



Greater
Hume
Council

General Purpose Financial Statements

For the year ended 30 June 2018

Greater Hume Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

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

39 Young Street
Holbrook, NSW 2644

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

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

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

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

Greater Hume Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Greater Hume Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 September 2018.



Councillor Heather Wilton
Mayor
26 September 2018



Councillor Doug Meyer
Councillor
26 September 2018



Steven Pinnuck
General Manager
26 September 2018



Dean Hart
Responsible Accounting Officer
26 September 2018

Greater Hume Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
10,818	Rates and annual charges	3a	10,709	9,959
5,612	User charges and fees	3b	7,423	7,594
662	Interest and investment revenue	3c	562	651
286	Other revenues	3d	559	434
8,585	Grants and contributions provided for operating purposes	3e,f	11,506	13,881
1,831	Grants and contributions provided for capital purposes	3e,f	9,592	5,877
27,794	Total income from continuing operations		40,351	38,396
Expenses from continuing operations				
8,655	Employee benefits and on-costs	4a	9,197	8,951
242	Borrowing costs	4b	264	244
6,783	Materials and contracts	4c	8,155	8,554
7,785	Depreciation and amortisation	4d	7,823	7,620
2,884	Other expenses	4e	2,835	2,926
–	Net losses from the disposal of assets	5	1,362	2,418
26,349	Total expenses from continuing operations		29,636	30,713
1,445	Operating result from continuing operations		10,715	7,683
1,445	Net operating result for the year		10,715	7,683
1,445	Net operating result attributable to Council		10,715	7,683
(386)	Net operating result for the year before grants and contributions provided for capital purposes		1,123	1,806

Greater Hume Shire Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		10,715	7,683
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	2,898	(12)
Total items which will not be reclassified subsequently to the operating result		2,898	(12)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		2,898	(12)
Total comprehensive income for the year		13,613	7,671
Total comprehensive income attributable to Council		13,613	7,671

Greater Hume Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	9,761	5,914
Investments	6b	12,710	19,590
Receivables	7	6,393	4,773
Inventories	8	2,289	2,278
Other	8	84	–
Total current assets		31,237	32,555
Non-current assets			
Investments	6b	–	450
Receivables	7	13	9
Infrastructure, property, plant and equipment	9	485,528	471,007
Intangible assets	10	241	280
Total non-current assets		485,782	471,746
TOTAL ASSETS		517,019	504,301
LIABILITIES			
Current liabilities			
Payables	11	3,775	4,065
Income received in advance	11	339	270
Borrowings	11	589	568
Provisions	12	3,015	3,026
Total current liabilities		7,718	7,929
Non-current liabilities			
Payables	11	983	1,106
Borrowings	11	4,305	4,915
Provisions	12	560	511
Total non-current liabilities		5,848	6,532
TOTAL LIABILITIES		13,566	14,461
Net assets		503,453	489,840
EQUITY			
Accumulated surplus		259,745	249,030
Revaluation reserves	13	243,708	240,810
Total equity		503,453	489,840

Greater Hume Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		249,030	240,810	489,840	239,891	242,278	482,169
Net operating result for the year		10,715	–	10,715	7,683	–	7,683
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	2,898	2,898	–	(12)	(12)
Other comprehensive income		–	2,898	2,898	–	(12)	(12)
Total comprehensive income (c&d)		10,715	2,898	13,613	7,683	(12)	7,671
Transfers between equity items		–	–	–	1,456	(1,456)	–
Equity – balance at end of the reporting period		259,745	243,708	503,453	249,030	240,810	489,840

Greater Hume Shire Council

Statement of Cash Flows for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
10,832	Rates and annual charges		10,717	9,947
5,456	User charges and fees		6,180	7,937
662	Investment and interest revenue received		741	500
10,552	Grants and contributions		15,524	21,079
–	Bonds, deposits and retention amounts received		227	1,492
258	Other		2,369	1,802
Payments:				
(8,655)	Employee benefits and on-costs		(9,235)	(9,137)
(5,557)	Materials and contracts		(10,390)	(9,055)
(264)	Borrowing costs		(247)	(251)
–	Bonds, deposits and retention amounts refunded		(333)	(1,339)
(3,165)	Other		(3,030)	(3,566)
10,119	Net cash provided (or used in) operating activities	14b	12,523	19,409
Cash flows from investing activities				
Receipts:				
264	Sale of investment securities		21,200	3,200
–	Sale of real estate assets		275	–
272	Sale of infrastructure, property, plant and equipment		445	299
8	Deferred debtors receipts		–	21
Payments:				
–	Purchase of investment securities		(13,870)	(8,820)
(9,904)	Purchase of infrastructure, property, plant and equipment		(15,926)	(14,239)
–	Purchase of real estate assets		(157)	(230)
–	Deferred debtors and advances made		(54)	(29)
(9,360)	Net cash provided (or used in) investing activities		(8,087)	(19,798)
Cash flows from financing activities				
Receipts:				
250	Proceeds from borrowings and advances		–	1,400
Payments:				
(569)	Repayment of borrowings and advances		(589)	(675)
(319)	Net cash flow provided (used in) financing activities		(589)	725
440	Net increase/(decrease) in cash and cash equivalents		3,847	336
5,914	Plus: cash and cash equivalents – beginning of year	14a	5,914	5,578
6,354	Cash and cash equivalents – end of the year	14a	9,761	5,914
Additional Information:				
	plus: Investments on hand – end of year	6b	12,710	20,040
	Total cash, cash equivalents and investments		22,471	25,954

This statement should be read in conjunction with the accompanying notes.

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26/09/2018.

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

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.

Basis of preparation

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

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

Full dollars have been used in Note 20 Related party disclosures.

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

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 12,
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water supply funds
- Sewerage funds

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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.

Greater Hume Shire Council

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

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	27	52	977	1,158	(950)	(1,106)	12	83	36	36
Administration	335	619	2,806	2,069	(2,471)	(1,450)	–	118	40,381	35,667
Public order and safety	522	429	1,961	1,175	(1,439)	(746)	241	286	3,355	4,160
Health	170	155	237	293	(67)	(138)	–	–	22	43
Environment	3,043	1,288	1,869	1,680	1,174	(392)	213	130	1,254	7,475
Community Services and education	998	1,080	944	961	54	119	263	252	4,688	6,389
Housing and Community Amenities	453	444	729	723	(276)	(279)	–	4	2,754	3,514
Water Supplies	2,237	2,393	1,837	1,745	400	648	17	–	21,832	22,975
Sewerage Services	1,748	2,511	1,605	2,083	143	428	31	–	33,546	35,899
Recreation and Culture	1,644	837	3,471	4,541	(1,827)	(3,704)	956	540	36,265	31,215
Mining, manufacturing and construction	147	119	351	246	(204)	(127)	–	–	253	262
Transport and communication	14,837	12,759	12,100	13,186	2,737	(427)	4,283	3,725	365,922	349,177
Economic Affairs	671	618	749	853	(78)	(235)	53	–	6,711	7,489
General purpose income	13,519	15,092	–	–	13,519	15,092	5,184	7,326	–	–
Total functions and activities	40,351	38,396	29,636	30,713	10,715	7,683	11,253	12,464	517,019	504,301

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, 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 protection, emergency services, 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 youth services; aged and disabled persons services; and children's' services, including family day care; child care.

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; and other sporting, recreational and cultural services.

Mining, manufacturing and construction

Includes building control and quarries and pits.

Transport and communication

Includes urban, rural and regional roads, including sealed and unsealed roads, bridges, footpaths, kerb and gutter, parking areas, and aerodromes. Also includes natural disaster repair works and RMCC works.

Economic Affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

General purpose income

Includes general rates, general component of FAG grant and interest income.

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	2,777	2,428
Farmland	4,902	4,692
Business	235	148
Total ordinary rates	7,914	7,268
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	695	661
Water supply services	642	612
Sewerage services	1,300	1,265
Waste management services (non-domestic)	158	153
Total annual charges	2,795	2,691
TOTAL RATES AND ANNUAL CHARGES	10,709	9,959
Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.		
Accounting policy for rates and annual charges		
Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.		
Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property, or where earlier upon receipt of the rates.		
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	143	177
Water supply services	1,114	1,030
Sewerage services	219	265
Waste management services (non-domestic)	13	13
Total specific user charges	1,489	1,485
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	136	118
Health administration	141	126
Planning and building regulation	16	28
Section 149 certificates (EPA Act)	28	39
Section 603 certificates	29	29
Tapping fees	59	30
Town planning	113	106
Other	45	37
Total fees and charges – statutory/regulatory	567	513

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Asbestos Waste Disposal Charges	1,579	–
Aged care	50	110
Aged persons rents and fees	175	167
Caravan park	44	33
Cemeteries	59	47
Community technology centre	107	91
Family day care	452	473
Fire and emergency services levy (FESL) implementation	2	69
In home care	–	4
Leaseback fees – Council vehicles	70	65
Recycling income (non-domestic)	96	26
RMS (formerly RTA) charges (state roads not controlled by Council)	2,158	3,758
Rural transaction centres	15	20
Sports stadium	25	25
Swimming centres	85	35
Tourism	27	26
Private works	406	635
Other	17	12
Total fees and charges – other	5,367	5,596
TOTAL USER CHARGES AND FEES	7,423	7,594

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest

– Overdue rates and annual charges (incl. special purpose rates)	55	54
– Cash and investments	507	596
– Other	–	1
TOTAL INTEREST AND INVESTMENT REVENUE	562	651

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	31	71
General Council cash and investments	390	427

Restricted investments/funds – external:

Development contributions		
– Section 7.11	8	15
Water fund operations	52	52
Sewerage fund operations	81	86

Total interest and investment revenue recognised	562	651
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Accounting policy for interest and investment revenue

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(d) Other revenues		
Rental income – other council properties	225	193
Legal fees recovery – rates and charges (extra charges)	35	90
Legal fees recovery – other	2	5
Advertising	5	6
Commissions and agency fees	34	34
Diesel rebate	64	61
Insurance claim recoveries	142	–
Sale of abandoned vehicles	–	1
Sales – miscellaneous	34	22
Other	18	22
<u>TOTAL OTHER REVENUE</u>	<u>559</u>	<u>434</u>

Accounting policy for other revenue

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

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

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

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	3,065	4,332	–	–
Financial assistance – local roads component	2,018	2,887	–	–
Other				
Pensioners' rates subsidies – general component	101	107	–	–
Total general purpose	5,184	7,326	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	17	17	–	–
– Sewerage	31	35	–	–
– Domestic waste management	28	30	–	–
Bushfire and emergency services	241	259	–	27
Child care	263	251	–	–
Library	60	45	17	26
LIRS subsidy	36	40	–	–
Natural disaster relief	1,241	909	–	–
Noxious weeds	185	130	–	–
Public halls	–	–	83	20
Recreation and culture	–	–	196	50
Swimming pools	–	–	600	400
Tourism and economic development	34	–	19	–
Transport (roads to recovery)	2,116	2,211	–	–
Transport (other roads and bridges funding)	6	106	883	561
Other	13	21	–	–
Total specific purpose	4,271	4,054	1,798	1,084
Total grants	9,455	11,380	1,798	1,084
Grant revenue is attributable to:				
– Commonwealth funding	7,198	9,430	1,483	400
– State funding	2,244	1,950	296	684
– Other funding	13	–	19	–
	9,455	11,380	1,798	1,084
(f) Contributions				
Developer contributions:				
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	–	–	17	39
S 7.12 – fixed development consent levies	–	–	181	160
S 64 – water supply contributions	–	–	149	57
S 64 – sewerage service contributions	–	–	107	50
Other developer contributions	–	–	29	30
Total developer contributions – cash	–	–	483	336
Total developer contributions	–	–	483	336

Greater Hume Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
Bushfire services	74	86	159	17
Drainage	–	–	44	–
Kerb and gutter	–	–	23	4
Noxious weeds	59	66	–	–
Paving	–	–	–	35
Recreation and culture	6	–	389	131
Roads and bridges	–	82	32	104
Road safety officer	94	61	–	–
RMS contributions (regional roads, block grant)	1,771	2,155	850	2,766
Other	47	51	13	5
Total other contributions – cash	2,051	2,501	1,510	3,062
Non-cash contributions				
Recreation and culture	–	–	6	–
Roads and bridges	–	–	5,588	–
Sewerage (excl. section 64 contributions)	–	–	–	799
Water supplies (excl. section 64 contributions)	–	–	205	596
Other	–	–	2	–
Total other contributions – non-cash	–	–	5,801	1,395
Total other contributions	2,051	2,501	7,311	4,457
Total contributions	2,051	2,501	7,794	4,793
TOTAL GRANTS AND CONTRIBUTIONS	11,506	13,881	9,592	5,877

Non-cash contributions - Roads and Bridges

During the 2017-18 financial year Council was gifted roads and bridges assets to a total value of \$5.588m. This included sections of the former Hume Highway which have been gifted to Council as local roads following the highway duplication and by-passes of Holbrook and Woomargama.

Accounting policy for contributions

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

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

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	101	953
Add: operating grants recognised in the current period but not yet spent	86	326
Less: operating grants recognised in a previous reporting period now spent	(48)	(1,178)
Unexpended and held as restricted assets (operating grants)	<u>139</u>	<u>101</u>
Capital grants		
Unexpended at the close of the previous reporting period	125	80
Add: capital grants recognised in the current period but not yet spent	359	45
Less: capital grants recognised in a previous reporting period now spent	(84)	–
Unexpended and held as restricted assets (capital grants)	<u>400</u>	<u>125</u>
Contributions		
Unexpended at the close of the previous reporting period	1,416	1,334
Add: contributions recognised in the current period but not yet spent	491	321
Less: contributions recognised in a previous reporting period now spent	(629)	(239)
Unexpended and held as restricted assets (contributions)	<u>1,278</u>	<u>1,416</u>

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	7,511	7,376
Travel expenses	133	125
Employee leave entitlements (ELE)	843	712
Superannuation – defined contribution plans	676	631
Superannuation – defined benefit plans	205	226
Workers' compensation insurance	310	390
Fringe benefit tax (FBT)	34	29
Payroll tax	5	1
Training costs (other than salaries and wages)	114	81
Protective clothing	42	40
Other	111	53
Total employee costs	9,984	9,664
Less: capitalised costs	(787)	(713)
TOTAL EMPLOYEE COSTS EXPENSED	9,197	8,951
Number of 'full-time equivalent' employees (FTE) at year end	–	105

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs

	2018	2017
(i) Interest bearing liability costs		
Interest on loans	242	242
Total interest bearing liability costs expensed	242	242
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	22	2
Total other borrowing costs	22	2
TOTAL BORROWING COSTS EXPENSED	264	244

Accounting policy for borrowing costs

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	1,690	2,102
Contractor and consultancy costs	6,237	6,098
Contractor and consultancy costs – contractor and consultancy costs	54	72
Auditors remuneration ⁽²⁾	93	74
Legal expenses:		
– Legal expenses: planning and development	15	12
– Legal expenses: debt recovery	48	95
– Legal expenses: other	18	16
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	–	85
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>8,155</u>	<u>8,554</u>
Operating 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.		
1. Operating lease payments are attributable to:		
Buildings	–	78
Computers	–	7
	<u>–</u>	<u>85</u>
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	61	57
Remuneration for audit and other assurance services	61	57
Total Auditor-General remuneration	61	57
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Internal Audit and Audit Committee Services	25	17
Other Audit Services	7	–
Remuneration for audit and other assurance services	32	17
Total remuneration of non NSW Auditor-General audit firms	32	17
Total Auditor remuneration	93	74

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		930	938
Office equipment		37	35
Furniture and fittings		38	43
Infrastructure:			
– Buildings – non-specialised		329	365
– Buildings – specialised		780	689
– Other structures		598	203
– Roads		3,820	4,089
– Stormwater drainage		86	85
– Water supply network		406	447
– Sewerage network		566	593
– Swimming pools		189	88
Reinstatement, rehabilitation and restoration assets:			
Asset reinstatement costs	9 & 12	3	7
– Quarry assets	9 & 12	3	–
Intangible assets	10	38	38
Total depreciation and amortisation costs		7,823	7,620
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>7,823</u>	<u>7,620</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Impairment of non-financial 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.

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

Impairment of financial assets

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.

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	68	61
Bank charges	46	42
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	43	19
– NSW fire brigade levy	45	43
– NSW rural fire service levy	356	329
– Regional library contributions	245	232
Councillor expenses – mayoral fee	10	10
Councillor expenses – councillors' fees	98	95
Councillors' expenses (incl. mayor) – other (excluding fees above)	33	33
Donations, contributions and assistance to other organisations (Section 356)	224	219
– Donations, contributions and assistance	11	–
Election expenses	–	66
Electricity and heating	428	393
Insurance	401	431
Postage	43	41
Printing and stationery	141	210
Street lighting	148	124
Subscriptions and publications	86	73
Telephone and communications	143	230
Valuation fees	61	60
Water charges	202	158
Other	3	57
<u>TOTAL OTHER EXPENSES</u>	<u>2,835</u>	<u>2,926</u>

Accounting policy for other expenses

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	9		
Proceeds from disposal – plant and equipment		170	299
Less: carrying amount of plant and equipment assets sold/written off		(883)	(251)
Net gain/(loss) on disposal		(713)	48
Infrastructure	9		
Proceeds from disposal – infrastructure		275	–
Less: carrying amount of infrastructure assets sold/written off		(1,066)	(2,466)
Net gain/(loss) on disposal		(791)	(2,466)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		275	–
Less: carrying amount of real estate assets sold/written off		(133)	–
Net gain/(loss) on disposal		142	–
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		10,600	3,200
Less: carrying amount of financial assets sold/redeemed/matured		(10,600)	(3,200)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,362)	(2,418)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		5,028	5,914
Cash-equivalent assets			
– Term deposits		4,733	–
Total cash and cash equivalents		9,761	5,914

Accounting policy for cash and cash equivalents

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

Greater Hume Shire Council

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

Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	12,710	–	19,590	450
Total investments	12,710	–	19,590	450
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>22,471</u>	<u>–</u>	<u>25,504</u>	<u>450</u>
Held to maturity investments				
Term Deposits	12,710	–	19,590	450
Total	12,710	–	19,590	450

Accounting policy for investments

Held to maturity investments

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Greater Hume Shire Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	22,471	–	25,504	450
attributable to:				
External restrictions (refer below)	6,394	–	5,880	–
Internal restrictions (refer below)	11,507	–	16,055	–
Unrestricted	4,570	–	3,569	450
	22,471	–	25,504	450

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	156	550
Developer contributions – water fund	673	524
Developer contributions – sewer fund	449	342
Specific purpose unexpended grants	539	226
Water supplies	1,369	1,280
Sewerage services	2,921	2,662
Town Improvement Funds	114	114
Trust	169	178
Other	4	4
External restrictions – other	6,394	5,880
Total external restrictions	6,394	5,880

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	2,717	2,819
Employees leave entitlement	771	767
Carry over works (uncompleted works)	2,147	3,400
Aged and community services reserve	–	15
Aged care units – Culcairn	13	23
Aged care units – Howlong/Jindera	90	75
Bypass Handover Works Contribution	979	2,367
Community facilities – former hume	16	16
Culcairn community housing	208	219
Culcairn oasis community newsletter	1	3
Henty housing	52	53
Family day care	539	406
Financial Assistance Grant	–	2,455
Gum swamp maintenance reserve	22	22
Henty headerlines newsletter	9	7
Holbrook caravan park reserve	25	92
Holbrook festival	8	8
Holbrook Frampton court	246	259
Holbrook housing	67	83
Holbrook Kala court	146	99
Holbrook village hostel	272	824
Jindera hostel	49	184
Land development reserve	349	–
Landfill rehabilitation reserve	–	35
Morven community fund	19	19
Quarry pits restoration	27	27
Risk management incentive bonus	142	137
Riverina noxious weeds program	79	131
St. John's wort weeds	30	30
Submarine project	40	38
Waste management reserve	1,316	176
Works warranty	734	928
Wotr booklet	12	12
Walla Walla sportsground reserve	190	190
Woomargama streetscape	44	44
IT Infrastructure Reserve	45	–
Other	103	92
Total internal restrictions	11,507	16,055
TOTAL RESTRICTIONS	17,901	21,935

Greater Hume Shire Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	644	–	652	–
Interest and extra charges	58	–	67	–
User charges and fees	4,546	–	3,044	–
Private works	528	–	348	–
Accrued revenues				
– Interest on investments	120	–	290	–
Amounts due from other councils	175	–	72	–
Deferred debtors	80	13	30	9
Government grants and subsidies	32	–	196	–
Net GST receivable	278	–	156	–
Other debtors	10	–	11	–
Total	6,471	13	4,866	9
Less: provision for impairment				
User charges and fees	(78)	–	(93)	–
Total provision for impairment – receivables	(78)	–	(93)	–
TOTAL NET RECEIVABLES	6,393	13	4,773	9
Externally restricted receivables				
Water supply				
– Rates and availability charges	17	–	53	–
– Other	615	–	311	–
Sewerage services				
– Rates and availability charges	110	–	132	–
– Other	199	–	47	–
Domestic waste management	52	–	50	–
Total external restrictions	993	–	593	–
Unrestricted receivables	5,400	13	4,180	9
TOTAL NET RECEIVABLES	6,393	13	4,773	9
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			93	87
+ new provisions recognised during the year			3	7
– amounts already provided for and written off this year			(13)	–
– amounts provided for but recovered during the year			(5)	(1)
Balance at the end of the year			78	93

Accounting policy for receivables

Recognition and measurement

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

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables (continued)

Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes 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.

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	2,179	–	2,155	–
Stores and materials	110	–	123	–
Total inventories at cost	2,289	–	2,278	–
TOTAL INVENTORIES	2,289	–	2,278	–
(b) Other assets				
Prepayments	84	–	–	–
TOTAL OTHER ASSETS	84	–	–	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		449	–	346	–
Industrial/commercial		1,730	–	1,809	–
Total real estate for resale		2,179	–	2,155	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1,220	–	1,269	–
Development costs		959	–	886	–
Total costs		2,179	–	2,155	–
Total real estate for resale		2,179	–	2,155	–
Movements:					
Real estate assets at beginning of the year		2,155	–	1,805	–
– Purchases and other costs		157	–	230	–
– Transfers in from (out to) Note 9		–	–	120	–
– WDV of sales (expense)	5	(133)	–	–	–
Total real estate for resale		2,179	–	2,155	–

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

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

	2018	2017
Real estate for resale	2,123	2,034
	2,123	2,034

Accounting policy

Raw materials and stores, work in progress and finished goods

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

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.

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	5,583	–	5,583	316	474	–	–	(5,330)	–	–	–	1,043	–	1,043
Plant and equipment	13,258	7,082	6,176	–	1,348	(881)	(930)	–	–	–	–	10,179	4,466	5,713
Office equipment	776	646	130	–	39	(1)	(37)	–	–	–	–	450	319	131
Furniture and fittings	393	232	161	–	–	–	(38)	–	–	(70)	–	148	95	53
Land:														
– Operational land	7,077	–	7,077	–	61	–	–	–	–	–	845	7,983	–	7,983
– Community land	3,859	–	3,859	–	–	–	–	–	–	–	351	4,210	–	4,210
– Land under roads (post 30/6/08)	536	–	536	–	104	–	–	–	–	–	–	640	–	640
Infrastructure:														
– Buildings – non-specialised	27,382	11,247	16,135	95	1,096	(218)	(329)	1,924	(994)	(4,039)	–	20,998	7,328	13,670
– Buildings – specialised	46,642	24,218	22,424	292	116	(92)	(780)	–	(2,573)	(1,630)	–	38,923	21,166	17,757
– Other structures	3,610	784	2,826	547	55	(19)	(598)	105	3,517	–	5,325	17,567	5,809	11,758
– Roads	312,304	103,954	208,350	5,859	6,195	(738)	(3,820)	315	–	–	–	323,214	107,053	216,161
– Bulk earthworks (non-depreciable)	135,503	–	135,503	–	2,195	–	–	220	–	–	–	137,918	–	137,918
– Stormwater drainage	9,471	2,953	6,518	–	808	–	(86)	138	–	–	–	10,417	3,039	7,378
– Water supply network	30,255	9,627	20,628	109	247	–	(406)	42	–	–	433	31,288	10,235	21,053
– Sewerage network	45,280	13,149	32,131	199	31	–	(566)	21	–	–	675	46,483	13,992	32,491
– Swimming pools	5,134	2,449	2,685	1,100	71	–	(189)	2,565	–	–	1,008	9,919	2,679	7,240
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	374	121	253	–	–	–	(3)	–	50	–	–	437	137	300
– Quarry assets	78	46	32	–	–	–	(3)	–	–	–	–	78	49	29
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	647,515	176,508	471,007	8,517	12,840	(1,949)	(7,785)	–	–	(5,739)	8,637	661,895	176,367	485,528

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry - Water.

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	10
Office furniture	5 to 10	Benches, seats etc.	10
Computer equipment	5		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5 to 12	Buildings: masonry	50 to 150
Other plant and equipment	6 to 10	Buildings: other	50 to 80
Water and sewer assets		Stormwater assets	
Dams and reservoirs	50 to 100	Drains	110
Bores	33	Culverts	100 to 120
Reticulation pipes: PVC	60 to 80		
Reticulation pipes: other	60 to 80		
Pumps and telemetry	25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 35	Bulk earthworks	Infinite
Sealed roads: pavement base	80 to 105	Swimming pools	40 to 60
Sealed roads: pavement sub-base	160 to 210		
Unsealed roads	25 to 40		
Bridge: concrete	100 to 120		
Bridge/Culverts: other	100 to 120		
Kerb, gutter and footpaths	40		

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Land under roads

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

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	3	–	3	42	–	42
Land						
– Operational land	154	–	154	137	–	137
Infrastructure	31,287	10,235	21,052	30,255	9,627	20,628
Total water supply	31,444	10,235	21,209	30,434	9,627	20,807
Sewerage services						
WIP	2	–	2	20	–	20
Plant and equipment	24	24	–	24	24	–
Land						
– Operational land	493	–	493	566	–	566
Infrastructure	46,481	13,992	32,489	45,280	13,149	32,131
Total sewerage services	47,000	14,016	32,984	45,890	13,173	32,717
TOTAL RESTRICTED IPP&E	78,444	24,251	54,193	76,324	22,800	53,524

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Intangible assets

\$ '000	2018	2017
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)	(167)	(129)
Net book value – opening balance	280	318
Movements for the year		
– Amortisation charges	(38)	(38)
Closing values:		
Gross book value (30/6)	447	447
Accumulated amortisation (30/6)	(206)	(167)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	241	280
¹ The net book value of intangible assets represent:		
– Software	241	280
	241	280

Accounting policy for 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 five 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.

Greater Hume Shire Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,726	–	1,688	–
Goods and services – capital expenditure	1,232	–	1,603	–
Accrued expenses:				
– Borrowings	40	–	45	–
– Salaries and wages	262	–	285	–
– Other expenditure accruals	64	–	10	–
Security bonds, deposits and retentions	451	983	434	1,106
Total payables	3,775	983	4,065	1,106
Income received in advance				
Payments received in advance	339	–	270	–
Total income received in advance	339	–	270	–
Borrowings				
Loans – secured ¹	589	4,305	568	4,915
Total borrowings	589	4,305	568	4,915
TOTAL PAYABLES AND BORROWINGS	4,703	5,288	4,903	6,021

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	210	–	132	–
Sewer	24	–	67	–
Other - trust fund	169	–	178	–
Payables and borrowings relating to externally restricted assets	403	–	377	–
Total payables and borrowings relating to restricted assets	403	–	377	–
Total payables and borrowings relating to unrestricted assets	4,300	5,288	4,526	6,021
TOTAL PAYABLES AND BORROWINGS	4,703	5,288	4,903	6,021

¹ Loans are secured over the revenue of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	983	1,106
	983	1,106

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	5,483	(589)	–	–	–	4,894
TOTAL	5,483	(589)	–	–	–	4,894

\$ '000	2018	2017
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	200	200
Credit cards/purchase cards	40	40
Lease facilities	340	340
Total financing arrangements	580	580

Drawn facilities as at balance date:

– Credit cards/purchase cards	7	4
Total drawn financing arrangements	7	4

Undrawn facilities as at balance date:

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	33	36
Total undrawn financing arrangements	233	236

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Greater Hume Shire Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	806	–	832	–
Long service leave	2,105	68	2,096	41
Other leave	104	–	98	–
Sub-total – aggregate employee benefits	3,015	68	3,026	41
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	492	–	470
Sub-total – asset remediation/restoration	–	492	–	470
<u>TOTAL PROVISIONS</u>	<u>3,015</u>	<u>560</u>	<u>3,026</u>	<u>511</u>

(a) Provisions relating to restricted assets

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

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

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

Provisions – employees benefits	1,955	2,048
	<u>1,955</u>	<u>2,048</u>

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions			Total
	Annual leave	Long service leave	Other leave	
At beginning of year	832	2,137	98	3,067
Additional provisions	572	264	8	844
Amounts used (payments)	(598)	(228)	(2)	(828)
Total ELE provisions at end of year	806	2,173	104	3,083
2017				
At beginning of year	916	2,223	78	3,217
Additional provisions	565	152	20	737
Amounts used (payments)	(649)	(238)	–	(887)
Total ELE provisions at end of year	832	2,137	98	3,067

Other provisions

2018	Asset remediation	Total
At beginning of year	470	470
Changes to provision:		
– Revised costs	84	84
– Revised life	(3)	(3)
Remeasurement effects	(4)	(4)
Unwinding of discount	22	22
Unused amounts reversed	(83)	(83)
Other	6	6
Total other provisions at end of year	492	492
2017		
At beginning of year	468	468
Changes to provision:		
Additional provisions	(1)	(1)
Remeasurement effects	1	1
Unwinding of discount	2	2
Total other provisions at end of year	470	470

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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.

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	9,761	5,914
Balance as per the Statement of Cash Flows		9,761	5,914
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		10,715	7,683
Adjust for non-cash items:			
Depreciation and amortisation		7,823	7,620
Net losses/(gains) on disposal of assets		1,362	2,418
Non-cash capital grants and contributions		(5,801)	–
Unwinding of discount rates on reinstatement provisions		22	2
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,555)	674
Increase/(decrease) in provision for doubtful debts		(15)	6
Decrease/(increase) in inventories		13	13
Decrease/(increase) in other assets		(84)	–
Increase/(decrease) in payables		38	1,152
Increase/(decrease) in accrued interest payable		(5)	(9)
Increase/(decrease) in other accrued expenses payable		31	(197)
Increase/(decrease) in other liabilities		(37)	207
Increase/(decrease) in employee leave entitlements		16	(160)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,523	19,409
(c) Non-cash investing and financing activities			
Gifted Assets		5,801	1,395
Total non-cash investing and financing activities		5,801	1,395

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	–	501
Plant and equipment	410	–
Roads & Drainage Infrastructure	–	563
Swimming Pools	–	1,134
Waste Management	33	–
Tourism	161	–
Water	51	–
Total commitments	655	2,198
These expenditures are payable as follows:		
Within the next year	655	2,198
Total payable	655	2,198
Sources for funding of capital commitments:		
Unrestricted general funds	–	66
Future grants and contributions	99	1,142
Unexpended grants	62	–
Internally restricted reserves	494	944
Unexpended loans	–	46
Total sources of funding	655	2,198

Details of capital commitments

The above commitments relate mainly to purchase of replacement plant items and the improvements to tourism facilities at Morgan's Lookout.

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	67	85
Later than one year and not later than 5 years	244	6
Total non-cancellable operating lease commitments	311	91

b. Non-cancellable operating leases include the following assets:

Photocopier lease 5 years commencing 14/06/2018.

Plotter lease commencing 01/08/2015.

Conditions relating to operating leases:

- 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 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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 2018 was \$177,213.51. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending on 30 June, 2017. The position is monitored annually and the Actuary has estimated that as at 30 June 2018 a deficit still exists. Based on a Past Service Liabilities methodology, it has been determined that Council's share of the deficit is estimated at 0.26%. The amount of additional contributions remaining as at 30 June 2018 has been estimated at \$312,000.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

(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.

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.

Rural Fire Service assets

The Code of Accounting Practice and Financial Reporting (Update 26) General Purpose Financial Statements (the Code) issued by the Office of Local Government at page A56 states "Councils need to assess whether they control any Rural Fire Service assets and recognise in their financial statements any material assets under their control." In addition, AASB116 requires that an asset can only be recognised if it is probable that future economic benefits associated with the items will flow to the entity.

In response to the Code, and taking into consideration where effective control of the assets lie and the entity that receives any future economic benefit from the assets, Council has adopted a position statement on the recognition of Rural Fire Service assets which states "Greater Hume Shire Council accounts for land and buildings used by the Rural Fire Service situated within the Shire boundary, however, does not account for Rural Fire Service plant or other equipment."

Accordingly, during the financial year 2017-18 Council has derecognised Rural Fire Service appliances and associated equipment. Council has determined that these assets are under the control of NSW Rural Fire Services. The recognition that Council does not have control of these assets (and therefore should not be carried in the financial statements) represents a change in accounting policy since 2017. The adjustment is considered sufficiently immaterial such that there is no material mis-statement in the 2017 financial statements.

The net impact on Council's Financial Statements for 2018 is as follows;

Reduction in plant and equipment	\$
Gross Cost	3,935,084
Accumulated depreciation	<u>3,257,347</u>
Net Carrying Value	<u>677,737</u>

During the 2017-18 financial year appliances notionally allocated to Council by the NSW Rural Fire Service amounted to \$266,878 net of disposals.

Greater Hume Shire Council

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

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	9,761	5,914	–	–
Investments				
– 'Held to maturity'	12,710	20,040	–	–
Receivables	6,406	4,782	–	–
Total financial assets	28,877	30,736	–	–
Financial liabilities				
Payables	4,758	5,171	–	–
Loans/advances	4,894	5,483	–	–
Total financial liabilities	9,652	10,654	–	–

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.

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	224	224	(224)	(224)
2017				
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 2018

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	95%	0%	97%
Overdue	100%	5%	100%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	(58)	–
< 1 year overdue	702	652
	<u>644</u>	<u>652</u>

Other receivables

	2018	2017
Current	4,845	4,078
0 – 30 days overdue	–	145
31 – 60 days overdue	20	–
61 – 90 days overdue	22	–
> 91 days overdue	953	–
	<u>5,840</u>	<u>4,223</u>

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	1,434	3,291	–	–	4,725	4,758
Loans and advances	5.63%	–	820	2,691	2,609	6,120	4,894
Total financial liabilities		1,434	4,111	2,691	2,609	10,845	9,652
2017							
Trade/other payables	0.00%	1,540	3,631	–	–	5,171	5,171
Loans and advances	5.62%	–	818	2,896	3,224	6,938	5,483
Total financial liabilities		1,540	4,449	2,896	3,224	12,109	10,654

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 20 June 2018 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	10,818	10,709	(109)	(1%) U
User charges and fees	5,612	7,423	1,811	32% F
Additional revenue received in relation to the removal of Asbestos waste in Culcain and Holbrook townships due to the demolition of houses containing Asbestos insulation.				
Interest and investment revenue	662	562	(100)	(15%) U
Rates achieved on term deposits did not meet budget expectation.				
Other revenues	286	559	273	95% F
Performance rebates on insurance policies not budgeted for and recovery of workers compensation and general insurance claims higher than budget. Also retained entry contributions in relation to aged housing not budgeted.				
Operating grants and contributions	8,585	11,506	2,921	34% F
Additional funds received for roads to recovery, natural disaster funding, noxious weeds funding and family day care subsidies.				
Capital grants and contributions	1,831	9,592	7,761	424% F
Value of assets gifted to Council not included in budget, developer contribution received not included in budget and Grants and contributions received toward new pool facilities, bushfire brigade stations, Headlie Taylor statue and other capital projects.				

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	8,655	9,197	(542)	(6%) U
Borrowing costs	242	264	(22)	(9%) U
Materials and contracts	6,783	8,155	(1,372)	(20%) U
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.				
Depreciation and amortisation	7,785	7,823	(38)	(0%) U
Other expenses	2,884	2,835	49	2% F
Savings in electricity, and telephone costs				
Net losses from disposal of assets	-	1,362	(1,362)	0% U
During the year Council disposed of its Rural Fire Services plant and equipment as Council determined they were not in its control. This was a primary contributor to the above losses. In addition road assets that were replaced during the financial year were disposed of resulting in a significant loss.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	10,119	12,523	2,404	23.8% F
Additional revenue mainly from roads to recovery, natural disaster funding and asbestos waste disposal+J3764.				
Cash flows from investing activities	(9,360)	(8,087)	1,273	(13.6%) F
Additional expenditure on Capital works during 2017-18.				
Cash flows from financing activities	(319)	(589)	(270)	84.6% U
Budgeted new loan borrowings were postponed to 2018-19 due to the delay in the Walla Walla Childrens Services building project.				

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Bulk earthworks	–	–	137,918	137,918
Roads infrastructure	–	–	216,161	216,161
Land under roads	–	–	640	640
Stormwater drainage	–	–	7,378	7,378
Sewerage network	–	–	32,491	32,491
Water supply network	–	–	21,053	21,053
Operational land	–	–	7,983	7,983
Community land	–	–	4,210	4,210
Buildings specialised	–	–	17,757	17,757
Buildings non-specialised	–	–	13,670	13,670
Swimming pools	–	–	7,240	7,240
Other structures	–	–	11,758	11,758
Plant, office equipment, furniture and fittings	–	–	5,897	5,897
Tips and quarries	–	–	329	329
Total infrastructure, property, plant and equipment	–	–	484,485	484,485

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
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
Total infrastructure, property, plant and equipment	–	–	465,424	465,424

(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 2018

Note 19. 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. An annual review of the carrying values of these assets is undertaken on an annual basis to determine whether there has been a material movement during the year, which would result in a revaluation of this class of assets.

The full revaluation of road assets is undertaken on a 5 year cycle and the next valuation will take place in 2019/2020.

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 and the next valuation will take place in 2019/2020.

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 2018

Note 19. 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 the next valuation will take place in 2021/2022.

The sewerage Network is indexed annually in accordance with reference rates provided in the NSW Department of Industry - 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 and the next valuation will take place in 2021/2022.

The sewerage Network is indexed annually in accordance with reference rates provided in the NSW Department of Industry - 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 2016.

The full revaluation of the Community Land is undertaken on a 3 year cycle and the next valuation will take place in 2018/2019.

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 2018

Note 19. Fair value measurement (continued)

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 2016.

The full revaluation of the Operational Land is undertaken on a 3 year cycle and the next valuation will take place in 2018/2019.

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 Australia Asset Advisory Group to value all its buildings in June 2018. 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.

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 2022/2023.

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 Australis Asset Advisory Group to value these assets in June 2018. 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 2022/2023.

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 2018

Note 19. Fair value measurement (continued)

Other Structures

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

Council engaged Australis Asset Advisory Group to value these assets in June 2018. The cost approach was adopted to estimate the fair value of these assets using the depreciated replacement cost.

The full revaluation of the Other Structure is undertaken on a 5 year cycle and the next valuation will take place in 2022/2023.

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

Council staff completed a desktop audit to value these assets in June 2018. 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 2018

Note 19. 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
Opening balance – 1/7/16	133,749	207,487	500	6,482	348,218
Purchases (GBV)	1,754	5,208	36	121	7,119
Disposals (WDV)	–	(256)	–	–	(256)
Depreciation and impairment	–	(4,089)	–	(85)	(4,174)
Closing balance – 30/6/17	135,503	208,350	536	6,518	350,907
Purchases (GBV)	2,415	12,369	104	946	15,834
Disposals (WDV)	–	(738)	–	–	(738)
Depreciation and impairment	–	(3,820)	–	(86)	(3,906)
Closing balance – 30/6/18	137,918	216,161	640	7,378	362,097

	Sewerage network	Water supply network	Operational land	Community land	Total
Opening balance – 1/7/16	30,660	21,421	6,608	4,069	62,758
Transfers from/(to) another asset class	–	–	469	(469)	–
Purchases (GBV)	1,315	648	–	26	1,989
Depreciation and impairment	(593)	(447)	–	–	(1,040)
FV gains – other comprehensive income	749	(994)	–	233	(12)
Closing balance – 30/6/17	32,131	20,628	7,077	3,859	63,695
Purchases (GBV)	251	398	61	–	710
Depreciation and impairment	(566)	(406)	–	–	(972)
FV gains – other comprehensive income	675	433	845	351	2,304
Closing balance – 30/6/18	32,491	21,053	7,983	4,210	65,737

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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
Opening balance – 1/7/16	22,782	16,769	4,389	2,789	46,729
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)
Closing balance – 30/6/17	22,424	16,135	2,685	2,826	44,070
Purchases (GBV)	408	3,115	3,736	707	7,966
Disposals (WDV)	(92)	(218)	–	(19)	(329)
Depreciation and impairment	(780)	(329)	(189)	(598)	(1,896)
FV gains – other comprehensive income	(1,630)	(4,039)	1,008	5,325	664
Transfers	(2,573)	(994)	–	3,517	(50)
Closing balance – 30/6/18	17,757	13,670	7,240	11,758	50,425

	Plant, office equipment and furniture	Tips and quarries	Total
Opening balance – 1/7/16	6,716	292	7,008
Purchases (GBV)	1,018	–	1,018
Disposals (WDV)	(251)	–	(251)
Depreciation and impairment	(1,016)	(7)	(1,023)
Closing balance – 30/6/17	6,467	285	6,752
Purchases (GBV)	1,387	–	1,387
Disposals (WDV)	(882)	(6)	(888)
Depreciation and impairment	(1,005)	–	(1,005)
FV gains – other comprehensive income	(70)	–	(70)
Transfers	–	50	50
Closing balance – 30/6/18	5,897	329	6,226

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

(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 as 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 2018

Note 20. Related party transactions

\$

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. There are currently 13 KMP within Council including elected Councillors and senior staff.

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

Compensation:	2018	2017
Short-term benefits	813,828	759,722
Post-employment benefits	63,602	58,994
Other long-term benefits	44,065	35,717
Total	921,495	854,433

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Earthworks	1	172,513	–	30 Days	–	–
2017						
Earthworks	1	122,303	–	30 days	–	–

17/18

- 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.

16/17

- 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 2018

Note 21. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	27	8	–	1	(10)	–	26	–
Open space	24	–	–	–	(23)	–	1	–
Community facilities	98	9	–	2	(73)	–	36	–
Other	39	–	–	–	(35)	–	4	–
S7.11 contributions – under a plan	188	17	–	3	(141)	–	67	–
S7.12 levies – under a plan	287	181	–	4	(450)	–	22	–
Total S7.11 and S7.12 revenue under plans	475	198	–	7	(591)	–	89	–
S7.11 not under plans	75	29	–	1	(38)	–	67	–
S64 contributions	866	256	–	–	–	–	1,122	–
Total contributions	1,416	483	–	8	(629)	–	1,278	–

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 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	27	8	–	1	(10)	–	26	–
Open space	24	–	–	–	(23)	–	1	–
Community facilities	98	9	–	2	(73)	–	36	–
Other	39	–	–	–	(35)	–	4	–
Total	188	17	–	3	(141)	–	67	–

S7.12 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	287	181	–	4	(450)	–	22	–
Total	287	181	–	4	(450)	–	22	–

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	75	29	–	1	(38)	–	67	–
Total	75	29	–	1	(38)	–	67	–

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	642	1,300	8,767
User charges and fees	1,109	206	6,108
Interest and investment revenue	52	81	429
Other revenues	65	23	471
Grants and contributions provided for operating purposes	17	31	11,458
Grants and contributions provided for capital purposes	354	107	9,131
Total income from continuing operations	2,239	1,748	36,364
Expenses from continuing operations			
Employee benefits and on-costs	449	687	8,061
Borrowing costs	–	–	264
Materials and contracts	155	261	7,739
Depreciation and amortisation	406	566	6,851
Other expenses	831	102	1,902
Net losses from the disposal of assets	–	–	1,362
Total expenses from continuing operations	1,841	1,616	26,179
Operating result from continuing operations	398	132	10,185
Net operating result attributable to each council fund	398	132	10,185
Net operating result for the year before grants and contributions provided for capital purposes	44	25	1,054

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

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

Greater Hume Shire Council

Notes to the Financial Statements

as at 30 June 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	2,042	3,370	4,349
Investments	–	–	12,710
Receivables	632	309	5,452
Inventories	–	–	2,289
Other	–	–	84
Total current assets	2,674	3,679	24,884
Non-current assets			
Receivables	–	–	13
Infrastructure, property, plant and equipment	21,209	32,984	431,335
Intangible assets	–	–	241
Total non-current assets	21,209	32,984	431,589
TOTAL ASSETS	23,883	36,663	456,473
LIABILITIES			
Current liabilities			
Payables	210	24	3,541
Income received in advance	–	–	339
Borrowings	–	–	589
Provisions	–	–	3,015
Total current liabilities	210	24	7,484
Non-current liabilities			
Payables	–	–	983
Borrowings	–	–	4,305
Provisions	–	–	560
Total non-current liabilities	–	–	5,848
TOTAL LIABILITIES	210	24	13,332
Net assets	23,673	36,639	443,141
EQUITY			
Accumulated surplus	11,244	14,748	233,753
Revaluation reserves	12,429	21,891	209,388
Total equity	23,673	36,639	443,141

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

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

Greater Hume Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,485</u>	8.08%	12.99%	5.17%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>30,759</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>19,253</u>	47.71%	48.54%	52.84%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>40,351</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>21,727</u>	4.96x	5.47x	6.09x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>4,377</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>10,572</u>	12.39x	13.15x	9.26x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>853</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>702</u>	6.09%	6.65%	6.87%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>11,518</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>22,471</u>	11.32 mths	13.0 mths	9.5 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,985</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

⁽⁴⁾ Refer to Note 11(b) and 12(b) – 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 2018

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	8.87%	14.44%	2.33%	-0.29%	1.52%	1.50%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	43.38%	45.65%	83.43%	72.00%	92.11%	64.79%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	4.96x	5.47x	9.53x	12.45x	134.58x	42.40x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 23a 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 2018

Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	11.17x	12.00x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.00%	5.71%	2.65%	8.66%	8.46%	12.33%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.59	11.70	17.08	16.69	38.51	34.63	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 23a above.

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

END OF AUDITED FINANCIAL STATEMENTS

Greater Hume Shire Council

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

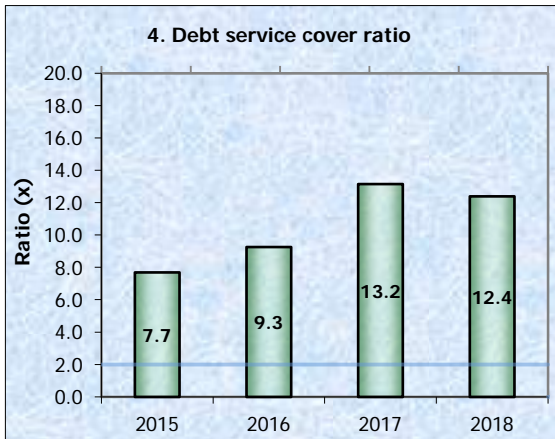
Note 23(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>-4%</td> </tr> <tr> <td>2016</td> <td>5%</td> </tr> <tr> <td>2017</td> <td>13%</td> </tr> <tr> <td>2018</td> <td>8%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	-4%	2016	5%	2017	13%	2018	8%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 8.08%</p> <p>Council's operating performance ratio continued to return a positive result this year and indicates a solid operating performance for the year.</p>
Year	Ratio %											
2015	-4%											
2016	5%											
2017	13%											
2018	8%											
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>58%</td> </tr> <tr> <td>2016</td> <td>53%</td> </tr> <tr> <td>2017</td> <td>49%</td> </tr> <tr> <td>2018</td> <td>48%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	58%	2016	53%	2017	49%	2018	48%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 47.71%</p> <p>Greater Hume has a relatively high proportion of income from grants and contributions. A benchmark of 60% own source income is desirable, however, rural councils rely heavily on grants and contributions due to its large area and relatively small population. The result is consistent with previous years.</p>
Year	Ratio %											
2015	58%											
2016	53%											
2017	49%											
2018	48%											
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>4.9</td> </tr> <tr> <td>2016</td> <td>6.1</td> </tr> <tr> <td>2017</td> <td>5.5</td> </tr> <tr> <td>2018</td> <td>5.0</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (x)	2015	4.9	2016	6.1	2017	5.5	2018	5.0	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 4.96x</p> <p>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.</p>
Year	Ratio (x)											
2015	4.9											
2016	6.1											
2017	5.5											
2018	5.0											

Greater Hume Shire Council

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

Note 23(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

Commentary on 2017/18 result

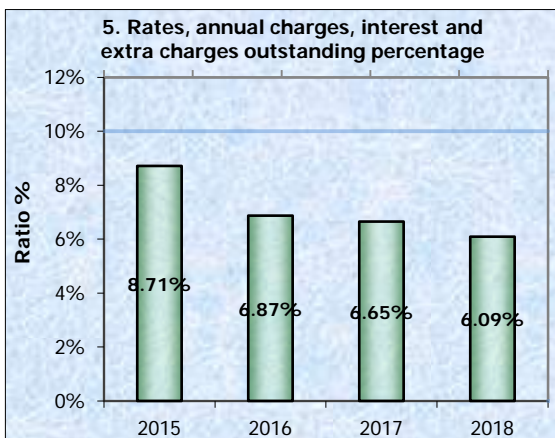
2017/18 ratio 12.39x

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 #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result

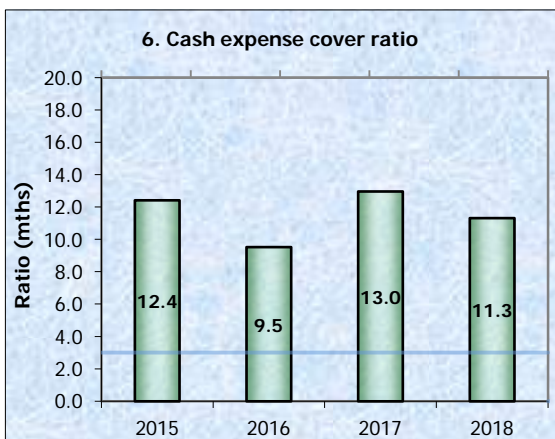
2017/18 ratio 6.09%

Council's level of outstanding rates and charges showed an improvement as a result of proactive collection procedures. Continuous improvement on the current position is our goal for 2018-19.

Benchmark: Maximum <10.00%

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 11.32 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 #26

Ratio achieves benchmark
 Ratio is outside benchmark

Greater Hume Shire Council

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

Note 24. Council information and contact details

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

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

Email: mail@greaterhume.nsw.gov.au

Officers

GENERAL MANAGER

Steven Pinnuck

RESPONSIBLE ACCOUNTING OFFICER

Dean Hart

PUBLIC OFFICER

David Smith

AUDITORS

Audit Office of NSW

Elected members

MAYOR

Heather Wilton

COUNCILLORS

Matt Hicks
Doug Meyer
Jenny O'Neill
Denise Osborne
Tony Quinn
Annette Schilg
Kim Stewart
Terry Weston

Other information

ABN: 44 970 341 154



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

To the Councillors of the Greater Hume Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

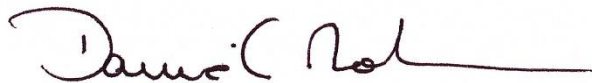
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

David Nolan
Director, Financial Audit Services

17 October 2018
SYDNEY

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

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1825159/1732

17 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
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 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2018	2017 *	Variance
	\$m	\$m	%
Rates and annual charges revenue	10.71	9.96	 7.5
Grants and contributions revenue	21.10	19.76	 6.8
Operating result for the year	10.72	7.68	 39.6
Net operating result before capital amounts	1.12	1.81	 38.1

Council’s operating result (\$10.7 million including the effect of depreciation expense of \$7.8 million) was \$3.0 million higher than the 2016–17 result. The increase from the previous period is mainly the result of non-cash contributions of \$5.6 million from the RMS.

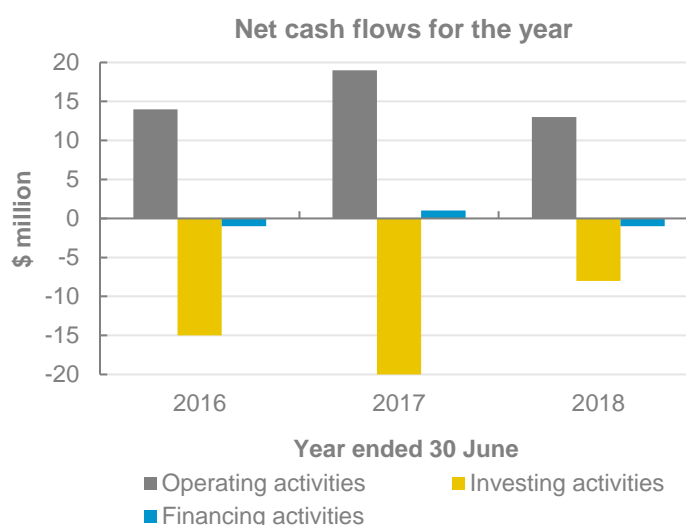
The net operating result before capital grants and contributions (\$1.1 million) was \$700,000 lower than the 2016–17 result and due to the \$2.1 million reduction in operating grants received when taking into consideration the prepayment of Financial Assistance Grants in the 2016/2017 year.

Rates and annual charges revenue (\$10.7 million) increased by \$750,000 (7.5 per cent) in 2017–2018.

Grants and contributions revenue (\$21.1 million) increased by \$1.3 million (6.8 per cent) in 2017–2018 due to increased RMS contributions and offset by the timing of financial assistance grants received over the past two years.

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 \$3.8 million to \$ million at the close of the year.
- The increase can be mostly attributed increased proceeds from the sale of investments offsetting reduced grants and contributions.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	6.4	5.9	• External restrictions include unspent specific purpose grants and contributions and water and sewerage funds.
Internal restrictions	11.5	16.1	
Unrestricted	4.6	4.0	• Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	22.5	26.0	

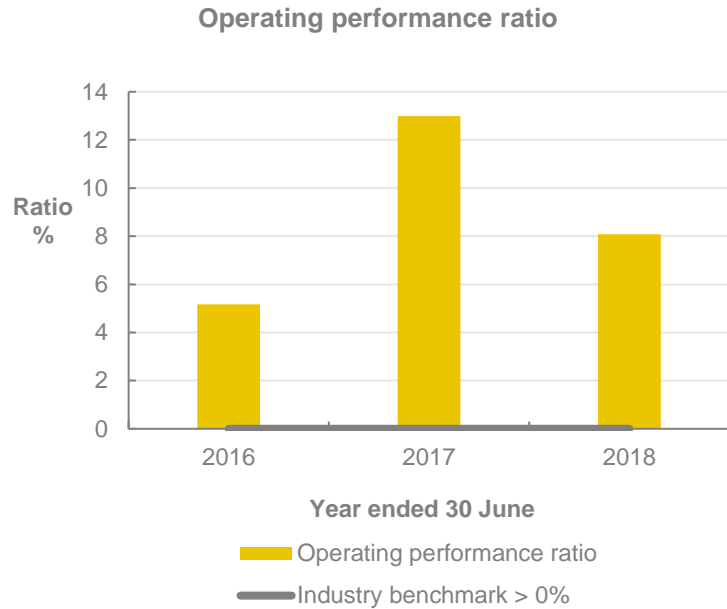
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- The indicator of 8.1 per cent was above the industry benchmark.
- The variance from the previous year is due to the reduced operating grants received when taking into consideration the prepayment of Financial Assistance Grants in the 2016/2017 year.

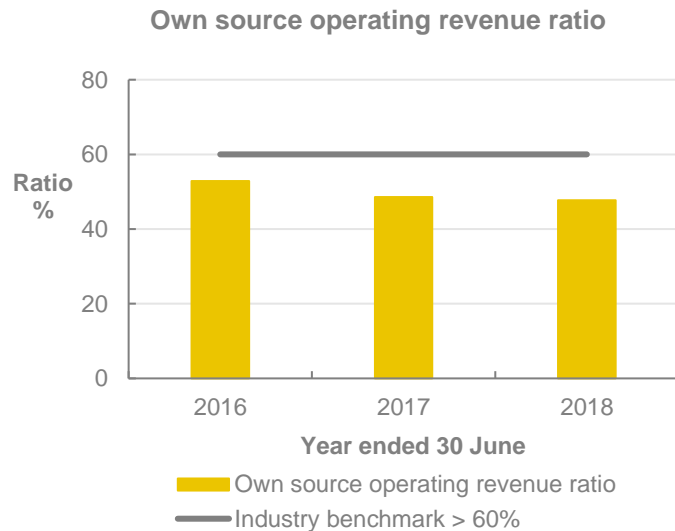
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 47.7 per cent was below the industry benchmark.
- This indicator would increase with the inclusion of the financial assistance grant.

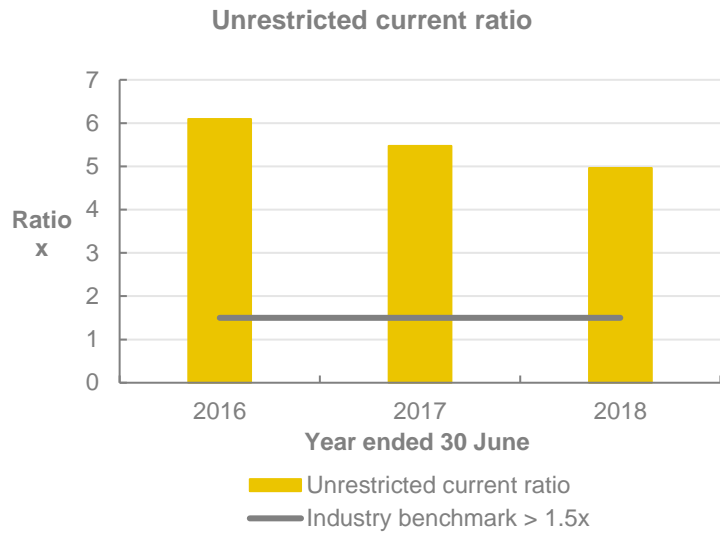
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council currently had 4.96 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.

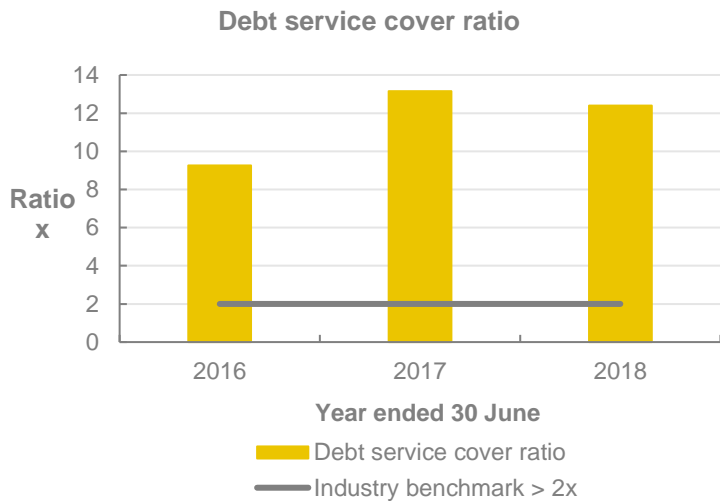
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 12.39 times exceeded the industry benchmark.
- The variance from the previous is a reflection of reduced operating grants received.

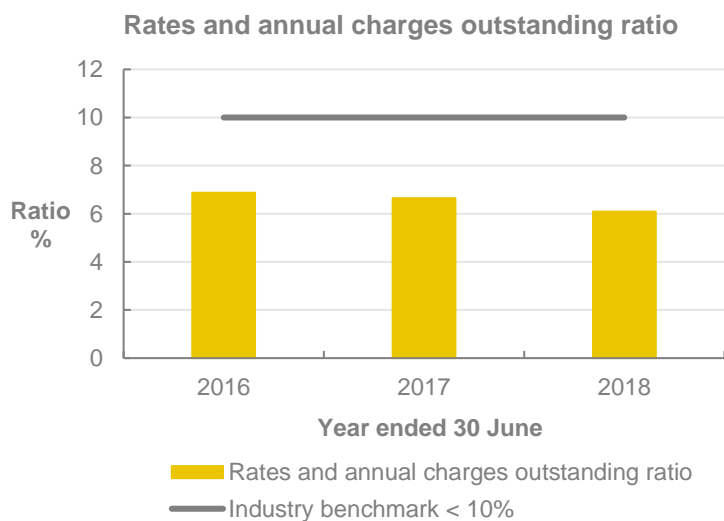
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 6.09 per cent was within the industry benchmark.

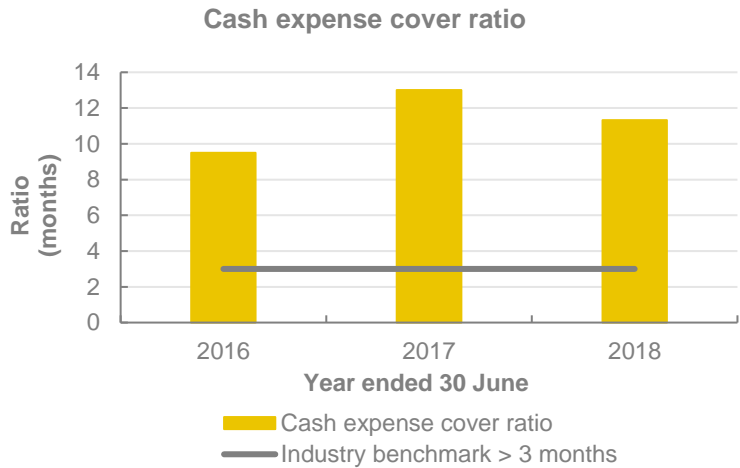
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 11.32 months exceeded the industry benchmark.

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

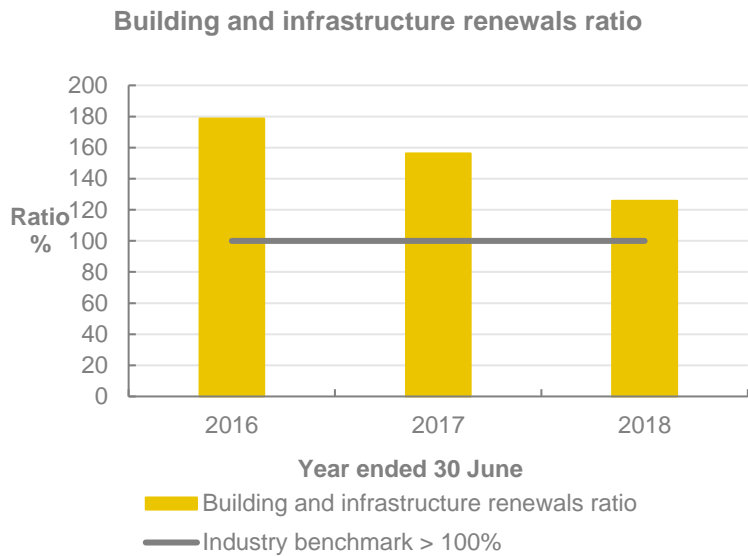


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 125.73 per cent exceeded the industry benchmark.

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

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



OTHER MATTERS

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.

David Nolan
Director, Financial Audit Services

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



Greater
Hume
Council

Special Purpose Financial Statements

For the year ended 30 June 2018

Greater Hume Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
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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 2018

Statement by Councillors and Management

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

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

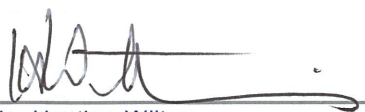
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 26 September 2018.



Councillor Heather Wilton
Mayor



Councillor Doug Meyer
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 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	642	612
User charges	1,109	1,026
Interest	52	52
Grants and contributions provided for non-capital purposes	17	17
Other income	65	33
Total income from continuing operations	1,885	1,740
Expenses from continuing operations		
Employee benefits and on-costs	449	411
Materials and contracts	155	124
Depreciation, amortisation and impairment	406	447
Water purchase charges	754	675
Other expenses	77	88
Total expenses from continuing operations	1,841	1,745
Surplus (deficit) from continuing operations before capital amounts	44	(5)
Grants and contributions provided for capital purposes	354	653
Surplus (deficit) from continuing operations after capital amounts	398	648
Surplus (deficit) from all operations before tax	398	648
Less: corporate taxation equivalent (30%) [based on result before capital]	(13)	–
SURPLUS (DEFICIT) AFTER TAX	385	648
Plus opening retained profits	10,846	10,198
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	13	–
Closing retained profits	11,244	10,846
Return on capital %	0.2%	0.0%
Subsidy from Council	514	500
Calculation of dividend payable:		
Surplus (deficit) after tax	385	648
Less: capital grants and contributions (excluding developer contributions)	(205)	(596)
Surplus for dividend calculation purposes	180	52
Potential dividend calculated from surplus	90	26

Greater Hume Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,300	1,265
User charges	118	258
Liquid trade waste charges	88	–
Interest	81	86
Grants and contributions provided for non-capital purposes	31	35
Other income	23	17
Total income from continuing operations	1,641	1,661
Expenses from continuing operations		
Employee benefits and on-costs	687	661
Materials and contracts	261	280
Depreciation, amortisation and impairment	566	593
Other expenses	102	103
Total expenses from continuing operations	1,616	1,637
Surplus (deficit) from continuing operations before capital amounts	25	24
Grants and contributions provided for capital purposes	107	850
Surplus (deficit) from continuing operations after capital amounts	132	874
Surplus (deficit) from all operations before tax	132	874
Less: corporate taxation equivalent (30%) [based on result before capital]	(8)	(7)
SURPLUS (DEFICIT) AFTER TAX	125	867
Plus opening retained profits	14,616	13,742
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	8	7
Closing retained profits	14,748	14,616
Return on capital %	0.1%	0.1%
Subsidy from Council	842	755
Calculation of dividend payable:		
Surplus (deficit) after tax	125	867
Less: capital grants and contributions (excluding developer contributions)	149	(800)
Surplus for dividend calculation purposes	274	67
Potential dividend calculated from surplus	137	33

Greater Hume Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	2,042	1,804
Receivables	632	364
Total current assets	2,674	2,168
Non-current assets		
Infrastructure, property, plant and equipment	21,209	20,807
Total non-current assets	21,209	20,807
TOTAL ASSETS	23,883	22,975
LIABILITIES		
Current liabilities		
Payables	210	132
Total current liabilities	210	132
Non-current liabilities		
Nil		
TOTAL LIABILITIES	210	132
NET ASSETS	23,673	22,843
EQUITY		
Accumulated surplus	11,244	10,846
Revaluation reserves	12,429	11,997
TOTAL EQUITY	23,673	22,843

Greater Hume Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	3,370	3,004
Receivables	309	179
Total current Assets	3,679	3,183
Non-current assets		
Infrastructure, property, plant and equipment	32,984	32,717
Total non-current assets	32,984	32,717
TOTAL ASSETS	36,663	35,900
LIABILITIES		
Current liabilities		
Payables	24	67
Total current liabilities	24	67
Non-current liabilities		
Nil		
TOTAL LIABILITIES	24	67
NET ASSETS	36,639	35,833
EQUITY		
Accumulated surplus	14,748	14,616
Revaluation reserves	21,891	21,217
TOTAL EQUITY	36,639	35,833

Greater Hume Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Greater Hume Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Nil

Greater Hume Shire Council

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

Note 1. Significant accounting policies (continued)

Category 2

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

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

As required by NSW Department of Industry – Water, the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

In accordance with NSW Department of Industry – Water, 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*.

Greater Hume Shire Council

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

Note 1. Significant accounting policies (continued)

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

Greater Hume Shire Council

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

Note 1. Significant accounting policies (continued)

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.79% at 30/6/18.

(iv) Dividends

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

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

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

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

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

Greater Hume Shire Council

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

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,840
(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]	89,900
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	68,400
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	254,800

2018 Surplus	179,800	2017 Surplus	52,000	2016 Surplus	23,000
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	68,400
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	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 2018

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

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,187
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	62.61%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	21,209
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,404
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	356
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.78%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - 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 2018

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i) Calculated tax equivalents	-
(ii) Number of assessments multiplied by \$3/assessment	8,505
(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]	136,750
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	85,050
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	562,700

2018 Surplus	273,500	2017 Surplus	66,800	2016 Surplus	222,400
		2017 Dividend	-	2016 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	85,050
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

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

Greater Hume Shire Council

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

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

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,667
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	32,984
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,026
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	230
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.23%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	3,854
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.25%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	586
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.83%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Greater Hume Shire Council

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

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<input type="text" value="-8.97%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="452"/> 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: <input type="text" value="(133)"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="> 100"/>
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="530"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="48"/>

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Greater Hume Shire Council

To the Councillors of the Greater Hume Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

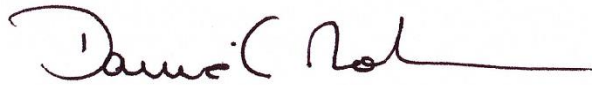
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

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

David Nolan
Director, Financial Audit Services

17 October 2018
SYDNEY



Greater
Hume
Council

Special Schedules

For the year ended 30 June 2018

Greater Hume Shire Council

Special Schedules

for the year ended 30 June 2018

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

Background

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

Greater Hume Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	977	27	–	(950)
Administration	2,793	333	4	(2,456)
Public order and safety				
Fire service levy, fire protection, emergency services	1,771	318	161	(1,292)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	190	43	–	(147)
Other	–	–	–	–
Total public order and safety	1,961	361	161	(1,439)
Health	237	170	–	(67)
Environment				
Noxious plants and insect/vermin control	448	248	44	(156)
Other environmental protection	–	–	–	–
Solid waste management	1,133	2,706	8	1,581
Street cleaning	151	37	–	(114)
Drainage	–	–	–	–
Stormwater management	137	–	–	(137)
Total environment	1,869	2,991	52	1,174
Community services and education				
Administration and education	6	5	–	(1)
Social protection (welfare)	97	20	–	(77)
Aged persons and disabled	276	257	1	(18)
Children's services	565	714	1	150
Total community services and education	944	996	2	54
Housing and community amenities				
Public cemeteries	89	59	–	(30)
Public conveniences	205	–	–	(205)
Street lighting	174	23	–	(151)
Town planning	226	160	181	115
Housing	(6)	30	–	36
Other community amenities	41	–	–	(41)
Total housing and community amenities	729	272	181	(276)
Water supplies	1,837	1,881	354	398
Sewerage services	1,616	1,641	107	132

Greater Hume Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	618	60	17	(541)
Museums	29	–	84	55
Art galleries	–	–	–	–
Community centres and halls	516	116	97	(303)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	19	–	–	(19)
Sporting grounds and venues	1,102	87	401	(614)
Swimming pools	801	85	695	(21)
Parks and gardens (lakes)	386	–	2	(384)
Other sport and recreation	–	–	–	–
Total recreation and culture	3,471	348	1,296	(1,827)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	332	147	–	(185)
Other mining, manufacturing and construction	19	–	–	(19)
Total mining, manufacturing and const.	351	147	–	(204)
Transport and communication				
Urban roads (UR) – local	1,222	1,040	1,032	850
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,116	1,112	3,676	2,672
Sealed rural roads (SRR) – regional	2,320	1,771	2,681	2,132
Unsealed rural roads (URR) – local	2,115	–	–	(2,115)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	569	–	–	(569)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	65	–	–	(65)
Kerb and Guttering	162	–	23	(139)
Aerodromes	15	1	–	(14)
Other transport and communication	3,518	3,497	4	(17)
Total transport and communication	12,102	7,421	7,416	2,735
Economic affairs				
Camping areas and caravan parks	83	71	–	(12)
Other economic affairs	666	581	19	(66)
Total economic affairs	749	652	19	(78)
Totals – functions	29,636	17,240	9,592	(2,804)
General purpose revenues ⁽¹⁾		13,519		13,519
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	29,636	30,759	9,592	10,715

(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 – Permissible income for general rates
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	8,263	7,657
Plus or minus adjustments ⁽²⁾	b	11	57
Notional general income	c = (a + b)	8,274	7,714
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	7.15%
Or rate peg percentage	e	2.30%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	552
Or plus rate peg amount	i = c x e	190	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	8,464	8,266
Plus (or minus) last year's carry forward total	l	7	5
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	7	5
Total permissible income	o = k + n	8,471	8,271
Less notional general income yield	p	8,465	8,263
Catch-up or (excess) result	q = o – p	6	8
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	(5)	(1)
Carry forward to next year	t = q + r – s	1	7

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Greater Hume Shire Council

To the Councillors of Greater Hume Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

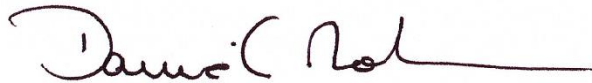
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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

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

David Nolan
Director, Financial Audit Services

17 October 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	79	71
b. Engineering and supervision	247	216
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	64	67
d. Maintenance expenses	97	80
– Reservoirs		
e. Operation expenses	36	41
f. Maintenance expenses	–	1
– Pumping stations		
g. Operation expenses (excluding energy costs)	22	23
h. Energy costs	55	61
i. Maintenance expenses	4	6
– Treatment		
j. Operation expenses (excluding chemical costs)	31	33
k. Chemical costs	7	4
l. Maintenance expenses	3	3
– Other		
m. Operation expenses	20	23
n. Maintenance expenses	1	1
o. Purchase of water	738	653
3. Depreciation expenses		
a. System assets	406	447
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	31	15
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,841	1,745

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	504	477
b. Usage charges	844	774
7. Non-residential charges		
a. Access (including rates)	138	135
b. Usage charges	265	248
8. Extra charges	–	–
9. Interest income	52	52
10. Other income	65	37
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	17	17
c. Other grants	–	–
12. Contributions		
a. Developer charges	149	57
b. Developer provided assets	205	596
c. Other contributions	–	–
13. Total income	2,239	2,393
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	398	648
15a. Operating result (less grants for acquisition of assets)	398	648

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	11	17
b. New assets for growth	345	627
c. Renewals	–	4
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	356	648
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,739	1,673
b. Residential (unoccupied, ie. vacant lot)	168	176
c. Non-residential (occupied)	373	360
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	71 ET	22 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 30,759	\$ 29,716

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	673	–	673
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,369	–	1,369
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	17	–	17
c. User charges	615	–	615
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	21,209	21,209
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	2,674	21,209	23,883
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	210	–	210
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	210	–	210
36. NET ASSETS COMMITTED	2,464	21,209	23,673
EQUITY			
37. Accumulated surplus			11,244
38. Asset revaluation reserve			12,429
39. Other reserves			–
40. TOTAL EQUITY			23,673
Note to system assets:			
41. Current replacement cost of system assets			31,444
42. Accumulated current cost depreciation of system assets			(10,235)
43. Written down current cost of system assets			21,209

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	71	78
b. Engineering and supervision	346	312
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	17	42
b. Maintenance expenses	23	22
– Pumping stations		
c. Operation expenses (excluding energy costs)	108	93
d. Energy costs	31	37
e. Maintenance expenses	21	39
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	257	277
g. Chemical costs	25	18
h. Energy costs	45	42
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	25	25
– Other		
l. Operation expenses	47	37
m. Maintenance expenses	10	7
3. Depreciation expenses		
a. System assets	566	593
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	24	15
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,616	1,637

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,151	1,119
7. Non-residential charges		
a. Access (including rates)	149	147
b. Usage charges	118	258
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	88	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	81	86
11. Other income	23	17
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	31	35
c. Other grants	–	–
13. Contributions		
a. Developer charges	107	50
b. Developer provided assets	–	799
c. Other contributions	–	–
14. Total income	<u>1,748</u>	<u>2,511</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>132</u>	<u>874</u>
16a. Operating result (less grants for acquisition of assets)	132	874

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	27	16
b. New assets for growth	3	990
c. Renewals	200	330
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	230	1,336
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	2,455	2,413
b. Residential (unoccupied, ie. vacant lot)	134	136
c. Non-residential (occupied)	246	235
d. Non-residential (unoccupied, ie. vacant lot)		–
24. Number of ETs for which developer charges were received	39 ET	15 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 56,817	\$ 58,966

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	449	–	449
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,921	–	2,921
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	110	–	110
c. User charges	199	–	199
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	32,984	32,984
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>3,679</u>	<u>32,984</u>	<u>36,663</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	24	–	24
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>24</u>	<u>–</u>	<u>24</u>
37. NET ASSETS COMMITTED	<u>3,655</u>	<u>32,984</u>	<u>36,639</u>
EQUITY			
38. Accumulated surplus			14,748
39. Asset revaluation reserve			21,891
40. Other reserves			–
41. TOTAL EQUITY			<u>36,639</u>
Note to system assets:			
42. Current replacement cost of system assets			47,000
43. Accumulated current cost depreciation of system assets			(14,016)
44. Written down current cost of system assets			<u>32,984</u>

Greater Hume Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices / Administration Centres	10	10	36	50	4,203	6,514	0%	0%	83%	17%	0%
	Works Depots	–	–	46	43	2,154	3,365	28%	6%	54%	12%	0%
	Public Halls	40	40	35	36	5,053	13,550	0%	14%	52%	34%	0%
	Houses	–	–	21	28	1,178	1,178	56%	6%	38%	0%	0%
	Libraries	–	–	11	4	1,629	2,836	0%	33%	67%	0%	0%
	Museums	–	–	6	4	487	929	0%	25%	50%	25%	0%
	Amenities/Public Toilets	35	35	27	18	1,949	3,877	12%	18%	48%	16%	6%
	Sporting Facilities	45	45	12	8	7,590	16,595	7%	11%	71%	10%	1%
	Aged Care Facilities	–	–	41	48	3,181	4,477	15%	32%	53%	0%	0%
	Other	–	–	29	31	4,003	6,600	15%	36%	40%	6%	3%
	Sub-total	130	130	264	270	31,427	59,921	8.2%	16.1%	59.6%	15.1%	1.0%
Other structures	Other structures	10	10	2	7	11,758	17,567	5%	13%	76%	6%	0%
	Sub-total	10	10	2	7	11,758	17,567	5.0%	13.0%	76.0%	6.0%	0.0%
Roads	Sealed Roads Surface	50	50	2,107	2,187	23,780	41,723	2%	55%	42%	1%	0%
	Sealed Roads Structure	–	–	–	–	145,022	187,747	1%	58%	40%	1%	0%
	Unsealed roads	–	–	1,201	1,250	13,171	25,657	1%	55%	43%	1%	0%
	Bridges	100	100	50	32	24,630	55,258	2%	25%	48%	24%	1%
	Footpaths	–	–	36	29	2,797	3,606	2%	25%	52%	21%	0%
	Kerb & Gutter	–	–	60	52	6,761	9,223	36%	62%	2%	0%	0%
	Bulk earthworks	–	–	–	–	137,918	137,918	100%	0%	0%	0%	0%
		Sub-total	150	150	3,454	3,550	354,079	461,132	31.5%	36.1%	28.7%	3.6%

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	–	–	137	97	18,203	26,877	22%	47%	19%	12%	0%
	Pumping Station/s	–	–	21	4	470	651	6%	89%	5%	0%	0%
	Treatment Works	–	–	9	3	203	288	0%	100%	0%	0%	0%
	Reservoirs	–	–	10	1	1,924	3,144	7%	40%	15%	38%	0%
	Bores	–	–	–	–	253	328	0%	100%	0%	0%	0%
	Other	–	–	4	1	–	–	22%	78%	0%	0%	0%
	Sub-total		–	–	181	106	21,053	31,288	19.7%	48.2%	17.9%	14.1%
Sewerage network	Mains	–	–	45	23	22,578	32,512	19%	33%	48%	0%	0%
	Pumping Station/s	20	20	38	21	3,364	4,586	11%	77%	10%	2%	0%
	Treatment Works	–	–	41	25	3,940	6,055	5%	82%	11%	2%	0%
	Reuse Scheme	10	10	9	10	2,609	3,329	0%	94%	3%	3%	0%
	Sub-total	30	30	133	79	32,491	46,482	15.0%	48.1%	36.2%	0.7%	0.0%

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	52	51	7,378	10,417	25%	64%	11%	0%	0%
	Sub-total	–	–	52	51	7,378	10,417	25.0%	64.0%	11.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	160	165	7,240	–	38%	16%	43%	3%	0%
	Sub-total	–	–	160	165	7,240	–	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL – ALL ASSETS		320	320	4,246	4,228	465,426	626,807	26.6%	35.5%	32.7%	5.0%	0.2%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Greater Hume Shire Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>8,517</u>	125.73%	156.32%	178.69%	>= 100%
Depreciation, amortisation and impairment	<u>6,774</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>320</u>	0.07%	0.07%	0.07%	< 2.00%
Net carrying amount of infrastructure assets	<u>465,426</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>4,228</u>	99.58%	144.99%	105.55%	> 100%
Required asset maintenance	<u>4,246</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>320</u>	0.05%	0.05%	0.00%	
Gross replacement cost	<u>626,807</u>				

Notes

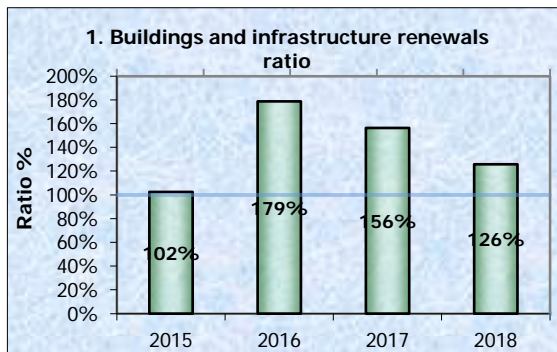
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Greater Hume Shire Council

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



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

Purpose of asset renewals ratio

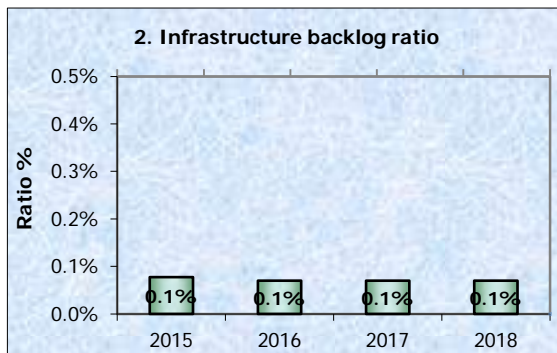
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 125.73%

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.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



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

Purpose of infrastructure backlog ratio

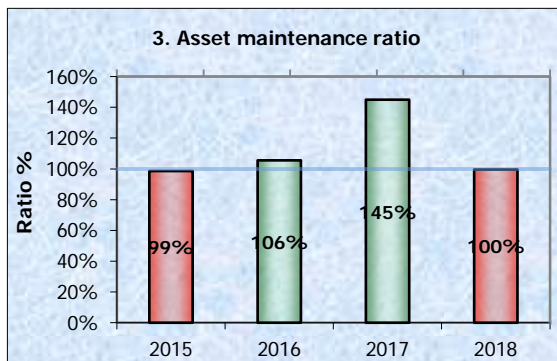
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 0.07%

These results indicate that Council has no serious backlog issues in its infrastructure network.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



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

Purpose of asset maintenance ratio

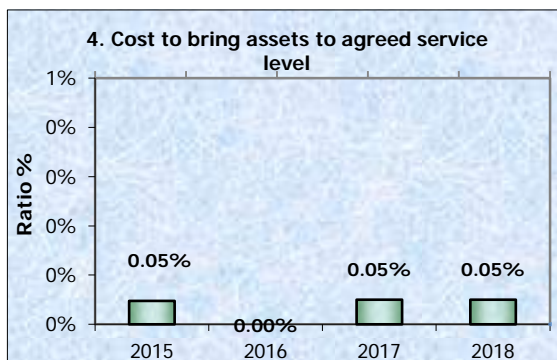
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 99.58%

Council's annual maintenance expenditure during 2017-18 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.

■ 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 2017/18 result

2017/18 Ratio 0.05%

Major works on the renewal of road infrastructure has been the major contributor to achieving this result in 2017-18.

Greater Hume Shire Council

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

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	141.40%	157.37%	27.59%	138.93%	35.51%	159.70%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.07%	0.11%	0.00%	0.00%	0.09%	0.09%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	102.82%	149.28%	58.56%	57.49%	59.40%	71.54%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.05%	0.05%	0.00%	0.00%	0.06%	0.07%	
Gross replacement cost							

Notes

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