 1. Significant accounting policies (continued)

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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:

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

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 2.79% 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.

Gilgandra 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	4,161
(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 multiplied by \$30/assessment, less tax equivalent charges/assessment	41,610
(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	(492,000)

2018 Surplus	(213,000)	2017 Surplus	(183,000)	2016 Surplus	(96,000)
		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]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Gilgandra 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 (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	1,082
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)]	%	60.14%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	15,581
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	716
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	579
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)]	%	-1.04%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	431

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

Gilgandra Shire Council

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

Note 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	3,900
(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]	7,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	39,000
(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	82,800

2018 Surplus	14,000	2017 Surplus	65,800	2016 Surplus	3,000
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	7,000
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Gilgandra Shire Council

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

Note 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	988
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	14,181
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	565
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	563
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)]	%	0.73%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	2,070
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.11%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,142
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)]	%	-0.20%
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%

Gilgandra Shire Council

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

Note 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)]	%	-8.86%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
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	(193)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	23

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Gilgandra Shire Council

To the Councillors of the Gilgandra Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Gilgandra 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
- Sewerage Services
- Carlginda Enterprise
- Cooee Villa Units.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- 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.

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', written in a cursive style.

Caroline Karakatsanis
Director, Financial Audit Services

26 October 2018
SYDNEY

Gilgandra Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

*"Gilgandra Shire is a strong and sustainable rural
centre with a caring community that is building a
future together"*



Gilgandra 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.

Gilgandra 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	153	–	–	(153)
Administration	8,646	419	26	(8,201)
Public order and safety				
Fire service levy, fire protection, emergency services	457	211	–	(246)
Animal control	90	26	–	(64)
Total public order and safety	547	237	–	(310)
Health	403	77	–	(326)
Environment				
Noxious plants and insect/vermin control	108	–	–	(108)
Solid waste management	492	601	–	109
Street cleaning	47	–	–	(47)
Stormwater management	91	26	–	(65)
Total environment	738	627	–	(111)
Community services and education				
Administration and education	659	494	–	(165)
Social protection (welfare)	128	172	–	44
Aged persons and disabled	7,087	9,554	–	2,467
Children's services	241	300	–	59
Total community services and education	8,115	10,520	–	2,405
Housing and community amenities				
Public cemeteries	59	59	–	–
Public conveniences	75	–	–	(75)
Street lighting	121	40	–	(81)
Town planning	75	133	–	58
Total housing and community amenities	330	232	–	(98)
Water supplies	1,103	977	431	305
Sewerage services	754	935	–	181

Gilgandra 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	277	35	199	(43)
Community centres and halls	64	9	8	(47)
Other cultural services	24	3	–	(21)
Sporting grounds and venues	124	12	–	(112)
Swimming pools	173	34	–	(139)
Parks and gardens (lakes)	328	–	102	(226)
Other sport and recreation	67	32	–	(35)
Total recreation and culture	1,057	125	309	(623)
Mining, manufacturing and construction				
Building control	11	29	–	18
Other mining, manufacturing and construction	79	–	–	(79)
Total mining, manufacturing and const.	90	29	–	(61)
Transport and communication				
Urban roads (UR) – local	87	–	–	(87)
Sealed rural roads (SRR) – local	284	–	–	(284)
Sealed rural roads (SRR) – regional	103	383	79	359
Unsealed rural roads (URR) – local	5,091	4,149	893	(49)
Bridges on SRR – local	307	–	826	519
Parking areas	44	–	165	121
Footpaths	4	–	–	(4)
Aerodromes	30	55	–	25
Other transport and communication	3,168	4,603	–	1,435
Total transport and communication	9,118	9,190	1,963	2,035
Economic affairs				
Camping areas and caravan parks	4	17	–	13
Other economic affairs	581	507	–	(74)
Total economic affairs	585	524	–	(61)
Totals – functions	31,639	23,892	2,729	(5,018)
General purpose revenues ⁽¹⁾		8,883		8,883
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	31,639	32,775	2,729	3,865

(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

Gilgandra 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	4,824	4,732
Plus or minus adjustments ⁽²⁾	b	–	5
Notional general income	c = (a + b)	4,824	4,737
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	111	71
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	4,935	4,808
Plus (or minus) last year's carry forward total	l	5	23
Less valuation objections claimed in the previous year	m	–	(2)
Sub-total	n = (l + m)	5	21
Total permissible income	o = k + n	4,940	4,829
Less notional general income yield	p	4,942	4,824
Catch-up or (excess) result	q = o – p	(2)	5
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	1	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(1)	5

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
Gilgandra Shire Council

To the Councillors of Gilgandra Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 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.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', written in a cursive style.

Caroline Karakatsanis
Director, Financial Audit Services

26 October 2018
SYDNEY

Gilgandra 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	124	102
b. Engineering and supervision	34	24
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	95	77
– Reservoirs		
e. Operation expenses	6	5
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	20	14
h. Energy costs	86	52
i. Maintenance expenses	97	67
– Treatment		
j. Operation expenses (excluding chemical costs)	154	122
k. Chemical costs	16	17
l. Maintenance expenses	51	77
– Other		
m. Operation expenses	21	25
n. Maintenance expenses	12	13
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	523	508
b. Plant and equipment	6	7
4. Miscellaneous expenses		
a. Interest expenses	19	21
b. Revaluation decrements	–	–
c. Other expenses	86	96
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	1,350	1,227

Gilgandra 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)	334	302
b. Usage charges	504	453
7. Non-residential charges		
a. Access (including rates)	59	53
b. Usage charges	159	143
8. Extra charges	–	–
9. Interest income	55	65
10. Other income	2	2
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	431	308
b. Grants for pensioner rebates	12	13
c. Other grants	12	13
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	<u>1,568</u>	<u>1,352</u>
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	<u>218</u>	<u>125</u>
15a. Operating result (less grants for acquisition of assets)	(213)	(183)

Gilgandra 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	579	731
d. Plant and equipment	–	–
17. Repayment of debt	45	43
18. Totals	<u>624</u>	<u>774</u>
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,059	1,058
b. Residential (unoccupied, ie. vacant lot)	35	36
c. Non-residential (occupied)	266	265
d. Non-residential (unoccupied, ie. vacant lot)	27	28
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 22,507	\$ 23,273

Gilgandra 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	2,429	–	2,429
26. Receivables			
a. Specific purpose grants	264	–	264
b. Rates and availability charges	21	6	27
c. User charges	76	41	117
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	15,581	15,581
b. Plant and equipment	–	37	37
29. Other assets	–	–	–
30. Total assets	<u>2,790</u>	<u>15,665</u>	<u>18,455</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	121	–	121
33. Borrowings	47	301	348
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>168</u>	<u>301</u>	<u>469</u>
36. NET ASSETS COMMITTED	<u>2,622</u>	<u>15,364</u>	<u>17,986</u>
EQUITY			
37. Accumulated surplus			11,201
38. Asset revaluation reserve			6,785
39. Other reserves			–
40. TOTAL EQUITY			<u>17,986</u>
Note to system assets:			
41. Current replacement cost of system assets			29,509
42. Accumulated current cost depreciation of system assets			(13,928)
43. Written down current cost of system assets			<u>15,581</u>

Gilgandra 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	123	101
b. Engineering and supervision	12	13
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	59	46
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	134	84
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	126	118
g. Chemical costs	–	–
h. Energy costs	4	3
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	55	46
– Other		
l. Operation expenses	25	30
m. Maintenance expenses	27	20
3. Depreciation expenses		
a. System assets	315	301
b. Plant and equipment	5	5
4. Miscellaneous expenses		
a. Interest expenses	5	5
b. Revaluation decrements	–	–
c. Other expenses	101	82
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	991	854

Gilgandra 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)	753	693
7. Non-residential charges		
a. Access (including rates)	66	60
b. Usage charges	113	112
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	19	23
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	23	28
11. Other income	22	15
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	11	13
c. Other grants	4	4
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,011</u>	<u>948</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>20</u>	<u>94</u>
16a. Operating result (less grants for acquisition of assets)	20	94

Gilgandra 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	563	165
d. Plant and equipment	–	–
18. Repayment of debt	14	14
19. Totals	<u>577</u>	<u>179</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	986	985
b. Residential (unoccupied, ie. vacant lot)	38	39
c. Non-residential (occupied)	247	246
d. Non-residential (unoccupied, ie. vacant lot)	29	30
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 21,043	\$ 21,962

Gilgandra 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	962	–	962
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	21	8	29
c. User charges	33	7	40
d. Other	4	–	4
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	14,181	14,181
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>1,020</u>	<u>14,196</u>	<u>15,216</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	60	–	60
34. Borrowings	15	103	118
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>75</u>	<u>103</u>	<u>178</u>
37. NET ASSETS COMMITTED	<u>945</u>	<u>14,093</u>	<u>15,038</u>
EQUITY			
38. Accumulated surplus			5,762
39. Asset revaluation reserve			9,276
40. Other reserves			–
41. TOTAL EQUITY			<u>15,038</u>
Note to system assets:			
42. Current replacement cost of system assets			24,264
43. Accumulated current cost depreciation of system assets			(10,083)
44. Written down current cost of system assets			<u>14,181</u>

Gilgandra 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 contribution 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.

Gilgandra 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	–	–		–								
	Council Offices	–	–	41	206	993	1,731	0%	100%	0%	0%	0%	
	Buildings – non-specialised	–	–		–								
	Council Works Depot	300	2,000	31	42	644	1,284	0%	0%	40%	60%	0%	
	Buildings – specialised	–	–		–								
	Council Public Halls	–	–	15	23	1,830	3,461	0%	100%	0%	0%	0%	
	Council Houses	–	–	71	56	4,657	5,122	50%	0%	50%	0%	0%	
	Heritage Centre	–	–	51	64	1,071	2,027	0%	100%	0%	0%	0%	
	Library	–	–	10	17	509	658	0%	100%	0%	0%	0%	
	Public Conveniences	–	–	61	74	466	715	50%	50%	0%	0%	0%	
	Medical Centres	–	–	10	8	1,192	1,507	25%	50%	25%	0%	0%	
	Retirement Complex	–	–	255	292	17,099	22,202	10%	89%	1%	0%	0%	
	Other Council Buildings	–	–	92	81	6,847	10,640	15%	68%	17%	0%	0%	
	Other	–	–		–	–							
	Sub-total	300	2,000	637	863	35,308	49,347	14.4%	72.9%	11.1%	1.6%	0.0%	
Other structures	Other structures	–	–	561	731	2,887	5,622	10%	20%	70%	0%	0%	
	Sub-total	–	–	561	731	2,887	5,622	10.0%	20.0%	70.0%	0.0%	0.0%	
Roads	Sealed roads	1,400	1,400	891	961	11,318	26,297	47%	11%	29%	11%	2%	
	Unsealed roads	3,740	3,740	2,118	2,311	166,673	210,766	47%	11%	29%	11%	2%	
	Bridges	–	–	64	263	22,515	26,322	50%	25%	25%	0%	0%	
	Sub-total	5,140	5,140	3,073	3,535	200,506	263,385	47.3%	12.4%	28.6%	9.9%	1.8%	

Gilgandra Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Water supply Water supply network	Water supply network												
	Treatment	128	385	102	104	4,841	10,032	3%	95%	0%	2%	0%	
	Bores	–	–	82	86	2,146	4,165	33%	31%	36%	0%	0%	
	Reservoirs	–	–	15	1	1,674	3,209	46%	54%	0%	0%	0%	
	Pipeline	–	–	87	127	6,805	11,989	0%	0%	100%	0%	0%	
	Sub-total	128	385	286	318	15,466	29,395	10.7%	42.7%	45.9%	0.7%	0.0%	
Sewerage Sewerage network	Sewerage network												
	Pumping Stations	33	100	86	134	4,169	6,958	0%	0%	92%	8%	0%	
	Pipeline	61	182	47	59	8,762	12,798	20%	59%	19%	1%	1%	
	Treatment	–	–	46	91	976	4,233	0%	0%	100%	0%	0%	
	Sub-total	94	282	179	284	13,907	23,989	10.7%	31.5%	54.5%	2.9%	0.5%	

Gilgandra 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	112	292	66	54	1,799	5,810	0%	1%	95%	3%	1%
	Sub-total	112	292	66	54	1,799	5,810	0.0%	1.0%	95.0%	3.0%	1.0%
	TOTAL – ALL ASSETS	5,774	8,099	4,802	5,785	269,873	377,548	36.5%	23.8%	30.9%	7.4%	1.3%

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

Gilgandra 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>5,020</u>	138.64%	192.90%	131.13%	>= 100%
Depreciation, amortisation and impairment	<u>3,621</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>5,774</u>	2.14%	2.33%	1.39%	< 2.00%
Net carrying amount of infrastructure assets	<u>269,873</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>5,785</u>	120.47%	102.25%	0.88%	> 100%
Required asset maintenance	<u>4,802</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>8,099</u>	2.15%	1.72%	1.03%	
Gross replacement cost	<u>377,548</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.

Gilgandra Shire Council

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

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	5,020	138.64%	192.90%	>= 100%
Depreciation, amortisation and impairment	3,621			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	5,774	2.14%	2.33%	< 2.00%
Net carrying amount of infrastructure assets	269,873			
3. Asset maintenance ratio				
Actual asset maintenance	5,785	120.47%	102.25%	> 100%
Required asset maintenance	4,802			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	8,099	2.15%	1.72%	
Gross replacement cost	377,548			

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.

Gilgandra 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⁾	139.35%	219.19%	110.71%	143.61%	178.73%	55.00%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	2.31%	2.33%	0.83%	1.25%	0.68%	3.51%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	119.51%	106.30%	111.19%	78.57%	158.66%	63.64%	> 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	2.29%	-11.02%	1.31%	0.67%	1.18%	2.05%	
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.