

# General Purpose Financial Statements

*For the year ended 30 June 2017*



**Greater Hume Shire**  
simply greater

*“...a prosperous rural Shire with vibrant sustainable  
communities offering excellent quality of life”*

# Greater Hume Shire Council

## General Purpose Financial Statements for the year ended 30 June 2017

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### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 27 September 2017. Council has the power to amend and reissue these financial statements.
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## Greater Hume Shire Council

### General Purpose Financial Statements for the year ended 30 June 2017

#### Understanding Council's financial statements

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##### Introduction

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

##### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

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

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

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

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

##### Who uses the financial statements?

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

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

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

## Greater Hume Shire Council

### General Purpose Financial Statements for the year ended 30 June 2017

### Statement by Councillors and Management

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

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

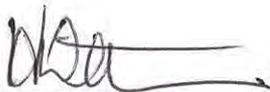
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

**Signed in accordance with a resolution of Council made on 20 September 2017.**



Councillor Heather Wilton  
Mayor



Councillor Matthew Hicks  
Councillor



Steven Pinnuck  
General manager



Dean Hart  
Responsible accounting officer

# Greater Hume Shire Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
9,964	Rates and annual charges	3a	9,959	9,471
5,425	User charges and fees	3b	7,568	7,729
628	Interest and investment revenue	3c	651	654
366	Other revenues	3d	460	500
11,167	Grants and contributions provided for operating purposes	3e,f	13,881	11,285
2,273	Grants and contributions provided for capital purposes	3e,f	5,877	5,096
<b>29,823</b>	<b>Total income from continuing operations</b>		<b>38,396</b>	<b>34,735</b>
<b>Expenses from continuing operations</b>				
8,914	Employee benefits and on-costs	4a	8,951	9,066
276	Borrowing costs	4b	244	284
5,129	Materials and contracts	4c	8,554	7,538
7,533	Depreciation and amortisation	4d	7,620	7,272
2,988	Other expenses	4e	2,926	3,948
–	Net losses from the disposal of assets	5	2,418	37
<b>24,840</b>	<b>Total expenses from continuing operations</b>		<b>30,713</b>	<b>28,145</b>
<b>4,983</b>	<b>Operating result from continuing operations</b>		<b>7,683</b>	<b>6,590</b>
<b>4,983</b>	<b>Net operating result for the year</b>		<b>7,683</b>	<b>6,590</b>
4,983	<b>Net operating result attributable to Council</b>		<b>7,683</b>	<b>6,590</b>
<b>2,710</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>1,806</b>	<b>1,494</b>

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

## Greater Hume Shire Council

### Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>7,683</b>	<b>6,590</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(12)	830
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(12)</b>	<b>830</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>(12)</b>	<b>830</b>
<b>Total comprehensive income for the year</b>		<b>7,671</b>	<b>7,420</b>
<b>Total comprehensive income attributable to Council</b>		<b>7,671</b>	<b>7,420</b>

## Greater Hume Shire Council

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	5,914	5,578
Investments	6b	19,590	14,420
Receivables	7	4,773	5,444
Inventories	8	2,278	1,941
<b>Total current assets</b>		<b>32,555</b>	<b>27,383</b>
<b>Non-current assets</b>			
Investments	6b	450	–
Receivables	7	9	10
Infrastructure, property, plant and equipment	9	471,007	465,992
Intangible assets	25	280	318
<b>Total non-current assets</b>		<b>471,746</b>	<b>466,320</b>
<b>TOTAL ASSETS</b>		<b>504,301</b>	<b>493,703</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	4,065	2,007
Income received in advance	10	270	216
Borrowings	10	568	666
Provisions	10	3,026	3,190
<b>Total current liabilities</b>		<b>7,929</b>	<b>6,079</b>
<b>Non-current liabilities</b>			
Payables	10	1,106	858
Borrowings	10	4,915	4,092
Provisions	10	511	505
<b>Total non-current liabilities</b>		<b>6,532</b>	<b>5,455</b>
<b>TOTAL LIABILITIES</b>		<b>14,461</b>	<b>11,534</b>
<b>Net assets</b>		<b>489,840</b>	<b>482,169</b>
<b>EQUITY</b>			
Retained earnings	20	249,030	239,891
Revaluation reserves	20	240,810	242,278
<b>Council equity interest</b>		<b>489,840</b>	<b>482,169</b>
<b>Total equity</b>		<b>489,840</b>	<b>482,169</b>

## Greater Hume Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		239,891	242,278	–	<b>482,169</b>	–	<b>482,169</b>	233,301	241,448	–	<b>474,749</b>	–	<b>474,749</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>239,891</b>	<b>242,278</b>	<b>–</b>	<b>482,169</b>	<b>–</b>	<b>482,169</b>	<b>233,301</b>	<b>241,448</b>	<b>–</b>	<b>474,749</b>	<b>–</b>	<b>474,749</b>
<b>c. Net operating result for the year</b>		<b>7,683</b>	<b>–</b>	<b>–</b>	<b>7,683</b>	<b>–</b>	<b>7,683</b>	6,590	–	–	<b>6,590</b>	–	<b>6,590</b>
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(12)	–	<b>(12)</b>	–	<b>(12)</b>	–	830	–	<b>830</b>	–	<b>830</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>(12)</b>	<b>–</b>	<b>(12)</b>	<b>–</b>	<b>(12)</b>	<b>–</b>	<b>830</b>	<b>–</b>	<b>830</b>	<b>–</b>	<b>830</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>7,683</b>	<b>(12)</b>	<b>–</b>	<b>7,671</b>	<b>–</b>	<b>7,671</b>	<b>6,590</b>	<b>830</b>	<b>–</b>	<b>7,420</b>	<b>–</b>	<b>7,420</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		1,456	(1,456)	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>249,030</b>	<b>240,810</b>	<b>–</b>	<b>489,840</b>	<b>–</b>	<b>489,840</b>	<b>239,891</b>	<b>242,278</b>	<b>–</b>	<b>482,169</b>	<b>–</b>	<b>482,169</b>

## Greater Hume Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
9,978	Rates and annual charges		9,947	9,533
5,464	User charges and fees		7,937	8,534
628	Investment and interest revenue received		500	679
13,392	Grants and contributions		21,079	16,150
–	Bonds, deposits and retention amounts received		1,492	1,261
312	Other		1,802	2,159
<b>Payments:</b>				
(9,772)	Employee benefits and on-costs		(9,137)	(8,972)
(4,938)	Materials and contracts		(9,055)	(10,637)
(279)	Borrowing costs		(251)	(284)
–	Bonds, deposits and retention amounts refunded		(1,339)	(358)
(2,966)	Other		(3,566)	(4,240)
<b>11,819</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>19,409</b>	<b>13,825</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
426	Sale of investment securities		3,200	5,100
–	Sale of real estate assets		–	48
341	Sale of infrastructure, property, plant and equipment		299	341
12	Deferred debtors receipts		21	12
<b>Payments:</b>				
–	Purchase of investment securities		(8,820)	(4,603)
(12,986)	Purchase of infrastructure, property, plant and equipment		(14,239)	(15,755)
–	Purchase of real estate assets		(230)	(183)
–	Deferred debtors and advances made		(29)	–
<b>(12,207)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(19,798)</b>	<b>(15,040)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,100	Proceeds from borrowings and advances		1,400	–
<b>Payments:</b>				
(710)	Repayment of borrowings and advances		(675)	(697)
<b>390</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>725</b>	<b>(697)</b>
<b>2</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>336</b>	<b>(1,912)</b>
19,998	Plus: cash and cash equivalents – beginning of year	11a	5,578	7,490
<b>20,000</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>5,914</b>	<b>5,578</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	20,040	14,420
	<b>Total cash, cash equivalents and investments</b>		<b>25,954</b>	<b>19,998</b>

Please refer to Note 11 for additional cash flow information

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

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

##### (a) Basis of preparation

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

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

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

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] was adopted during the year, the impact of this standard had no impact on reporting financial position or performance.

##### (ii) Early adoption of standards

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

##### (iii) Historical cost convention

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

##### (iv) Significant accounting estimates and judgements

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

##### *Significant judgements in applying the Council's accounting policies*

- (i) Impairment of Receivables

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

##### (b) Revenue recognition

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

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

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### (i) Rates, annual charges, grants and contributions

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

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

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

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

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

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

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

##### (ii) User charges and fees

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

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

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

##### (iv) Interest

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

##### (v) Rent

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

##### (vi) Other income

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

#### (c) Principles of consolidation

##### (i) The Consolidated Fund

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

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

- **General Purpose Operations**
- **Water Supply Funds**
- **Sewerage Funds**

##### (ii) The Trust Fund

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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

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

#### (iii) County Councils

Council is a member of the Riverina Water County Council, a body corporate established under the Local Government Act 1993 (NSW) to supply water to Wagga Wagga, Lockhart, part of Federation Council and part of Greater Hume local government areas.

Council is of the opinion that it neither controls nor significantly influences the above county council and accordingly this entity has not been consolidated or otherwise included within these financial statements.

The governing body of each county council is responsible for managing its own affairs.

#### (iv) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

#### (d) Leases

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

Council currently has no finance leases.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases.

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

#### (e) Impairment of assets

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include:

- 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.

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

#### (g) Inventories

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

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

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

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

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

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

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

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

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

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

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

##### Classification

Council classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;

- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Each 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.

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

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Assets in this category are classified as current assets.

##### (ii) Loans and receivables

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

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

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

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

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

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

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

than 12 months from the reporting date that are classified as current assets.

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

Council currently has no available-for-sale financial assets.

#### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at transaction costs for all financial assets not carried at fair value through profit or loss; directly attributable transactions costs; and transaction costs are expensed in the income statement.

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

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

#### **Subsequent measurement**

**Financial assets at fair value through profit or loss** are subsequently carried at fair value

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

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

#### **Impairment**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if

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

#### (v) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### Investment Policy

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

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

Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercises the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

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

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

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

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

At balance date, the following classes of IPPE were stated at their fair value:

##### Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage

- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

##### As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

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

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

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

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.

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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

#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

##### Plant and Equipment

- Office Equipment	5 years
- Office furniture	5-10 years
- Computer Equipment	5 years
- Vehicles	5 years
- Heavy Plant/Road Making equip.	5 to 12 years
- Other plant and equipment	6 to 10 years

##### Other Equipment

- Playground equipment	10 years
- Benches, seats etc.	10 years

##### Buildings

- Buildings: Masonry	80 years
- Buildings: Other	40-50 years

##### Stormwater Drainage

- Drains	110 years
- Culverts	100-120 years

##### Transportation Assets

- Sealed Roads: Surface	20-35 years
- Sealed Roads: Pavement Base	80-105 years
- Sealed Roads: Pavement Sub-base	160-210 years
- Unsealed Roads	25-40 years
- Bridge: Concrete	100-120 years
- Bridge/Culverts: Other	100-120 years
- Kerb, Gutter and Paths	100 years

##### Water and Sewer Assets

- Dams and reservoirs	50-100 years
- Bores	33 years
- Reticulation pipes: PVC	60-80 years
- Reticulation pipes: Other	60-80 years
- Pumps and telemetry	25 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

#### (l) Investment property

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

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

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

#### (m) Payables

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

#### (n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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.

#### (o) Borrowing costs

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

#### (p) Provisions

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

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

any one item included in the same class of obligations may be small.

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

#### (q) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### (ii) Other long-term employee benefit obligations

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

##### (iii) Retirement benefit obligations

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

##### Defined Benefit Plans

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

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

##### Defined Contribution Plans

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

##### (r) Land under roads

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

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

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

##### (s) Self-insurance

Council does not self-insure.

##### (t) Intangible assets

###### *IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line basis over periods generally ranging from three to ten years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

##### (u) Crown reserves

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

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

Council and revenues relating to the reserves are recognised within Council's Income Statement.

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

#### (v) Rural fire service assets

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

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

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority.

In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

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

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

#### (x) New accounting standards and interpretations issued not yet effective

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

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

#### (y) Rounding of amounts

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

#### (z) Comparative figures

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

#### (aa) Disclaimer

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	8	52	35	1,058	1,158	1,024	(1,050)	(1,106)	(989)	83	–	36	35
Administration	279	619	1,205	2,290	2,069	3,272	(2,011)	(1,450)	(2,067)	118	92	35,667	36,002
Public order and safety	836	429	535	1,236	1,175	1,156	(400)	(746)	(621)	286	447	4,160	4,282
Health	113	155	134	242	293	246	(129)	(138)	(112)	–	–	43	56
Environment	1,249	1,288	1,300	1,631	1,680	1,722	(382)	(392)	(422)	130	226	7,475	7,406
Community services and education	873	1,080	1,200	917	961	2,523	(44)	119	(1,323)	252	190	6,389	6,503
Housing and community amenities	249	444	519	657	723	793	(408)	(279)	(274)	27	22	3,514	3,582
Water supplies	1,781	2,393	1,932	1,895	1,745	1,889	(114)	648	43	–	17	22,975	21,558
Sewerage services	1,702	2,511	1,749	1,641	2,083	1,419	61	428	330	–	31	35,899	31,226
Recreation and culture	1,231	837	341	2,578	4,541	2,562	(1,347)	(3,704)	(2,221)	540	28	31,215	30,320
Mining, manufacturing and construction	102	119	102	235	246	292	(133)	(127)	(190)	–	–	262	268
Transport and communication	9,973	12,759	12,959	9,767	13,186	10,561	206	(427)	2,398	3,725	5,202	349,177	347,486
Economic affairs	403	618	605	693	853	686	(290)	(235)	(81)	–	30	7,489	4,979
<b>Total functions and activities</b>	<b>18,799</b>	<b>23,304</b>	<b>22,616</b>	<b>24,840</b>	<b>30,713</b>	<b>28,145</b>	<b>(6,041)</b>	<b>(7,409)</b>	<b>(5,529)</b>	<b>5,161</b>	<b>6,285</b>	<b>504,301</b>	<b>493,703</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	11,024	15,092	12,119	–	–	–	11,024	15,092	12,119	7,326	4,897	–	–
<b>Operating result from continuing operations</b>	<b>29,823</b>	<b>38,396</b>	<b>34,735</b>	<b>24,840</b>	<b>30,713</b>	<b>28,145</b>	<b>4,983</b>	<b>7,683</b>	<b>6,590</b>	<b>12,487</b>	<b>11,182</b>	<b>504,301</b>	<b>493,703</b>

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER AND SAFETY**

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

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES AND EDUCATION**

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

##### **HOUSING AND COMMUNITY AMENITIES**

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

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

##### **MINING, MANUFACTURING AND CONSTRUCTION**

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

##### **TRANSPORT AND COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		2,428	2,125
Farmland		4,692	4,470
Business		148	142
<b>Total ordinary rates</b>		<b>7,268</b>	<b>6,737</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		661	634
Water supply services		612	659
Sewerage services		1,265	1,292
Waste management services (non-domestic)		153	149
<b>Total annual charges</b>		<b>2,691</b>	<b>2,734</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>		<b><u>9,959</u></b>	<b><u>9,471</u></b>

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		177	136
Water supply services		1,030	1,108
Sewerage services		265	299
Waste management services (non-domestic)		13	13
<b>Total user charges</b>		<b>1,485</b>	<b>1,556</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation		118	102
Health administration		126	107
Planning and building regulation		28	14
Section 149 certificates (EPA Act)		39	34
Section 603 certificates		29	27
Tapping fees		30	27
Town planning		106	119
Other		37	55
<b>Total fees and charges – statutory/regulatory</b>		<b>513</b>	<b>485</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aged care		110	375
Aged persons rents and fees		167	154
Caravan park		33	34
Cemeteries		47	64
Community technology centre		91	111
Family day care		473	389
Fire and emergency services levy (FESL) implementation		69	–
In home care		4	21
Leaseback fees – Council vehicles		65	69
RMS (formerly RTA) charges (state roads not controlled by Council)		3,758	3,188
Rural transaction centres		20	37
Sports stadium		25	24
Swimming centres		35	34
Tourism		26	22
Private Works		635	1,158
Other		12	8
<b>Total fees and charges – other</b>		<b>5,570</b>	<b>5,688</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>7,568</b>	<b>7,729</b>

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		54	36
– Interest earned on investments (interest and coupon payment income)		596	618
– Interest (other)		1	–
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>651</u></b>	<b><u>654</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		17	10
General Council cash and investments		481	475
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		15	12
Water fund operations		52	63
Sewerage fund operations		86	94
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>651</u></b>	<b><u>654</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		193	189
Legal fees recovery – rates and charges (extra charges)		90	38
Legal fees recovery – other		5	2
Advertising		6	5
Commissions and agency fees		34	40
Diesel rebate		61	93
Insurance claim recoveries		–	74
Recycling income (non-domestic)		26	15
Sale of abandoned vehicles		1	7
Sales – miscellaneous		22	23
Other		22	14
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>460</u></b>	<b><u>500</u></b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	1 4,332	2,903	–	–
Financial assistance – local roads component	1 2,887	1,902	–	–
Pensioners' rates subsidies – general component	107	92	–	–
<b>Total general purpose</b>	<b>7,326</b>	<b>4,897</b>	<b>–</b>	<b>–</b>
<sup>1</sup> The Financial Assistance Grant for 2016/17 reflects a one off increase due to 50 % of the 2017/18 grant allocation being paid in advance. This does not represent an increase in income but is instead a timing difference.				
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	17	17	–	–
– Sewerage	35	31	–	–
– Domestic waste management	30	31	–	–
Bushfire and emergency services	259	270	27	177
Child care	251	190	–	–
Environmental protection	–	–	–	12
Heritage and cultural	–	9	–	–
Library	45	60	26	–
LIRS subsidy	40	44	–	–
Natural disaster relief	909	–	–	–
Noxious weeds	130	178	–	–
Public halls	–	–	20	–
Recreation and culture	–	–	50	(58)
Street lighting	23	22	–	–
Swimming Pools	–	–	400	–
Tourism and economic development	–	22	–	8
Transport (roads to recovery)	2,211	2,572	–	–
Transport (other roads and bridges funding)	106	92	561	2,500
Other	21	108	–	–
<b>Total specific purpose</b>	<b>4,077</b>	<b>3,646</b>	<b>1,084</b>	<b>2,639</b>
<b>Total grants</b>	<b>11,403</b>	<b>8,543</b>	<b>1,084</b>	<b>2,639</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	9,430	7,379	400	1,700
– State funding	1,973	1,136	684	939
– Other funding	–	28	–	–
	<b>11,403</b>	<b>8,543</b>	<b>1,084</b>	<b>2,639</b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	39	42
S 94A – fixed development consent levies	–	–	160	203
S 64 – water supply contributions	–	–	57	60
S 64 – sewerage service contributions	–	–	50	25
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>306</b>	<b>330</b>
	17			
<b>Other contributions:</b>				
Bushfire services	86	41	17	–
Kerb and gutter	–	–	4	11
Noxious weeds	66	83	–	–
Paving	–	–	35	13
Recreation and culture	–	12	131	89
Roads and bridges	82	382	134	14
Road safety officer	61	77	–	–
RMS contributions (regional roads, block grant)	2,155	2,116	2,766	1,970
Sewerage (excl. section 64 contributions)	–	–	799	–
Tourism	–	–	–	13
Water supplies (excl. section 64 contributions)	–	–	596	–
Other	28	31	5	17
<b>Total other contributions</b>	<b>2,478</b>	<b>2,742</b>	<b>4,487</b>	<b>2,127</b>
<b>Total contributions</b>	<b>2,478</b>	<b>2,742</b>	<b>4,793</b>	<b>2,457</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>13,881</b>	<b>11,285</b>	<b>5,877</b>	<b>5,096</b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	2,367	2,054
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	371	1,131
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(1,096)	(818)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(725)</b>	<b>313</b>
<b>Unexpended and held as restricted assets</b>	<b>1,642</b>	<b>2,367</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	226	1,033
– Developer contributions	1,416	1,334
	<b>1,642</b>	<b>2,367</b>

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		7,376	7,311
Travel expenses		125	134
Employee leave entitlements (ELE)		712	1,021
Superannuation – defined contribution plans		631	622
Superannuation – defined benefit plans		226	254
Workers' compensation insurance		390	436
Fringe benefit tax (FBT)		29	36
Payroll tax		1	–
Training costs (other than salaries and wages)		81	103
Protective clothing		40	32
Other		53	58
<b>Total employee costs</b>		<b>9,664</b>	<b>10,007</b>
Less: capitalised costs		(713)	(941)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>8,951</b>	<b>9,066</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>105</b>	<b>107</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		242	276
<b>Total interest bearing liability costs expensed</b>		<b>242</b>	<b>276</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	2	8
<b>Total other borrowing costs</b>		<b>2</b>	<b>8</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>244</b>	<b>284</b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,102	2,428
Contractor and consultancy costs		6,098	4,795
– Contractor and consultancy costs		72	92
Auditors remuneration <sup>(1)</sup>		74	57
Legal expenses:			
– Legal expenses: planning and development		12	15
– Legal expenses: debt recovery		95	41
– Legal expenses: other		16	25
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		85	85
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>8,554</u></b>	<b><u>7,538</u></b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		57	
<b>Remuneration for audit and other assurance services</b>		<b>57</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>57</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Hill Rogers		–	41
– Other audit and assurance services: Crowe Horwath		17	16
<b>Remuneration for audit and other assurance services</b>		<b>17</b>	<b>57</b>
<b>Total remuneration of other Council's Auditors</b>		<b>17</b>	<b>57</b>
<b>Total Auditor remuneration</b>		<b>74</b>	<b>57</b>
<b>2. Operating lease payments are attributable to:</b>			
Buildings		78	78
Computers		7	7
		<b>85</b>	<b>85</b>

## Greater Hume Shire Council

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

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		938	928
Office equipment		35	30
Furniture and fittings		43	39
Infrastructure:			
– Buildings – non-specialised		365	378
– Buildings – specialised		689	687
– Other structures		203	176
– Roads		4,089	3,785
– Stormwater drainage		85	79
– Water supply network		447	434
– Sewerage network		593	576
– Swimming pools		88	116
Asset reinstatement costs	9 & 26	7	5
Intangible assets	25	38	39
<b>Total gross depreciation and amortisation costs</b>		<b>7,620</b>	<b>7,272</b>
Less: capitalised costs		–	–
<b>Total depreciation and amortisation costs</b>		<b>7,620</b>	<b>7,272</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>7,620</u></b>	<b><u>7,272</u></b>

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		61	71
Bad and doubtful debts		6	(9)
Bank charges		42	36
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		19	18
– NSW fire brigade levy		43	42
– NSW rural fire service levy		329	310
– Regional library contributions		232	225
– Other contributions/levies		–	15
Councillor expenses – mayoral fee		10	10
Councillor expenses – councillors' fees		95	93
Councillors' expenses (incl. mayor) – other (excluding fees above)		33	27
Donations, contributions and assistance to other organisations (Section 356)		219	275
Election expenses		66	–
Electricity and heating		393	342
Insurance		431	431
Postage		41	39
Printing and stationery		210	196
Retirement village entry contribution		–	1,081
Street lighting		124	112
Subscriptions and publications		73	73
Telephone and communications		230	247
Valuation fees		60	62
Water charges		158	183
Other		51	69
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,926</u></b>	<b><u>3,948</u></b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		–	168
Less: carrying amount of property assets sold/written off		–	(203)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(35)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		299	173
Less: carrying amount of plant and equipment assets sold/written off		(251)	(190)
<b>Net gain/(loss) on disposal</b>		<b>48</b>	<b>(17)</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(2,466)	–
<b>Net gain/(loss) on disposal</b>		<b>(2,466)</b>	<b>–</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		–	48
Less: carrying amount of real estate assets sold/written off		–	(33)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>15</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		3,200	5,100
Less: carrying amount of financial assets sold/redeemed/matured		(3,200)	(5,100)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(2,418)</b>	<b>(37)</b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		5,914	–	1,278	–
Cash-equivalent assets <sup>1</sup>					
– Short-term deposits		–	–	4,300	–
<b>Total cash and cash equivalents</b>		<b>5,914</b>	<b>–</b>	<b>5,578</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		19,590	450	14,420	–
<b>Total investments</b>		<b>19,590</b>	<b>450</b>	<b>14,420</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>25,504</b>	<b>450</b>	<b>19,998</b>	<b>–</b>

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

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

<b>Cash and cash equivalents</b>					
a. 'At fair value through the profit and loss'		<b>5,914</b>	<b>–</b>	<b>5,578</b>	<b>–</b>
<b>Investments</b>					
a. 'Loans and receivables'		19,590	450	14,420	–
<b>Investments</b>		<b>19,590</b>	<b>450</b>	<b>14,420</b>	<b>–</b>

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	25,504	450	19,998	–
<b>attributable to:</b>				
External restrictions (refer below)	5,880	–	6,055	–
Internal restrictions (refer below)	16,055	–	13,518	–
Unrestricted	3,569	450	425	–
	<b>25,504</b>	<b>450</b>	<b>19,998</b>	<b>–</b>

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

#### Details of restrictions

##### External restrictions – included in liabilities

Nil

##### External restrictions – other

Developer contributions – general	(D)	575	214	(239)	550
Developer contributions – water fund	(D)	467	57	–	524
Developer contributions – sewer fund	(D)	292	50	–	342
Specific purpose unexpended grants	(F)	1,033	–	(807)	226
Water supplies	(G)	910	370	–	1,280
Sewerage services	(G)	2,502	160	–	2,662
Drainage system – Culcairn TIF		39	–	–	39
Land development – Culcairn TIF		18	–	–	18
Town improvement funds		57	–	–	57
Trust		158	26	(6)	178
Other		4	–	–	4
<b>External restrictions – other</b>		<b>6,055</b>	<b>877</b>	<b>(1,052)</b>	<b>5,880</b>
<b>Total external restrictions</b>		<b>6,055</b>	<b>877</b>	<b>(1,052)</b>	<b>5,880</b>

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

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

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	2,416	836	(433)	2,819
Employees leave entitlement	807	–	(40)	767
Carry over works (uncompleted works)	3,306	3,400	(3,306)	3,400
Aged care units – Culcairn	20	3	–	23
Aged care units – Howlong/Jindera	60	15	–	75
Aged and community services reserve	194	2	(181)	15
Community facilities – former hume	16	–	–	16
Culcairn community housing	202	17	–	219
Culcairn oasis community newsletter	4	–	(1)	3
Culcairn staff housing	51	2	–	53
Family day care	275	181	(50)	406
Gum swamp maintenance reserve	22	–	–	22
Henty headerlines newsletter	5	2	–	7
Holbrook caravan park reserve	137	–	(45)	92
Holbrook festival	8	–	–	8
Holbrook Frampton court	195	64	–	259
Holbrook Kala court	60	39	–	99
Holbrook streetscape reserve	112	–	(112)	–
Holbrook village hostel	1,696	–	(872)	824
Holbrook housing	75	8	–	83
Jindera hostel	1,537	268	(1,621)	184
Land development reserve	840	–	(840)	–
Landfill rehabilitation reserve	35	–	–	35
Morven community fund	19	–	–	19
Quarry pits restoration	27	–	–	27
Risk management incentive bonus	129	88	(80)	137
St. John's wort weeds	30	–	–	30
Submarine project	38	–	–	38
Walbundrie botanical gardens reserve	10	–	(10)	–
Walla Walla sportsground reserve	190	–	–	190
Waste management reserve	156	20	–	176
Works warranty	707	221	–	928
Wotr booklet	11	1	–	12
Riverina noxious weeds program	122	9	–	131
Financial Assistance Grant	–	2,455	–	2,455
Bypass Handover Works Contribution	–	2,367	–	2,367
Woomargama Streetscape	–	44	–	44
Other	6	92	(6)	92
<b>Total internal restrictions</b>	<b>13,518</b>	<b>10,134</b>	<b>(7,597)</b>	<b>16,055</b>
<b>TOTAL RESTRICTIONS</b>	<b>19,573</b>	<b>11,011</b>	<b>(8,649)</b>	<b>21,935</b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		652	–	640	–
Interest and extra charges		67	–	73	–
User charges and fees		3,044	–	2,637	–
Private works		348	–	436	–
Accrued revenues					
– Interest on investments		290	–	133	–
Amounts due from other councils		72	–	56	–
Deferred debtors		30	9	21	10
Government grants and subsidies		196	–	1,439	–
Net GST receivable		156	–	84	–
Other debtors		11	–	12	–
<b>Total</b>		<b>4,866</b>	<b>9</b>	<b>5,531</b>	<b>10</b>
<b>Less: provision for impairment</b>					
User charges and fees		(93)	–	(87)	–
<b>Total provision for impairment – receivables</b>		<b>(93)</b>	<b>–</b>	<b>(87)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>4,773</u></b>	<b><u>9</u></b>	<b><u>5,444</u></b>	<b><u>10</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		53	–	60	–
– Other		311	–	352	–
<b>Sewerage services</b>					
– Rates and availability charges		132	–	157	–
– Other		47	–	41	–
<b>Domestic waste management</b>		<b>50</b>	<b>–</b>	<b>51</b>	<b>–</b>
<b>Total external restrictions</b>		<b>593</b>	<b>–</b>	<b>661</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>4,180</b>	<b>9</b>	<b>4,783</b>	<b>10</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>4,773</u></b>	<b><u>9</u></b>	<b><u>5,444</u></b>	<b><u>10</u></b>

**Notes on debtors above:**

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		2,155	–	1,805	–
Stores and materials		123	–	136	–
<b>Total inventories at cost</b>		<b>2,278</b>	<b>–</b>	<b>1,941</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>2,278</b>	<b>–</b>	<b>1,941</b>	<b>–</b>

**(b) Other assets**

Nil

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**(i) Other disclosures****(a) Details for real estate development**

Residential		346	–	224	–
Industrial/commercial		1,809	–	1,581	–
<b>Total real estate for resale</b>		<b>2,155</b>	<b>–</b>	<b>1,805</b>	<b>–</b>

(Valued at the lower of cost and net realisable value)

**Represented by:**

Acquisition costs		1,269	–	1,043	–
Development costs		886	–	762	–
<b>Total real estate for resale</b>		<b>2,155</b>	<b>–</b>	<b>1,805</b>	<b>–</b>

**Movements:**

Real estate assets at beginning of the year		1,805	–	1,655	–
– Purchases and other costs		230	–	183	–
– Transfers in from (out to) Note 9		120	–	–	–
– WDV of sales (expense)	5	–	–	(33)	–
<b>Total real estate for resale</b>		<b>2,155</b>	<b>–</b>	<b>1,805</b>	<b>–</b>

**(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;

	2017	2016
Real estate for resale	2,034	1,785
	<b>2,034</b>	<b>1,785</b>

**(c) Inventory write downs**

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

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

## Greater Hume Shire Council

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

## Note 9a. Infrastructure, property, plant and equipment

Asset class  \$ '000	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	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
Capital work in progress	1,279	–	1,279	2,258	2,565	–	–	(399)	–	(120)	–	–	5,583	–	5,583
Plant and equipment	12,855	6,468	6,387	–	978	(251)	(938)	–	–	–	–	–	13,258	7,082	6,176
Office equipment	739	611	128	–	33	–	(35)	4	–	–	–	–	776	646	130
Furniture and fittings	390	189	201	–	3	–	(43)	–	–	–	–	–	393	232	161
<b>Land:</b>															
– Operational land	6,608	–	6,608	–	–	–	–	–	469	–	–	–	7,077	–	7,077
– Community land	4,069	–	4,069	–	26	–	–	–	(469)	–	–	233	3,859	–	3,859
– Land under roads (post 30/6/08)	500	–	500	–	36	–	–	–	–	–	–	–	536	–	536
<b>Infrastructure:</b>															
– Buildings – non-specialised	27,754	10,985	16,769	42	30	(445)	(365)	104	–	–	–	–	27,382	11,247	16,135
– Buildings – specialised	46,311	23,529	22,782	80	133	–	(689)	118	–	–	–	–	46,642	24,218	22,424
– Other structures	3,370	581	2,789	166	57	–	(203)	17	–	–	–	–	3,610	784	2,826
– Roads	307,568	100,081	207,487	4,426	782	(256)	(4,089)	–	–	–	–	–	312,304	103,954	208,350
– Bulk earthworks (non-depreciable)	133,749	–	133,749	1,592	95	–	–	67	–	–	–	–	135,503	–	135,503
– Stormwater drainage	9,350	2,868	6,482	121	–	–	(85)	–	–	–	–	–	9,471	2,953	6,518
– Water supply network	33,440	12,019	21,421	621	27	–	(447)	–	–	–	(994)	–	30,255	9,627	20,628
– Sewerage network	47,451	16,791	30,660	947	368	–	(593)	–	–	–	–	749	45,280	13,149	32,131
– Swimming pools	8,306	3,917	4,389	–	60	(1,765)	(88)	89	–	–	–	–	5,134	2,449	2,685
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>															
– Tip assets	374	117	257	–	–	–	(4)	–	–	–	–	–	374	121	253
– Quarry assets	78	43	35	–	–	–	(3)	–	–	–	–	–	78	46	32
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>644,191</b>	<b>178,199</b>	<b>465,992</b>	<b>10,253</b>	<b>5,193</b>	<b>(2,717)</b>	<b>(7,582)</b>	<b>–</b>	<b>–</b>	<b>(120)</b>	<b>(994)</b>	<b>982</b>	<b>647,515</b>	<b>176,508</b>	<b>471,007</b>

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

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

## Greater Hume Shire Council

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

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	42	–	42	–	–	–
Land						
– Operational land	137	–	137	137	–	137
Infrastructure	30,255	9,627	20,628	33,440	12,019	21,421
<b>Total water supply</b>	<b>30,434</b>	<b>9,627</b>	<b>20,807</b>	<b>33,577</b>	<b>12,019</b>	<b>21,558</b>
<b>Sewerage services</b>						
WIP	20	–	20	–	–	–
Plant and equipment	24	24	–	24	24	–
Land						
– Operational land	566	–	566	566	–	566
Infrastructure	45,280	13,149	32,131	47,451	16,791	30,660
<b>Total sewerage services</b>	<b>45,890</b>	<b>13,173</b>	<b>32,717</b>	<b>48,041</b>	<b>16,815</b>	<b>31,226</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>76,324</b>	<b>22,800</b>	<b>53,524</b>	<b>81,618</b>	<b>28,834</b>	<b>52,784</b>

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

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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		1,688	–	536	–
Goods and services – capital expenditure		1,603	–	396	–
Accrued expenses:					
– Borrowings		45	–	54	–
– Salaries and wages		285	–	273	–
– Other expenditure accruals		10	–	219	–
Security bonds, deposits and retentions		434	1,106	529	858
<b>Total payables</b>		<b>4,065</b>	<b>1,106</b>	<b>2,007</b>	<b>858</b>
<b>Income received in advance</b>					
Payments received in advance		270	–	216	–
<b>Total income received in advance</b>		<b>270</b>	<b>–</b>	<b>216</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		568	4,915	666	4,092
<b>Total borrowings</b>		<b>568</b>	<b>4,915</b>	<b>666</b>	<b>4,092</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		832	–	916	–
Long service leave		2,096	41	2,196	37
Other leave		98	–	78	–
Sub-total – aggregate employee benefits		3,026	41	3,190	37
Asset remediation/restoration (future works)	26	–	470	–	468
<b>Total provisions</b>		<b>3,026</b>	<b>511</b>	<b>3,190</b>	<b>505</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>7,929</b>	<b>6,532</b>	<b>6,079</b>	<b>5,455</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		132	–	159	–
Sewer		67	–	8	–
Other - trust fund		178	–	158	–
Liabilities relating to externally restricted assets		377	–	325	–
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>377</b>	<b>–</b>	<b>325</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>7,552</b>	<b>6,532</b>	<b>5,754</b>	<b>5,455</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>7,929</b>	<b>6,532</b>	<b>6,079</b>	<b>5,455</b>

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

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,048	2,166
Payables – security bonds, deposits and retentions	1,106	488
	<u>3,154</u>	<u>2,654</u>

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

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	916	565	(649)	–	–	832
Long service leave	2,233	142	(238)	–	–	2,137
Other leave	78	20	–	–	–	98
Asset remediation	468	(1)	–	3	–	470
<b>TOTAL</b>	<b>3,695</b>	<b>726</b>	<b>(887)</b>	<b>3</b>	<b>–</b>	<b>3,537</b>

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	5,914	5,578
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>5,914</b>	<b>5,578</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>7,683</b>	<b>6,590</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		7,620	7,272
Net losses/(gains) on disposal of assets		2,418	37
Unwinding of discount rates on reinstatement provisions		2	8
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		674	(112)
Increase/(decrease) in provision for doubtful debts		6	(11)
Decrease/(increase) in inventories		13	(7)
Increase/(decrease) in payables		1,152	(890)
Increase/(decrease) in accrued interest payable		(9)	(8)
Increase/(decrease) in other accrued expenses payable		(197)	16
Increase/(decrease) in other liabilities		207	859
Increase/(decrease) in employee leave entitlements		(160)	71
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>19,409</b>	<b>13,825</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		200	200
Credit cards/purchase cards		40	40
Lease facilities		340	340
<b>Total financing arrangements</b>		<b>580</b>	<b>580</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		4	2
<b>Total financing arrangements utilised</b>		<b>4</b>	<b>2</b>

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

**(ii) Secured loan liabilities**

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		501	171
Plant and equipment		–	12
Roads & Drainage Infrastructure		563	101
Swimming Pools		1,134	795
Sewerage Services		–	25
<b>Total commitments</b>		<b>2,198</b>	<b>1,104</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		2,198	1,104
<b>Total payable</b>		<b>2,198</b>	<b>1,104</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		66	1,104
Future grants and contributions		1,142	–
Internally restricted reserves		944	–
Unexpended loans		46	–
<b>Total sources of funding</b>		<b>2,198</b>	<b>1,104</b>
<b>Details of capital commitments</b>			
Commitments relate mainly to major works to be completed at Henty swimming pool facility and construction of the Cookardinia fire shed, and improvements to Holbrook hall and Gerogery public toilet facilities.			
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) Operating lease commitments (non-cancellable)</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		85	85
Later than one year and not later than 5 years		6	91
<b>Total non-cancellable operating lease commitments</b>		<b>91</b>	<b>176</b>
<b>b. Non-cancellable operating leases include the following assets:</b>			
Contingent rentals may be payable depending on the condition of items or usage during the lease term.			
<b>Conditions relating to operating leases:</b>			
– All operating lease agreements are secured only against the leased asset.			
– No lease agreements impose any financial restrictions on Council regarding future debt etc.			

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>4,224</u>	12.99%	5.17%	-4.18%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>32,519</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>18,638</u>	48.54%	52.84%	57.97%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>38,396</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>24,048</u>	5.47x	6.09x	4.89x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>4,398</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>12,088</u>	13.15x	9.26x	7.69x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>919</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>719</u>	6.65%	6.87%	8.71%	< 5%
Rates, annual and extra charges collectible	<u>10,816</u>				Metro <10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>25,954</u>	12.96	9.5 mths	12.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,002</u>	mths			

## Notes

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

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

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

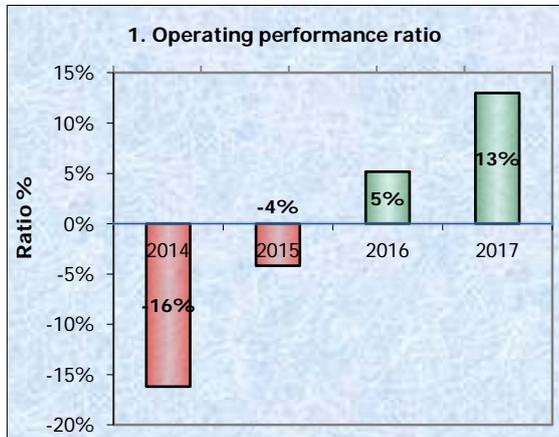
<sup>(3)</sup> Refer to Note 10(a).

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

# Greater Hume Shire Council

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

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



**Purpose of operating performance ratio**

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

**Commentary on 2016/17 result**

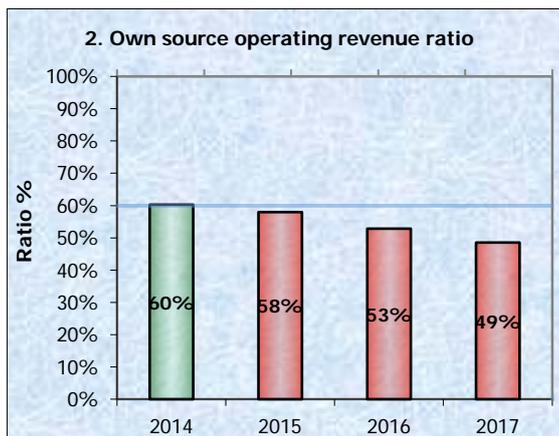
**2016/17 ratio 12.99%**

Council's Operating Performance ratio has returned a positive result this year primarily due to a once only advance of 50% of the 2017-18 Financial Assistance Grant. It has also been affected by the recognition of an Infrastructure write off arising from the replacement of Swimming Pool Infrastructure. Excluding these items the ratio would be at a similar level to 2015-16.

Benchmark: ——— Minimum >=0.00%

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2016/17 result**

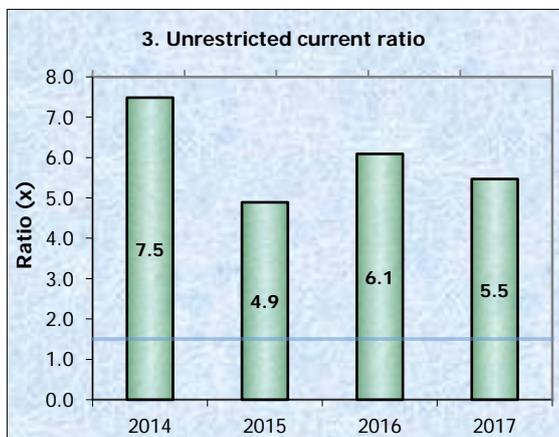
**2016/17 ratio 48.54%**

Greater Hume has a relatively high proportion of income from grants and contributions. A benchmark of 60% own source income is desirable and Greater Hume will continue to explore avenues to achieve this goal. The advance payment of Financial Assistance Grant has also impacted on this ratio. Excluding this advance payment the ratio would be at a similar level to 2015-16.

Benchmark: ——— Minimum >=60.00%

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 5.47x**

The unrestricted current ratio measures Council's ability to meet its short term financial liabilities. A measure above 2:1 indicates a strong financial capacity to meet liabilities. This ratio is indicative of Council's strong cash position.

Benchmark: ——— Minimum >=1.50

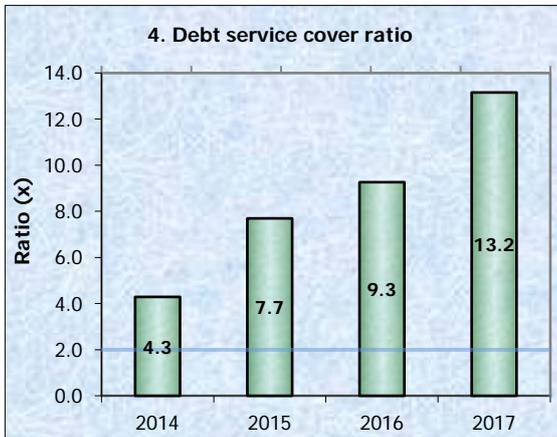
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

# Greater Hume Shire Council

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

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



**Purpose of debt service cover ratio**

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

**Commentary on 2016/17 result**

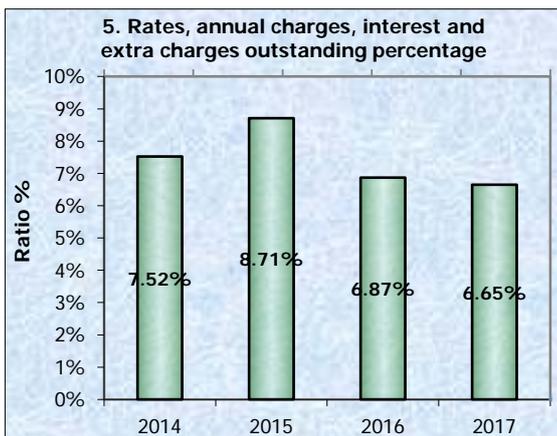
**2016/17 ratio 13.15x**

Council has a relatively low level of borrowings. This ratio indicates that Council is able to comfortably service its current debt level out of its EBITDA.

Benchmark: Minimum >=2.00

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

Ratio achieves benchmark  
 Ratio is outside benchmark



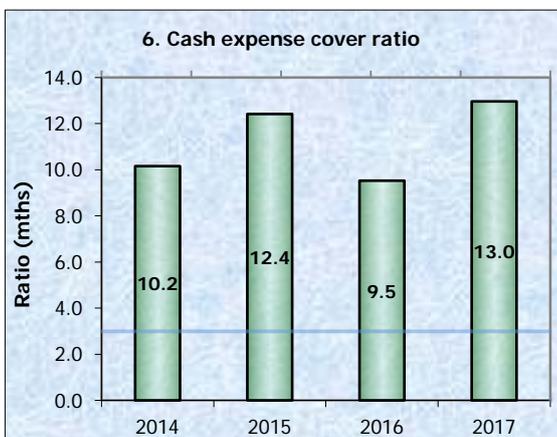
**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 6.65%**

Council's level of outstanding rates and charges remained relatively constant despite proactive collection procedures. The result emphasises a need for continued focus on collection activities. Continuous improvement on the current position is our goal for 2017-18.



**Purpose of cash expense cover ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 12.96 mths**

Council's cash position is sound and the ratio indicates Council is able to pay all its commitments as and when they fall due.

Benchmark: Minimum >=3.00

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>14.44%</b>	4.93%	<b>-0.29%</b>	-1.99%	<b>1.50%</b>	16.46%	>0.00%
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue <sup>(1)</sup>	<b>45.65%</b>	47.72%	<b>72.00%</b>	95.99%	<b>64.79%</b>	96.78%	>60.00%
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>							
<hr/>							
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>5.47x</b>	6.09x	<b>12.45x</b>	8.31x	<b>42.40x</b>	337.50x	>1.5x

#### Notes

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

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>12.00x</b>	7.98x	<b>0.00x</b>	0.00x	<b>0.00x</b>	0.00x	>2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>5.71%</b>	5.88%	<b>8.66%</b>	9.10%	<b>12.33%</b>	12.15%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	<b>11.70 months</b>	8.30 months	<b>16.69 months</b>	11.30 months	<b>34.63 months</b>	39.26 months	> 3 months

## Notes

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

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	5,914	5,578	5,914	5,578
Investments				
– 'Held to maturity'	–	–	20,040	14,420
Receivables	4,782	5,454	4,783	5,454
<b>Total financial assets</b>	<b>30,736</b>	<b>25,452</b>	<b>30,737</b>	<b>25,452</b>
<b>Financial liabilities</b>				
Payables	5,171	2,865	5,172	2,865
Loans/advances	5,483	4,758	5,483	4,758
<b>Total financial liabilities</b>	<b>10,654</b>	<b>7,623</b>	<b>10,655</b>	<b>7,623</b>

Fair value is determined as follows:

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

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 1% movement in interest rates	200	200	(200)	(200)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	200	200	(200)	(200)

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

##### (b) Credit risk

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

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

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

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

There is a significant concentration of credit risk within the Greater Hume Shire Council.

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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	97%	0%	90%
Overdue	100%	3%	100%	10%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	–	4,078	–	4,469
< 1 year overdue	652	145	640	432
	<b>652</b>	<b>4,223</b>	<b>640</b>	<b>4,901</b>
<b>(iii) Movement in provision for impairment of receivables</b>			<b>2017</b>	<b>2016</b>
Balance at the beginning of the year			87	98
+ new provisions recognised during the year			7	19
– amounts provided for but recovered during the year			(1)	(30)
<b>Balance at the end of the year</b>			<b>93</b>	<b>87</b>

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2017</b>									
Trade/other payables	1,540	3,928	–	–	–	–	–	5,468	5,171
Loans and advances	–	818	820	741	690	645	3,224	6,938	5,483
<b>Total financial liabilities</b>	<b>1,540</b>	<b>4,746</b>	<b>820</b>	<b>741</b>	<b>690</b>	<b>645</b>	<b>3,224</b>	<b>12,406</b>	<b>10,654</b>
<b>2016</b>									
Trade/other payables	1,387	1,478	–	–	–	–	–	2,865	2,865
Loans and advances	–	914	728	701	622	571	2,535	6,071	4,758
<b>Total financial liabilities</b>	<b>1,387</b>	<b>2,392</b>	<b>728</b>	<b>701</b>	<b>622</b>	<b>571</b>	<b>2,535</b>	<b>8,936</b>	<b>7,623</b>

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	5,171	0.00%	2,865	0.00%
Loans and advances – fixed interest rate	5,483	5.62%	4,758	5.62%
	<u>10,654</u>		<u>7,623</u>	

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 21 June 2017.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*	-----	-----
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>9,964</b>	<b>9,959</b>	<b>(5)</b>	(0%)	<b>U</b>
<b>User charges and fees</b>	<b>5,425</b>	<b>7,568</b>	<b>2,143</b>	40%	<b>F</b>
Additional Revenue generated mainly from additional works awarded on regional roads and state roads.					
<b>Interest and investment revenue</b>	<b>628</b>	<b>651</b>	<b>23</b>	4%	<b>F</b>
<b>Other revenues</b>	<b>366</b>	<b>460</b>	<b>94</b>	26%	<b>F</b>
Performance rebates on insurance policies not budgeted for and recovery of legal expenses on overdue debts					
<b>Operating grants and contributions</b>	<b>11,167</b>	<b>13,881</b>	<b>2,714</b>	24%	<b>F</b>
Additional Financial Assistance Grant monies relating to the 2017-18 financial year received in advance.					
<b>Capital grants and contributions</b>	<b>2,273</b>	<b>5,877</b>	<b>3,604</b>	159%	<b>F</b>
Contributions received for Woomargama and Holbrook bypass handover works to be completed in 2017-18 and gifted assets for subdivisions completed during the year. In addition Blackspot funding was received during 2016-17.					

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>8,914</b>	<b>8,951</b>	<b>(37)</b>	(0%)	<b>U</b>
<b>Borrowing costs</b>	<b>276</b>	<b>244</b>	<b>32</b>	12%	<b>F</b>
Proposed borrowings for 2016-17 were deferred until the end of the financial year resulting in lower than budget borrowing costs.					
<b>Materials and contracts</b>	<b>5,129</b>	<b>8,554</b>	<b>(3,425)</b>	(67%)	<b>U</b>
Additional materials and contracts incurred and partially offset by additional revenue received during the financial year. These expenses include road maintenance costs and expenditure on significant wet weather events.					
<b>Depreciation and amortisation</b>	<b>7,533</b>	<b>7,620</b>	<b>(87)</b>	(1%)	<b>U</b>
<b>Other expenses</b>	<b>2,988</b>	<b>2,926</b>	<b>62</b>	2%	<b>F</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>2,418</b>	<b>(2,418)</b>	0%	<b>U</b>
Asset disposals are budgeted to recover carrying value at the time of disposal. During the year the write off of existing pool assets at Henty and Holbrook pool complexes gave rise to a large loss on disposal which was not budgeted for.					
<b>Budget variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash flows from operating activities</b>	<b>11,819</b>	<b>19,409</b>	<b>7,590</b>	64.2%	<b>F</b>
Additional revenue generated mainly from additional works awarded on regional and state roads and additional grant funds and contributions including Financial Assistance Grant 2017-18, Woomargama/Holbrook bypass handover works contribution, Blackspot funding and Natural Disaster funding.					
<b>Cash flows from investing activities</b>	<b>(12,207)</b>	<b>(19,798)</b>	<b>(7,591)</b>	62.2%	<b>U</b>
Additional expenditure on Capital Works during 2016-17 and additional investments purchased.					
<b>Cash flows from financing activities</b>	<b>390</b>	<b>725</b>	<b>335</b>	85.9%	<b>F</b>
Council borrowed an additional \$300k over budget to finance the refurbishment of the swimming pool at Henty. As the loan was drawn down at the end of the financial year repayments had not commenced.					

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	23	3	–	1	–	–	27	–
Open space	23	–	–	1	–	–	24	–
Community facilities	92	4	–	2	–	–	98	–
Other	36	2	–	1	–	–	39	–
<b>S94 contributions – under a plan</b>	<b>174</b>	<b>9</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>188</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>327</b>	<b>160</b>	<b>–</b>	<b>8</b>	<b>(208)</b>	<b>–</b>	<b>287</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>501</b>	<b>169</b>	<b>–</b>	<b>13</b>	<b>(208)</b>	<b>–</b>	<b>475</b>	<b>–</b>
S94 not under plans	74	30	–	2	(31)	–	75	–
S64 contributions	759	107	–	–	–	–	866	–
<b>Total contributions</b>	<b>1,334</b>	<b>306</b>	<b>–</b>	<b>15</b>	<b>(239)</b>	<b>–</b>	<b>1,416</b>	<b>–</b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 1 - FORMER HUME SHIRE PROPORTION OF GREATER HUME SHIRE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	23	3	–	1	–	–	27	–
Open space	23	–	–	1	–	–	24	–
Community facilities	92	4	–	2	–	–	98	–
Other	36	2	–	1	–	–	39	–
<b>Total</b>	<b>174</b>	<b>9</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>188</b>	<b>–</b>

## S94A LEVIES – UNDER A PLAN

## GREATER HUME SHIRE COUNCIL S94A LEVY DEVELOPMENT CONTRIBUTIONS PLAN 2014

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	327	160	–	8	(208)	–	287	–
<b>Total</b>	<b>327</b>	<b>160</b>	<b>–</b>	<b>8</b>	<b>(208)</b>	<b>–</b>	<b>287</b>	<b>–</b>

## S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	74	30	–	2	(31)	–	75	–
<b>Total</b>	<b>74</b>	<b>30</b>	<b>–</b>	<b>2</b>	<b>(31)</b>	<b>–</b>	<b>75</b>	<b>–</b>

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

The Local Government Superannuation Scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer" fund for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets of the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an

expense for the year ending 30 June 2017 was \$207,770. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 2 December, 2016. The position is monitored annually and the Actuary has estimated that as at 30 June 2017 a deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$189,719.

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

##### (ii) Statewide Limited

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

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils 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.

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 1. Guarantees

##### (iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

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

##### (iv) Other Guarantees

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

##### 2. Other Liabilities

##### (i) Third Party Claims

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

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

##### (ii) S94/94A Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

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

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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##### **ASSETS NOT RECOGNISED:**

##### **(i) Land under roads**

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

##### **(ii) Infringement notices/fines**

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

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

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

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

#### Note 19. Interests in other entities

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		239,891	233,301
a. Net operating result for the year		7,683	6,590
<b>Balance at end of the reporting period</b>		<b>249,030</b>	<b>239,891</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		240,810	242,278
<b>Total</b>		<b>240,810</b>	<b>242,278</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		242,278	241,448
– Revaluations for the year	9(a)	(12)	830
– Transfer to retained earnings for asset disposals		(1,456)	–
<b>– Balance at end of year</b>		<b>240,810</b>	<b>242,278</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>240,810</b>	<b>242,278</b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

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

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	612	1,265	8,082
User charges and fees	1,026	258	6,284
Interest and investment revenue	52	86	513
Other revenues	33	17	410
Grants and contributions provided for operating purposes	17	35	13,829
Grants and contributions provided for capital purposes	653	850	4,374
<b>Total income from continuing operations</b>	<b>2,393</b>	<b>2,511</b>	<b>33,492</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	411	661	7,879
Borrowing costs	–	–	244
Materials and contracts	124	280	8,150
Depreciation and amortisation	447	593	6,580
Other expenses	763	103	2,060
Net losses from the disposal of assets	–	–	2,418
<b>Total expenses from continuing operations</b>	<b>1,745</b>	<b>1,637</b>	<b>27,331</b>
<b>Operating result from continuing operations</b>	<b>648</b>	<b>874</b>	<b>6,161</b>
<b>Net operating result for the year</b>	<b>648</b>	<b>874</b>	<b>6,161</b>
<b>Net operating result attributable to each council fund</b>	<b>648</b>	<b>874</b>	<b>6,161</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(5)</b>	<b>24</b>	<b>1,787</b>

<sup>1</sup> 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.

## Greater Hume Shire Council

## Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	1,804	3,004	1,106
Investments	–	–	19,590
Receivables	364	179	4,230
Inventories	–	–	2,278
<b>Total current assets</b>	<b>2,168</b>	<b>3,183</b>	<b>27,204</b>
<b>Non-current assets</b>			
Receivables	–	–	9
Infrastructure, property, plant and equipment	20,807	32,717	417,483
Intangible assets	–	–	280
<b>Total non-current assets</b>	<b>20,807</b>	<b>32,717</b>	<b>418,222</b>
<b>TOTAL ASSETS</b>	<b>22,975</b>	<b>35,900</b>	<b>445,426</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	132	67	3,866
Income received in advance	–	–	270
Borrowings	–	–	568
Provisions	–	–	3,026
<b>Total current liabilities</b>	<b>132</b>	<b>67</b>	<b>7,730</b>
<b>Non-current liabilities</b>			
Payables	–	–	1,106
Borrowings	–	–	4,915
Provisions	–	–	511
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>6,532</b>
<b>TOTAL LIABILITIES</b>	<b>132</b>	<b>67</b>	<b>14,262</b>
<b>Net assets</b>	<b>22,843</b>	<b>35,833</b>	<b>431,164</b>
<b>EQUITY</b>			
Retained earnings	10,846	14,616	223,568
Revaluation reserves	11,997	21,217	207,596
<b>Total equity</b>	<b>22,843</b>	<b>35,833</b>	<b>431,164</b>

<sup>1</sup> 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.

## Greater Hume Shire Council

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

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

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\$ '000

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

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

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

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

Accordingly, the 'authorised for issue' date is 27/09/17.

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

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

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

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

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

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

#### Note 24. Discontinued operations

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
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Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are as follows:

**Opening values:**

Gross book value (1/7)	447	447
Accumulated amortisation (1/7)	(129)	(90)
Accumulated impairment (1/7)	–	–
<b>Net book value – opening balance</b>	<b>318</b>	<b>357</b>

**Movements for the year**

– Amortisation charges	(38)	(39)
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**Closing values:**

Gross book value (30/6)	447	447
Accumulated amortisation (30/6)	(167)	(129)
Accumulated impairment (30/6)	–	–

<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>280</u></b>	<b><u>318</u></b>
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<sup>1</sup> The net book value of intangible assets represent:

– Software	280	318
	<b>280</b>	<b>318</b>

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Culcairn waste depot	2035	115	88
Brocklesby waste depot	2018	30	26
Holbrook waste depot	2035	148	117
Henty waste depot	2018	–	61
Earlsridge quarry	2020	42	41
Boyds quarry	2025	42	42
Stolls quarry	2030	25	25
Annandale quarry	2050	47	47
Funks quarry	2030	21	21
<b>Balance at end of the reporting period</b>		470	468

10(a)

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

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

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

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

Balance at beginning of year	468	460
Amortisation of discount (expensed to borrowing costs)	2	8
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>470</b>	<b>468</b>

#### Amount of expected reimbursements

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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

###### **Restoration**

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

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

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

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

###### **Rehabilitation**

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

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

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

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Bulk earthworks	–	–	135,503	135,503
Roads infrastructure	–	–	208,350	208,350
Land under roads	–	–	536	536
Stormwater drainage	–	–	6,518	6,518
Sewerage network	–	–	32,131	32,131
Water supply network	–	–	20,628	20,628
Operational land	–	–	7,077	7,077
Community land	–	–	3,859	3,859
Buildings specialised	–	–	22,424	22,424
Buildings non-specialised	–	–	16,135	16,135
Swimming pools	–	–	2,685	2,685
Other structures	–	–	2,826	2,826
Plant, office equipment, furniture and fittings	–	–	6,467	6,467
Tips and quarries	–	–	285	285
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>465,424</b>	<b>465,424</b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Bulk earthworks	–	–	133,749	133,749
Roads infrastructure	–	–	207,487	207,487
Land under roads	–	–	500	500
Stormwater drainage	–	–	6,482	6,482
Sewerage network	–	–	30,660	30,660
Water supply network	–	–	21,421	21,421
Operational land	–	–	6,608	6,608
Community land	–	–	4,069	4,069
Buildings specialised	–	–	22,782	22,782
Buildings non-specialised	–	–	16,769	16,769
Swimming pools	–	–	4,389	4,389
Other structures	–	–	2,789	2,789
Plant, office equipment, furniture and fittings	–	–	6,716	6,716
Tips and quarries	–	–	292	292
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>464,713</b>	<b>464,713</b>

## (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.

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

---

##### **(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 & Equipment**

###### **Roads Infrastructure**

This asset class comprises the road surface and pavement, bridges, drainage, kerb & gutter and footpaths.

The cost approach was adopted to value these assets based on assessments and calculations from a condition assessment undertaken by Radar Portal Surveys in November 2014, and subsequent revaluation by Jeff Roorda & Associates and council staff in June 2015. Assets have been componentised and a full review of asset condition, useful life and unit rates for each component was undertaken.

The full revaluation of road assets is undertaken on a 5 year cycle.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

This class of assets has been disclosed as Input Level 3.

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

###### **Stormwater Drainage Infrastructure**

This asset class comprises pits, pipes, open channels and headwalls.

The cost approach was adopted to value these assets based on assessments and calculations from a revaluation undertaken by and Jeff Roorda & Associates and council staff in June 2015. Assets have been componentised and an evaluation of useful life and unit rates for each component was undertaken resulting in revaluation of these assets.

The full revaluation of stormwater drainage assets is undertaken on a 5 year cycle.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

This class of assets has been disclosed as Input Level 3.

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

---

##### **Sewerage Network**

This asset class comprises treatment works, pumping stations, sewerage mains, and reuse water plant.

The cost approach was adopted to estimate the value of these assets by componentising the assets into significant parts with different useful lives and taking into account a range of values. This assessment was undertaken by Mike Brearley and Associates in 2017.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value

The full revaluation of the Sewerage Network is undertaken on a 5 year cycle and was carried out this financial year.

The sewerage Network is indexed annually in accordance with reference rates provided in the NSW Office of Water guidelines.

This class of assets has been disclosed as Input Level 3.

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

##### **Water Supply Network**

This asset class comprises treatment works, pumping stations, water pipelines, bores and reservoirs.

The cost approach was adopted to estimate the value of these assets by componentising the assets into significant parts with different useful lives and taking into account a range of values. This assessment was undertaken by Mike Brearley and Associates in 2017.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value

The full revaluation of the Water Supply Network is undertaken on a 5 year cycle.

The sewerage Network is indexed annually in accordance with reference rates provided in the NSW Office of Water guidelines

This class of assets has been disclosed as Input Level 3.

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

##### **Community Land**

This asset class comprises all of Council owned land classified as Community Land and Care Control Management Land [Crown Land] of which Council derives current and future economic benefits from the use of the land asset.

The key unobservable input to the valuation is the price per square metre.

Council has used the Valuer General's Unimproved Capital Value (UCV) as the basis for establishing the fair value of the land as at 1 July 2015.

The full revaluation of the Community Land is undertaken on a 5 year cycle and the next valuation will take place in 2020/2021.

This class of assets has been disclosed as Input Level 3.

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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##### **Operational Land**

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993.

The key unobservable input to the valuation is the price per square metre.

Council has used the Valuer General's Unimproved Capital Value (UCV) as the basis for establishing the fair value of the land as at 1 July 2015.

The full revaluation of the Operational Land is undertaken on a 5 year cycle and the next valuation will take place in 2017/2018.

This class of assets has been disclosed as Input Level 3.

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

##### **Buildings - Specialised and Non Specialised**

Council engaged Cosgroves Property Advisors to value all its buildings in June 2008. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost allowing for professional fees, demolition, removal of debris and escalation in costs.

Further indexation of buildings was carried out using Insurance Values obtained from Scott Fullerton & Associates as at 30 June 2012.

While all buildings were physically inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value.

The full revaluation of the Buildings is undertaken on a 5 year cycle and the next valuation will take place in 2017/2018.

This class of assets has been disclosed as Input Level 3.

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

##### **Swimming Pools**

This class of assets comprises swimming pool structures, amenities and filtration equipment.

Council engaged Cosgroves Property Advisors to value these assets in June 2008. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost allowing for professional fees, demolition, removal of debris and escalation in costs.

Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value.

The full revaluation of the Swimming Pools is undertaken on a 5 year cycle and the next valuation will take place in 2017/2018.

This class of assets has been disclosed as Input Level 3.

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

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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##### **Other Structures**

This class comprises fencing, hologram and town clock and miscellaneous other structures.

The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost.

There has been no change to the valuation process during the reporting period. This class of assets has been disclosed as Input Level 3.

##### **Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings include but are not limited to the following:

- Plant & Equipment - Motor Vehicles, Utes, Trucks, Tractors, Earthmoving Equipment and Ride-on Mowers
- Office Equipment - Computer Equipment, Data Projectors, Servers & Printers
- Furniture & Fittings - Chairs, Desks, Shelving and Air Conditioning Units

The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost.

The carrying amount of these assets is deemed to be the fair value due to the type of asset.

The key unobservable inputs to the valuation are the remaining useful life and residual value.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

This class of assets has been disclosed as Input Level 3.

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

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Bulk earthworks	Roads infra- structure	Land under roads	Storm- water drainage	Total
<b>Opening balance – 1/7/15</b>	130,349	202,661	471	5,907	339,388
Purchases (GBV)	3,400	8,611	29	654	12,694
Depreciation and impairment	–	(3,785)	–	(79)	(3,864)
<b>Closing balance – 30/6/16</b>	<b>133,749</b>	<b>207,487</b>	<b>500</b>	<b>6,482</b>	<b>348,218</b>
Purchases (GBV)	1,754	5,208	36	121	7,119
Disposals (WDV)	–	(256)	–	–	(256)
Depreciation and impairment	–	(4,089)	–	(85)	(4,174)
<b>Closing balance – 30/6/17</b>	<b>135,503</b>	<b>208,350</b>	<b>536</b>	<b>6,518</b>	<b>350,907</b>

	Sewerage network	Water supply network	Operational land	Community land	Total
<b>Opening balance – 1/7/15</b>	30,122	21,079	6,569	4,082	61,852
Purchases (GBV)	662	460	39	–	1,161
Disposals (WDV)	–	–	–	(75)	(75)
Depreciation and impairment	(576)	(434)	–	–	(1,010)
FV gains – other comprehensive income	452	316	–	62	830
<b>Closing balance – 30/6/16</b>	<b>30,660</b>	<b>21,421</b>	<b>6,608</b>	<b>4,069</b>	<b>62,758</b>
Purchases (GBV)	1,315	648	–	26	1,989
Depreciation and impairment	(593)	(447)	–	–	(1,040)
FV gains – other comprehensive income	749	(994)	–	233	(12)
Transfers between classes	–	–	469	(469)	–
<b>Closing balance – 30/6/17</b>	<b>32,131</b>	<b>20,628</b>	<b>7,077</b>	<b>3,859</b>	<b>63,695</b>

## Greater Hume Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Buildings non-specialised	Swimming Pools	Other structures	Total
<b>Opening balance – 1/7/15</b>	23,302	17,207	4,502	2,451	47,462
Transfers from/(to) another asset class	(5)	(1)	–	–	(6)
Purchases (GBV)	172	69	3	514	758
Disposals (WDV)	–	(128)	–	–	(128)
Depreciation and impairment	(687)	(378)	(116)	(176)	(1,357)
<b>Closing balance – 30/6/16</b>	<b>22,782</b>	<b>16,769</b>	<b>4,389</b>	<b>2,789</b>	<b>46,729</b>
Purchases (GBV)	331	176	149	240	896
Disposals (WDV)	–	(78)	(676)	–	(754)
Depreciation and impairment	(689)	(365)	(88)	(203)	(1,345)
FV gains – other comprehensive income	–	(367)	(1,089)	–	(1,456)
<b>Closing balance – 30/6/17</b>	<b>22,424</b>	<b>16,135</b>	<b>2,685</b>	<b>2,826</b>	<b>44,070</b>

	Plant, office equipment and furniture	Tips and quarries	Total
<b>Opening balance – 1/7/15</b>	7,036	129	7,165
Transfers from/(to) another asset class	6	–	6
Purchases (GBV)	861	168	1,029
Disposals (WDV)	(190)	–	(190)
Depreciation and impairment	(997)	(5)	(1,002)
<b>Closing balance – 30/6/16</b>	<b>6,716</b>	<b>292</b>	<b>7,008</b>
Purchases (GBV)	1,018	–	1,018
Disposals (WDV)	(251)	–	(251)
Depreciation and impairment	(1,016)	(7)	(1,023)
<b>Closing balance – 30/6/17</b>	<b>6,467</b>	<b>285</b>	<b>6,752</b>

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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

##### **b. The valuation process for level 3 fair value measurements**

Council has not assigned any of its non financial asset classes to Level 2 inputs.

Level 3 valuation process for asset classes where the basis was Cost Approach.

The inputs used for this technique were:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Unit Rates
- Useful Life

When necessary Council engages external consultants with expertise in the valuation of Infrastructure, Property, Plant & Equipment assets, to work in conjunction with its own staff to establish the fair values of its assets based on the above inputs.

Classes of assets are assessed formally on a five year rolling cycle in accordance with the requirements of the code. At the end of each reporting period Council assesses whether there is any indication that the carrying amount of any class of asset may differ materially from that which would be determined if the class of assets were revalued at that date.

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

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

This was established by taking into consideration the following criteria;

- Physical possibility
- Legal permissibility
- Financial feasibility
- Maximum profitability, and
- Contribution to the community and its environment

## Greater Hume Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

\$ '000

##### a. Key management personnel

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

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

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	759,722
Post-employment benefits	58,994
Other long-term benefits	35,717
<b>Total</b>	<b>854,433</b>

##### 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
	\$'000	\$'000		\$'000	\$'000
Earthworks	122	-	30 Days	-	-

- 1 Council contracted Easties Dirt Works to perform earth works during the year, a company which the Principal is a close family member of a KMP of Council. Amounts were billed based on Council's schedule of Plant & Equipment Quotation Rates and were due and payable under normal payment terms.

## Greater Hume Shire Council

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

#### Note 29. Council information and contact details

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**Principal place of business:**

39 Young Street  
Holbrook NSW 2644

**Contact details**

**Mailing address:**

PO Box 99  
Holbrook NSW 2644

**Opening hours:**

Monday to Friday  
8:30am - 5:00pm

**Telephone:** 02 6036 0100

**Facsimile:** 02 6036 2683

**Internet:** <http://www.greaterhume.nsw.gov.au>

**Email:** [mail@greaterhume.nsw.gov.au](mailto:mail@greaterhume.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Steven Pinnuck

**RESPONSIBLE ACCOUNTING OFFICER**

Dean Hart

**Elected members**

**MAYOR**

Councillor Heather Wilton



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Greater Hume Shire Council**

To the Councillors of Greater Hume Shire Council

## Opinion

I have audited the accompanying financial statements of Greater Hume Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

### **The Councillors' Responsibility for the Financial Statements**

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

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

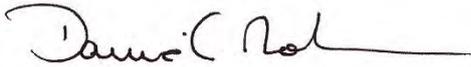
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read "David Nolan", with a long horizontal flourish extending to the right.

David Nolan  
Director, Financial Audit Services

23 October 2017  
SYDNEY

Cr Heather Wilton  
Mayor  
Greater Hume Shire Council  
PO Box 99  
HOLBROOK NSW 2644

Contact: David Nolan  
Phone no: 9275 7377  
Our ref: D1727212/1732

23 October 2017

Dear Mayor

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

I have audited the general purpose financial statements of Greater Hume Shire Council (the Council) for the year ended 30 June 2017 as required by s415 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 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	2017	2016	Variance
	\$m	\$m	%
<b>Rates and annual charges revenue</b>	9.96	9.47	5.2 ↑
<b>Grants and contributions revenue</b>	19.76	16.38	20.6 ↑
<b>Operating result for the year</b>	7.68	6.59	16.5 ↑
<b>Net operating result before capital amounts</b>	1.81	1.49	21.5 ↑

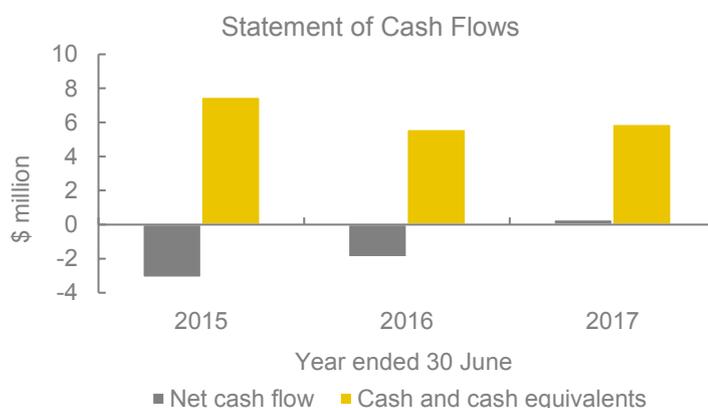
The operating result for the year was a surplus of \$7.7 million (2016: \$6.6 million) and included a depreciation expense of \$7.6 million (2016: \$7.3 million). The higher operating result for this year is

mainly due to increased general and specific purpose grants for operations, including a prepayment of the Financial Assistance Grant relating to 2017/18.

Rates and annual charges represent 26 per cent of Council's total revenues and increased by 5.2 per cent from the previous year.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$336,000 to \$5.9 million at the close of the year.



In addition to operating activities which contributed net cash of \$19.4 million were the proceeds from the sale of investments (\$3.2 million) and assets (\$299,000), proceeds from borrowings (\$1.4 million) and receipts from deferred debtors (\$21,000). Cash outflows other than operating activities were used to purchase investments (\$8.8 million), repay borrowings (\$675,000), provide advances (\$29,000) and to purchase and construct assets (\$14.2 million).

## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	5.9	6.1	Cash and investments amounted \$26 million at 30 June 2017 (2016: \$20 million). The increase is mainly due to the Council's surplus for the year.
Internal restrictions	16.1	13.5	
Unrestricted	4.0	0.4	
Cash and investments	26.0	20.0	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent water, sewer and town improvement funds, development contributions and specific purpose grants.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled \$16.1 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$4 million, which is available to provide liquidity for day to day operations.

### Debt

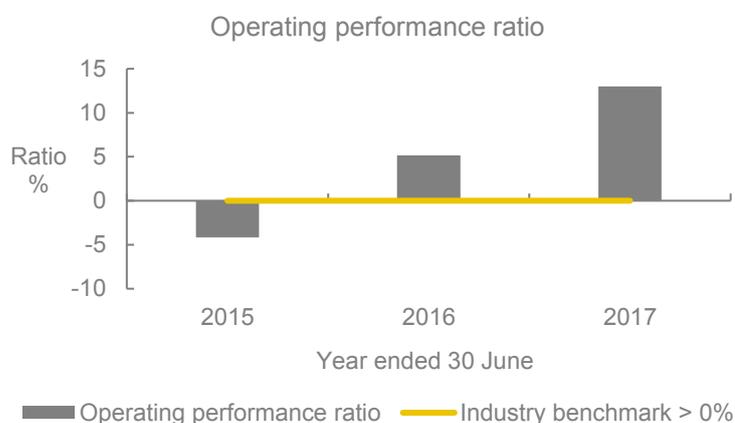
After repaying principal and interest of \$919,000 during the financial year, total debt as at 30 June 2017 was \$5.5 million (2016: \$4.8 million).

## PERFORMANCE RATIOS

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

### Operating performance ratio

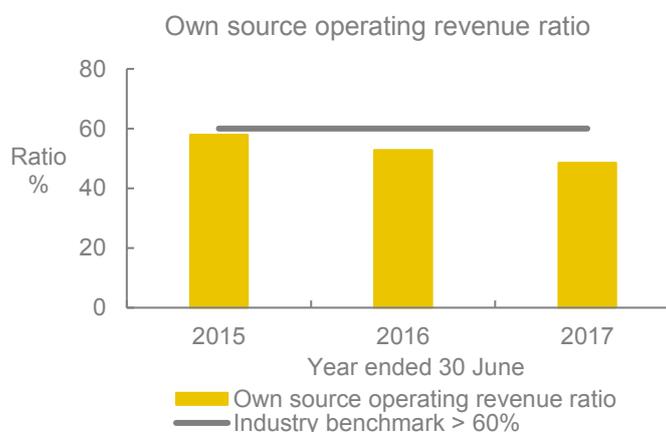
The ‘operating performance ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Council’s operating performance indicator of 13 per cent (5.2 per cent in 2016) exceeded the benchmark due to the improved operating result before capital grants and contributions; which was driven by the increase in operating grants received.

### Own source operating revenue ratio

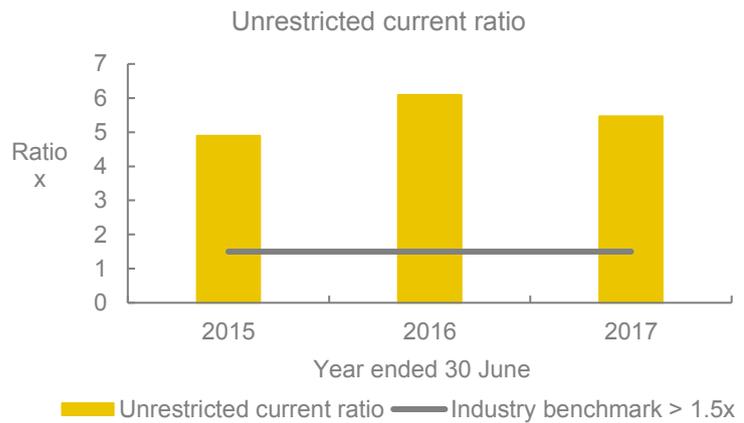
The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council’s own source operating revenue ratio was 49 per cent for 2016–17 (53 per cent in 2016), below the benchmark of 60 per cent.

## Unrestricted current ratio

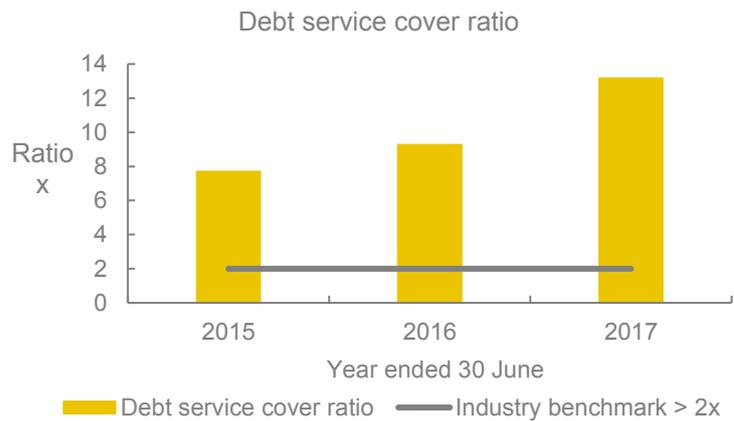
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio decreased to 5.5 as at 30 June 2017 (6.1 in 2016) and exceeded the benchmark of 1.5 times. The decrease in the ratio is mainly due to the increase in current liabilities.

## Debt service cover ratio

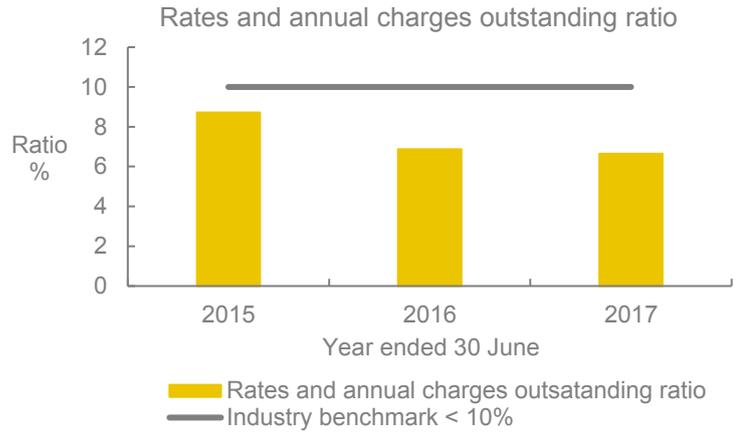
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2017 was 13.2 (9.3 in 2016). This improvement is due to Council's improved operating result before capital grants and contributions and decreased debt servicing costs.

## Rates and annual charges outstanding ratio

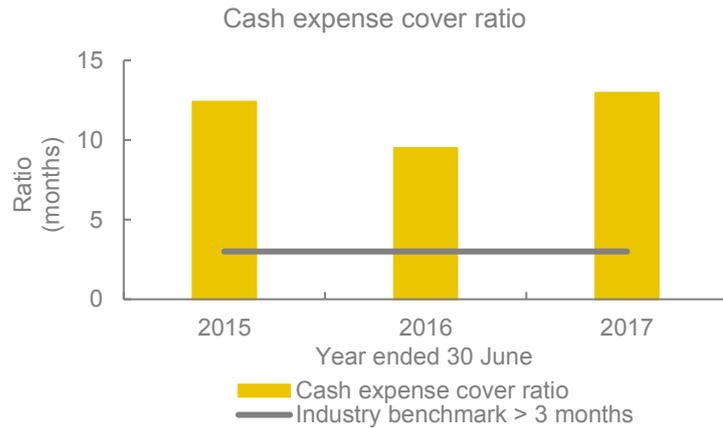
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below 10 per cent for rural councils.



The rates and annual charges outstanding ratio stood at 6.7 per cent as at 30 June 2017 (6.9 per cent in 2016) and is better than industry benchmark of being below 10 per cent for a rural council.

## Cash expense cover ratio

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.

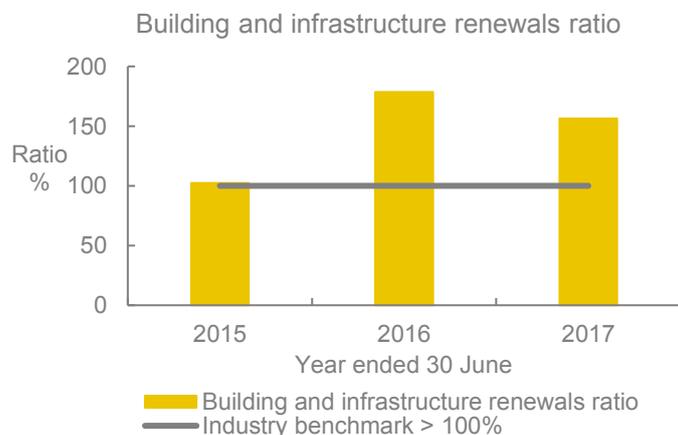


Council's cash expense cover ratio was almost thirteen months and continues to easily exceed the benchmark of three months.

## Building and infrastructure renewals ratio

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

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



Special Schedule No. 7 disclosed infrastructure renewals for 2017 represented 156 per cent (179 per cent in 2016) of the depreciation charges for those assets; exceeding the benchmark of 100 per cent.

## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

### Asset Revaluations

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, water and sewerage infrastructure and community land was revalued. This resulted in a net decrease of \$12,000 recognised directly in Asset Revaluation Reserves.

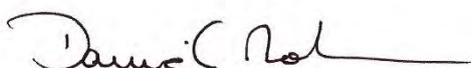
### Legislative compliance

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.

### Management co-operation

The audit team appreciated the co-operation and help received from the Council's staff, in particular the finance team.



David Nolan  
Director, Financial Audit Services

23 October 2017  
SYDNEY

cc: Mr Steven Pinnuck, General Manager  
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

# Special Purpose Financial Statements

*For the year ended 30 June 2017*



**Greater Hume Shire**  
simply greater

*“...a prosperous rural Shire with vibrant sustainable  
communities offering excellent quality of life”*

# Greater Hume Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

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<b>2. Special Purpose Financial Statements:</b>	
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	7
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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a ‘level playing field’ between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council’s self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
-

## Greater Hume Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

### Statement by Councillors and Management

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

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

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

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

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

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

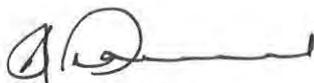
**Signed in accordance with a resolution of Council made on 20 September 2017.**



Councillor Heather Wilton  
Mayor



Councillor Matthew Hicks  
Councillor



Steven Pinnuck  
General manager



Dean Hart  
Responsible accounting officer

## Greater Hume Shire Council

### Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	612	659
User charges	1,026	1,105
Fees	–	–
Interest	52	49
Grants and contributions provided for non-capital purposes	17	17
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	33	29
<b>Total income from continuing operations</b>	<b>1,740</b>	<b>1,859</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	411	403
Borrowing costs	–	–
Materials and contracts	124	150
Depreciation, amortisation and impairment	447	434
Water purchase charges	675	827
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	88	82
<b>Total expenses from continuing operations</b>	<b>1,745</b>	<b>1,896</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(5)</b>	<b>(37)</b>
Grants and contributions provided for capital purposes	653	60
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>648</b>	<b>23</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>648</b>	<b>23</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>648</b>	<b>23</b>
<b>Plus opening retained profits</b>	10,198	10,175
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>10,846</b>	<b>10,198</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>-0.2%</b>
<b>Subsidy from Council</b>	<b>500</b>	<b>505</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	648	23
Less: capital grants and contributions (excluding developer contributions)	(596)	–
<b>Surplus for dividend calculation purposes</b>	<b>52</b>	<b>23</b>
<b>Potential dividend calculated from surplus</b>	<b>26</b>	<b>12</b>

## Greater Hume Shire Council

### Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,265	1,292
User charges	258	293
Liquid trade waste charges	–	–
Fees	–	–
Interest	86	82
Grants and contributions provided for non-capital purposes	35	31
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	17	15
<b>Total income from continuing operations</b>	<b>1,661</b>	<b>1,713</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	661	610
Borrowing costs	–	–
Materials and contracts	280	168
Depreciation, amortisation and impairment	593	576
Loss on sale of assets	–	–
Calculated taxation equivalents	–	1
Debt guarantee fee (if applicable)	–	–
Other expenses	103	76
<b>Total expenses from continuing operations</b>	<b>1,637</b>	<b>1,431</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>24</b>	<b>282</b>
Grants and contributions provided for capital purposes	850	25
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>874</b>	<b>307</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>874</b>	<b>307</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(7)	(85)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>867</b>	<b>222</b>
Plus opening retained profits	13,742	13,434
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	1
– Debt guarantee fees	–	–
– Corporate taxation equivalent	7	85
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>14,616</b>	<b>13,742</b>
<b>Return on capital %</b>	<b>0.1%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>755</b>	<b>396</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	867	222
Less: capital grants and contributions (excluding developer contributions)	(800)	–
<b>Surplus for dividend calculation purposes</b>	<b>67</b>	<b>222</b>
<b>Potential dividend calculated from surplus</b>	<b>33</b>	<b>111</b>

## Greater Hume Shire Council

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

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,804	1,377
Investments	–	–
Receivables	364	412
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>2,168</b>	<b>1,789</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	20,807	21,558
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>20,807</b>	<b>21,558</b>
<b>TOTAL ASSETS</b>	<b>22,975</b>	<b>23,347</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	132	159
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>132</b>	<b>159</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>132</b>	<b>159</b>
<b>NET ASSETS</b>	<b>22,843</b>	<b>23,188</b>
<b>EQUITY</b>		
Retained earnings	10,846	10,198
Revaluation reserves	11,997	12,990
Other reserves	–	–
Council equity interest	22,843	23,188
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>22,843</b>	<b>23,188</b>

## Greater Hume Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,004	2,794
Investments	–	–
Receivables	179	198
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>3,183</b>	<b>2,992</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	32,717	31,226
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>32,717</b>	<b>31,226</b>
<b>TOTAL ASSETS</b>	<b>35,900</b>	<b>34,218</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	67	8
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>67</b>	<b>8</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>67</b>	<b>8</b>
<b>NET ASSETS</b>	<b>35,833</b>	<b>34,210</b>
<b>EQUITY</b>		
Retained earnings	14,616	13,742
Revaluation reserves	21,217	20,468
Other reserves	–	–
Council equity interest	35,833	34,210
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>35,833</b>	<b>34,210</b>

## Greater Hume Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### Contents of the notes accompanying the financial statements

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

## Greater Hume Shire Council

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

#### Note 1. Significant accounting policies

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

These financial statements are SPFS prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and
- Australian Accounting Interpretations.

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

- the Local Government Act 1993 (NSW),
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets.

Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

#### Category 1

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

Nil

#### Category 2

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

#### a. Greater Hume Shire Council Combined Water Supplies

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Jindera, Burrumbuttock, Brocklesby, Gerogery and Culcairn.

#### b. Greater Hume Shire Council Combined Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Burrumbuttock, Culcairn, Henty, Holbrook, Jindera and Walla Walla.

#### 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

## Greater Hume Shire Council

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

#### Note 1. Significant accounting policies (continued)

Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

##### Income tax

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

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

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

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

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

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate

## Greater Hume Shire Council

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

#### Note 1. Significant accounting policies (continued)

would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

---

**Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

#### (iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

## Greater Hume Shire Council

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

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

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

2017

##### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,627
(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]	26,000
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	66,270
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	17,000

2017 Surplus	52,000	2016 Surplus	23,000	2015 Surplus	(58,000)
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	17,000
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Greater Hume Shire Council

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

#### Note 2. Water supply business best-practice management disclosure requirements (continued)

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

##### National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,341
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	61.87%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	20,807
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,283
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	648
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.94%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## Greater Hume Shire Council

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

#### Note 3. Sewerage business best-practice management disclosure requirements

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

2017

##### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	8,352
(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]	33,400
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	83,520
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	403,600

2017 Surplus	66,800	2016 Surplus	222,400	2015 Surplus	114,400
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	33,400
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 4 criteria

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

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

## Greater Hume Shire Council

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

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


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,425
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	32,717
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,029
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,336
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.45%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	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	4,766
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.09%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,984
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.64%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Greater Hume Shire Council

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

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

2017

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

<b>NWI F22</b>	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)]	%	-8.19%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <span style="border: 1px solid black; padding: 2px;">1,414</span> 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: <span style="border: 1px solid black; padding: 2px;">- 138</span> Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,522
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	52

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statement**  
**Greater Hume Shire Council**

To the Councillors of Greater Hume Shire Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Greater Hume Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business
- Sewerage Business

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

### **Basis for Opinion**

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

## **The Councillors' Responsibility for the Financial Statements**

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

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

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

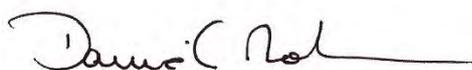
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



David Nolan  
Director, Financial Audit Services

23 October 2017  
SYDNEY

# Special Schedules

*For the year ended 30 June 2017*



**Greater Hume Shire**  
simply greater

*“...a prosperous rural Shire with vibrant sustainable communities offering excellent quality of life”*

# Greater Hume Shire Council

## Special Schedules

for the year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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#### 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.

## Greater Hume Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,158</b>	<b>52</b>	<b>–</b>	<b>(1,106)</b>
<b>Administration</b>	<b>2,069</b>	<b>616</b>	<b>3</b>	<b>(1,450)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,021	350	45	(626)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	154	34	–	(120)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>1,175</b>	<b>384</b>	<b>45</b>	<b>(746)</b>
<b>Health</b>	<b>293</b>	<b>155</b>	<b>–</b>	<b>(138)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	402	201	–	(201)
Other environmental protection	–	–	–	–
Solid waste management	986	1,053	2	69
Street cleaning	145	32	–	(113)
Drainage	–	–	–	–
Stormwater management	147	–	–	(147)
<b>Total environment</b>	<b>1,680</b>	<b>1,286</b>	<b>2</b>	<b>(392)</b>
<b>Community services and education</b>				
Administration and education	5	6	–	1
Social protection (welfare)	84	34	–	(50)
Aged persons and disabled	328	316	1	(11)
Children's services	544	723	–	179
<b>Total community services and education</b>	<b>961</b>	<b>1,079</b>	<b>1</b>	<b>119</b>
<b>Housing and community amenities</b>				
Public cemeteries	78	47	–	(31)
Public conveniences	186	–	–	(186)
Housing	57	34	–	(23)
Street lighting	132	23	–	(109)
Town planning	200	176	160	136
Other community amenities	70	4	–	(66)
<b>Total housing and community amenities</b>	<b>723</b>	<b>284</b>	<b>160</b>	<b>(279)</b>
<b>Water supplies</b>	<b>1,745</b>	<b>1,740</b>	<b>653</b>	<b>648</b>
<b>Sewerage services</b>	<b>2,083</b>	<b>1,661</b>	<b>850</b>	<b>428</b>

## Greater Hume Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	577	45	26	(506)
Museums	49	1	–	(48)
Art galleries	–	–	–	–
Community centres and halls	431	99	20	(312)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	3	–	–	(3)
Sporting grounds and venues	693	25	156	(512)
Swimming pools	2,378	36	402	(1,940)
Parks and gardens (lakes)	410	1	26	(383)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>4,541</b>	<b>207</b>	<b>630</b>	<b>(3,704)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	242	119	–	(123)
Other mining, manufacturing and construction	4	–	–	(4)
<b>Total mining, manufacturing and const.</b>	<b>246</b>	<b>119</b>	<b>–</b>	<b>(127)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	1,311	716	973	378
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,058	1,617	556	115
Sealed rural roads (SRR) – regional	2,269	2,155	1,965	1,851
Unsealed rural roads (URR) – local	2,804	–	–	(2,804)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	545	–	–	(545)
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Kerb and guttering	136	–	4	(132)
Footpaths	70	–	35	(35)
Aerodromes	15	6	–	(9)
Other transport and communication	3,978	4,732	–	754
<b>Total transport and communication</b>	<b>13,186</b>	<b>9,226</b>	<b>3,533</b>	<b>(427)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	80	60	–	(20)
Other economic affairs	773	558	–	(215)
<b>Total economic affairs</b>	<b>853</b>	<b>618</b>	<b>–</b>	<b>(235)</b>
<b>Totals – functions</b>	<b>30,713</b>	<b>17,427</b>	<b>5,877</b>	<b>(7,409)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>15,092</b>		<b>15,092</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>30,713</b>	<b>32,519</b>	<b>5,877</b>	<b>7,683</b>

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

## Greater Hume Shire Council

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

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	666	4,092	<b>4,758</b>	1,400	675	–	–	242	568	4,915	<b>5,483</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>666</b>	<b>4,092</b>	<b>4,758</b>	<b>1,400</b>	<b>675</b>	<b>–</b>	<b>–</b>	<b>242</b>	<b>568</b>	<b>4,915</b>	<b>5,483</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>666</b>	<b>4,092</b>	<b>4,758</b>	<b>1,400</b>	<b>675</b>	<b>–</b>	<b>–</b>	<b>242</b>	<b>568</b>	<b>4,915</b>	<b>5,483</b>

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

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

## Greater Hume Shire Council

### Special Schedule 3 – Water Supply Income Statement

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

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	71	70
b. Engineering and supervision	216	210
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	67	53
d. Maintenance expenses	80	124
– Reservoirs		
e. Operation expenses	41	28
f. Maintenance expenses	1	4
– Pumping stations		
g. Operation expenses (excluding energy costs)	23	15
h. Energy costs	61	62
i. Maintenance expenses	6	8
– Treatment		
j. Operation expenses (excluding chemical costs)	33	24
k. Chemical costs	4	8
l. Maintenance expenses	3	4
– Other		
m. Operation expenses	23	4
n. Maintenance expenses	1	6
o. Purchase of water	653	827
<b>3. Depreciation expenses</b>		
a. System assets	447	434
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	15	15
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,745</b>	<b>1,896</b>

## Greater Hume Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	477	525
b. Usage charges	774	805
<b>7. Non-residential charges</b>		
a. Access (including rates)	135	134
b. Usage charges	248	300
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	52	49
<b>10. Other income</b>	37	29
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	17	17
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	57	60
b. Developer provided assets	596	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>2,393</b>	<b>1,919</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>648</b>	<b>23</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	648	23

## Greater Hume Shire Council

### Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	17	178
b. New assets for growth	627	59
c. Renewals	4	223
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>648</b>	<b>460</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,673	1,637
b. Residential (unoccupied, ie. vacant lot)	176	176
c. Non-residential (occupied)	360	361
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>23. Number of ETs for which developer charges were received</b>	22 ET	22 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 29,716	\$ 29,418

## Greater Hume Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	524	–	524
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,280	–	1,280
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	53	–	53
c. User charges	307	–	307
d. Other	4	–	4
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	20,807	20,807
b. Plant and equipment	–	–	–
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<u>2,168</u>	<u>20,807</u>	<u>22,975</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	132	–	132
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<u>132</u>	<u>–</u>	<u>132</u>
<b>36. NET ASSETS COMMITTED</b>	<u>2,036</u>	<u>20,807</u>	<u>22,843</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			10,847
<b>38. Asset revaluation reserve</b>			11,996
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<u>22,843</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			31,907
<b>42. Accumulated current cost</b> depreciation of system assets			(11,100)
<b>43. Written down current cost</b> of system assets			<u>20,807</u>

## Greater Hume Shire Council

### Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	78	79
b. Engineering and supervision	312	296
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	42	17
b. Maintenance expenses	22	27
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	93	59
d. Energy costs	37	28
e. Maintenance expenses	39	18
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	277	228
g. Chemical costs	18	4
h. Energy costs	42	28
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	25	31
<b>– Other</b>		
l. Operation expenses	37	27
m. Maintenance expenses	7	12
<b>3. Depreciation expenses</b>		
a. System assets	593	576
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	15	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,637</b>	<b>1,430</b>

## Greater Hume Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,119	1,151
<b>7. Non-residential charges</b>		
a. Access (including rates)	147	141
b. Usage charges	258	293
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	86	82
<b>11. Other income</b>	17	15
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	35	31
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	50	25
b. Developer provided assets	799	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>2,511</u>	<u>1,738</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>874</u>	<u>308</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	874	308

## Greater Hume Shire Council

### Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	16	38
b. New assets for growth	990	459
c. Renewals	330	165
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>1,336</b>	<b>662</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	2,413	2,391
b. Residential (unoccupied, ie. vacant lot)	136	144
c. Non-residential (occupied)	235	227
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>24. Number of ETs for which developer charges were received</b>	15 ET	7 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 58,966	\$ 55,655

## Greater Hume Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	342	–	342
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,662	–	2,662
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	156	–	156
c. User charges	23	–	23
d. Other	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	32,717	32,717
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>3,183</u>	<u>32,717</u>	<u>35,900</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	67	–	67
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>67</u>	<u>–</u>	<u>67</u>
<b>37. NET ASSETS COMMITTED</b>	<u>3,116</u>	<u>32,717</u>	<u>35,833</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			14,617
<b>39. Asset revaluation reserve</b>			21,216
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<u>35,833</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			44,417
<b>43. Accumulated current cost</b> depreciation of system assets			(11,700)
<b>44. Written down current cost</b> of system assets			<u>32,717</u>

## Greater Hume Shire Council

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

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Greater Hume Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Offices / Administration Centres	10	10	37	30	4,078	8,484	0%	44%	47%	9%	0%
	Works Depots	–	–	62	65	1,224	3,021	6%	0%	92%	2%	0%
	Public Halls	40	40	43	45	2,454	12,720	0%	3%	86%	11%	0%
	Houses	–	–	21	16	1,966	2,696	25%	19%	47%	9%	0%
	Libraries	–	–	45	48	2,330	5,412	5%	81%	13%	1%	0%
	Museums	–	–	8	2	342	390	0%	100%	0%	0%	0%
	Amenities/Public Toilets	35	35	25	24	1,552	2,271	2%	61%	33%	4%	0%
	Sporting Facilities	45	45	11	11	13,565	23,018	1%	53%	45%	1%	0%
	Aged Care Facilities	–	–	39	25	5,270	6,451	6%	68%	26%	0%	0%
	Other	–	–	–	–	5,778	9,561					100%
	<b>Sub-total</b>	<b>130</b>	<b>130</b>	<b>291</b>	<b>266</b>	<b>38,559</b>	<b>74,024</b>	<b>2.4%</b>	<b>37.0%</b>	<b>43.9%</b>	<b>3.8%</b>	<b>12.9%</b>
<b>Other structures</b>	Other structures	10	10	4	28	2,826	3,610	2%	32%	36%	30%	0%
	<b>Sub-total</b>	<b>10</b>	<b>10</b>	<b>4</b>	<b>28</b>	<b>2,826</b>	<b>3,610</b>	<b>2.0%</b>	<b>32.0%</b>	<b>36.0%</b>	<b>30.0%</b>	<b>0.0%</b>
<b>Roads</b>	Unsealed roads	–	–	1,051	1,800	12,930	24,438	1%	55%	43%	1%	0%
	Bridges	100	100	50	8	25,167	55,258	2%	25%	48%	24%	1%
	Footpaths	–	–	35	15	2,743	3,517	2%	25%	52%	21%	0%
	Bulk earthworks	–	–	–	–	135,503	135,503					100%
	Sealed Roads Surface	50	50	4,039	6,102	21,360	38,093	2%	55%	42%	1%	0%
	Sealed Roads Structure	–	–	–	–	139,500	181,967	1%	58%	40%	1%	0%
	Kerb & Gutter	–	–	60	11	6,650	9,031	36%	62%	2%	0%	0%
	<b>Sub-total</b>	<b>150</b>	<b>150</b>	<b>5,235</b>	<b>7,936</b>	<b>343,853</b>	<b>447,807</b>	<b>1.6%</b>	<b>35.8%</b>	<b>28.5%</b>	<b>3.7%</b>	<b>30.4%</b>

## Greater Hume Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	–	–	125	85	17,773	25,946	22%	47%	19%	12%	0%
	Pumping Station/s	–	–	20	6	482	635	6%	89%	5%	0%	0%
	Treatment Works	–	–	9	3	194	275	0%	100%	0%	0%	0%
	Reservoirs	–	–	10	1	1,922	3,079	7%	70%	15%	8%	0%
	Bores	–	–	–	–	257	320	0%	100%	0%	0%	0%
	Other	–	–	3	1	–	–	22%	78%	0%	0%	0%
	<b>Sub-total</b>		<b>–</b>	<b>–</b>	<b>167</b>	<b>96</b>	<b>20,628</b>	<b>30,255</b>	<b>19.7%</b>	<b>51.3%</b>	<b>17.9%</b>	<b>11.1%</b>
Sewerage network	Mains	–	–	44	22	22,440	31,781	19%	33%	48%	0%	0%
	Pumping Station/s	20	20	37	39	3,195	4,339	11%	77%	10%	0%	2%
	Treatment Works	–	–	40	25	3,905	5,904	5%	82%	11%	2%	0%
	Reuse Scheme	10	10	9	7	2,591	3,256	0%	94%	3%	0%	3%
	<b>Sub-total</b>	<b>30</b>	<b>30</b>	<b>130</b>	<b>93</b>	<b>32,131</b>	<b>45,280</b>	<b>15.0%</b>	<b>48.0%</b>	<b>36.3%</b>	<b>0.3%</b>	<b>0.4%</b>
Stormwater drainage	Stormwater drainage	–	–	51	62	6,518	9,471	64%	25%	11%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>51</b>	<b>62</b>	<b>6,518</b>	<b>9,471</b>	<b>64.0%</b>	<b>25.0%</b>	<b>11.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	52	117	2,685	5,134	11%	24%	65%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>52</b>	<b>117</b>	<b>2,685</b>	<b>5,134</b>	<b>11.0%</b>	<b>24.0%</b>	<b>65.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>320</b>	<b>320</b>	<b>5,930</b>	<b>8,598</b>	<b>447,200</b>	<b>615,581</b>	<b>4.6%</b>	<b>37.3%</b>	<b>30.5%</b>	<b>3.9%</b>	<b>23.7%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required

4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Greater Hume Shire Council

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

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>10,253</u>	<b>156.32%</b>	>= 100%	178.69%	102.45%
Depreciation, amortisation and impairment	<u>6,559</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>320</u>	<b>0.07%</b>	< 2.00%	0.07%	0.08%
Net carrying amount of infrastructure assets	<u>447,200</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>8,598</u>	<b>1.45</b>	> 1.00	1.06	0.99
Required asset maintenance	<u>5,930</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>320</u>	<b>0.05%</b>		0.00%	0.05%
Gross replacement cost	<u>615,581</u>				

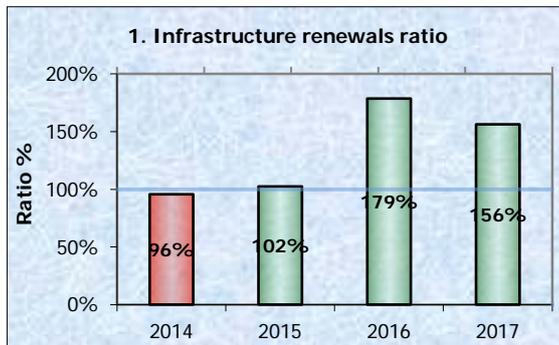
## Notes

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

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

# Greater Hume Shire Council

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



### Purpose of asset renewals ratio

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

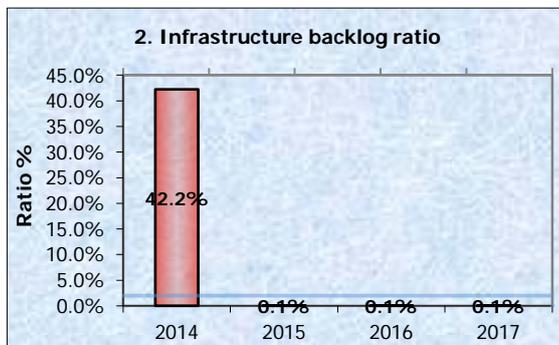
### Commentary on 2016/17 result

**2016/17 Ratio 156.32%**

Major road infrastructure renewal projects carried out during this financial year have resulted in a renewal ratio which exceeds Councils benchmark aim of least 100% renewal in future periods.

Benchmark: ——— 100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of infrastructure backlog ratio

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

### Commentary on 2016/17 result

**2016/17 Ratio 0.07%**

These results indicate that Council has no serious backlog issues in its infrastructure network.

Benchmark: ——— 2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of asset maintenance ratio

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

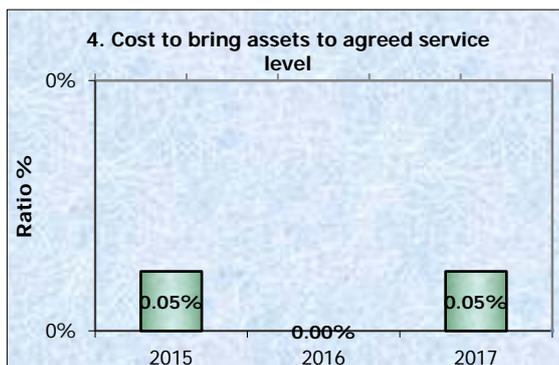
### Commentary on 2016/17 result

**2016/17 Ratio 1.45 x**

Council's annual maintenance expenditure during 2016/17 has met the required annual expenditure needed to avoid an increase in infrastructure backlog. Council's forward budgets provide for a 1:1 ratio in future budget periods.

Benchmark: ——— 1.00  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of agreed service level ratio

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

### Commentary on 2016/17 result

**2016/17 Ratio 0.05%**

Major works on the renewal of road infrastructure has been the major contributor to achieving this result in 2016-17.

## Greater Hume Shire Council

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

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
<u>Asset renewals <sup>(2)</sup></u>	>= 100%	<b>138.93%</b>	<b>159.70%</b>	<b>157.37%</b>
Depreciation, amortisation and impairment	prior period:	72.81%	83.33%	198.01%
<b>2. Infrastructure backlog ratio</b>				
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2.00%	<b>0.00%</b>	<b>0.09%</b>	<b>0.11%</b>
Net carrying amount of infrastructure assets	prior period:	0.00%	0.00%	0.09%
<b>3. Asset maintenance ratio</b>				
<u>Actual asset maintenance</u>	> 1.00	<b>0.57</b>	<b>0.72</b>	<b>1.49</b>
Required asset maintenance	prior period:	0.91	0.75	1.08
<b>4. Cost to bring assets to agreed service level</b>				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		<b>0.00%</b>	<b>0.07%</b>	<b>0.05%</b>
Gross replacement cost				

## Notes

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

## Greater Hume Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	7,094	7,657
Plus or minus adjustments <sup>(2)</sup>	b	36	57
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>7,130</b>	<b>7,714</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	7.46%	7.15%
Or rate peg percentage	e		
Or crown land adjustment (incl. rate peg percentage)	f		
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	532	552
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>7,662</b>	<b>8,266</b>
Plus (or minus) last year's carry forward total	l	1	5
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>1</b>	<b>5</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>7,663</b>	<b>8,271</b>
Less notional general income yield	p	7,657	8,263
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>6</b>	<b>8</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	(1)	(1)
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>5</b>	<b>7</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Greater Hume Shire Council

To the Councillors of Greater Hume Shire Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Greater Hume Shire Council (the Council) for the year ending 30 June 2017.

In my opinion, Special Schedule No. 8 of Greater Hume Shire Council for 2017-18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

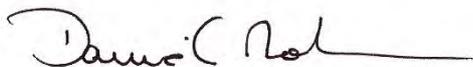
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



David Nolan  
Director, Financial Audit Services

23 October 2017  
SYDNEY