

Junee Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"Make Tracks"



Junee Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

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

29 Belmore Street
Junee NSW 2663

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: <http://www.junee.nsw.gov.au>.

Junee 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.

More information

A review of Council's financial performance and position for the 17/18 financial year can be found at Note 25 of the financial statements.

Junee 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:

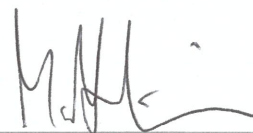
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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 20 November 2018.



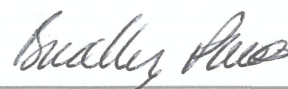
Cr Neil Smith
Mayor
20 November 2018



Cr Matt Austin
Councillor
20 November 2018



Mr James Davis
General Manager
20 November 2018



Mr Bradley Pascoe
Responsible Accounting Officer
20 November 2018

Junee 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				
Revenue:				
5,538	Rates and annual charges	3a	5,232	5,012
2,876	User charges and fees	3b	3,820	3,298
35	Interest and investment revenue	3c	113	85
687	Other revenues	3d	698	506
3,702	Grants and contributions provided for operating purposes	3e,f	6,072	6,915
5,116	Grants and contributions provided for capital purposes	3e,f	720	722
Other income:				
276	Net gains from the disposal of assets	5	—	412
18,230	Total income from continuing operations		16,655	16,950
Expenses from continuing operations				
3,638	Employee benefits and on-costs	4a	5,324	4,429
561	Borrowing costs	4b	390	400
5,613	Materials and contracts	4c	5,975	5,890
2,631	Depreciation and amortisation	4d	2,463	2,194
1,356	Other expenses	4e	1,428	1,333
—	Net losses from the disposal of assets	5	233	—
13,799	Total expenses from continuing operations		15,813	14,246
4,431	Operating result from continuing operations		842	2,704
4,431	Net operating result for the year		842	2,704
4,431	Net operating result attributable to Council		842	2,704
Net operating result for the year before grants and contributions provided for capital purposes				
(685)			122	1,982

Junee Shire Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017 Restated *
Net operating result for the year (as per Income Statement)		842	2,704
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	(3,160)	(11,575)
Impairment (loss) reversal relating to IPP&E	9c	209	(414)
Total items which will not be reclassified subsequently to the operating result		(2,951)	(11,989)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(2,951)	(11,989)
Total comprehensive income for the year		(2,109)	(9,285)
Total comprehensive income attributable to Council		(2,109)	(9,285)

* Refer Note 12 - Correction of Errors relating to a previous reporting period

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

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Junee Shire Council

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	2017 Restated *	2016 Restated *
ASSETS				
Current assets				
Cash and cash equivalents	6a	4,627	2,279	2,817
Investments	6b	500	1,000	—
Receivables	7	1,182	988	890
Inventories	8	577	824	985
Total current assets		6,886	5,091	4,692
Non-current assets				
Receivables	7	167	167	167
Inventories	8	339	881	985
Infrastructure, property, plant and equipment	9	108,141	111,261	121,419
Total non-current assets		108,647	112,309	122,571
TOTAL ASSETS		115,533	117,400	127,263
LIABILITIES				
Current liabilities				
Payables	10	516	283	373
Income received in advance	10	115	98	99
Borrowings	10	1,104	993	1,026
Provisions	11	1,671	1,547	1,800
Total current liabilities		3,406	2,921	3,298
Non-current liabilities				
Payables	10	—	37	37
Borrowings	10	6,874	7,093	7,278
Provisions	11	24	11	27
Total non-current liabilities		6,898	7,141	7,342
TOTAL LIABILITIES		10,304	10,062	10,640
Net assets		105,229	107,338	116,623
EQUITY				
Accumulated surplus	12	83,081	82,239	79,535
Revaluation reserves	12	22,148	25,099	37,088
Total equity		105,229	107,338	116,623

* Refer Note 12 - Correction of Errors relating to a previous reporting period.

Junee 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	Restated * IPP&E revaluation reserve	Restated Total equity
Opening balance		82,239	51,015	133,254	79,535	51,946	131,481
Correction of prior period errors	12(b)	–	(25,916)	(25,916)	–	(14,858)	(14,858)
Restated opening balance		82,239	25,099	107,338	79,535	37,088	116,623
Net operating result for the year		842	–	842	2,704	–	2,704
Other comprehensive income							
– Correction of prior period errors – Gain (loss) on revaluation of IPP&E	12 (b)	–	–	–	–	(11,058)	(11,058)
– Gain (loss) on revaluation of IPP&E	9a	–	(3,160)	(3,160)	–	(517)	(517)
– Impairment (loss) reversal relating to IPP&E	9c	–	209	209	–	(414)	(414)
Other comprehensive income		–	(2,951)	(2,951)	–	(11,989)	(11,989)
Total comprehensive income (c&d)		842	(2,951)	(2,109)	2,704	(11,989)	(9,285)
Equity – balance at end of the reporting period		83,081	22,148	105,229	82,239	25,099	107,338

* Refer Note 12 - Correction of Errors relating to a previous reporting period.

Junee Shire Council

Statement of Cash Flows for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
5,401	Rates and annual charges		5,196	4,974
2,877	User charges and fees		3,969	3,208
35	Investment and interest revenue received		102	89
8,818	Grants and contributions		6,792	7,620
687	Other		1,305	531
Payments:				
(3,638)	Employee benefits and on-costs		(5,186)	(4,643)
(5,567)	Materials and contracts		(6,009)	(6,182)
(562)	Borrowing costs		(408)	(400)
–	Bonds, deposits and retention amounts refunded		(65)	(2)
(1,356)	Other		(2,032)	(1,210)
6,695	Net cash provided (or used in) operating activities	13b	3,664	3,985
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		1,000	2,750
980	Sale of real estate assets		1,454	555
236	Sale of infrastructure, property, plant and equipment		353	710
Payments:				
–	Purchase of investment securities		(500)	(3,750)
(11,948)	Purchase of infrastructure, property, plant and equipment		(3,380)	(4,520)
(782)	Purchase of real estate assets		(135)	(50)
(11,514)	Net cash provided (or used in) investing activities		(1,208)	(4,305)
Cash flows from financing activities				
Receipts:				
3,400	Proceeds from borrowings and advances		600	380
Payments:				
(799)	Repayment of borrowings and advances		(708)	(598)
2,601	Net cash flow provided (used in) financing activities		(108)	(218)
(2,218)	Net increase/(decrease) in cash and cash equivalents		2,348	(538)
3,206	Plus: cash and cash equivalents – beginning of year	13a	2,279	2,817
988	Cash and cash equivalents – end of the year	13a	4,627	2,279
Additional Information:				
plus:	Investments on hand – end of year	6b	500	1,000
	Total cash, cash equivalents and investments		5,127	3,279

Junee Shire Council

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

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Junee 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 20/11/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 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

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

Significant judgements in applying the Council's accounting policies

- (iii) 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
- Sewerage service

(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.

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.

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

- *AASB 9 Financial Instruments*

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

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

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

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

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

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

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

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

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position. Council currently has lease commitments totalling \$2.236 million as detailed in Note 15a – Commitments for expenditure. This commitment relates to the leasing of Council's heavy plant fleet.

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

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

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

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

Junee 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	–	–	366	141	(366)	(141)	–	–	1,385	1,526
Administration	547	662	673	1,891	(126)	(1,229)	–	–	2,877	3,170
Public order and safety	48	73	394	399	(346)	(326)	–	41	308	340
Environment	1,003	912	1,134	1,049	(131)	(137)	51	62	4,842	5,336
Community services and education	1,397	2,416	1,496	1,364	(99)	1,052	1,250	881	70	77
Housing and community amenities	364	340	495	714	(131)	(374)	–	15	731	806
Sewerage services	1,092	718	721	672	371	46	191	14	10,073	10,048
Recreation and culture	829	457	2,254	2,538	(1,425)	(2,081)	355	34	16,646	18,341
Mining, manufacturing and construction	–	–	–	–	–	–	–	–	12	14
Transport and communication	7,121	7,135	7,622	5,212	(501)	1,923	2,159	2,372	75,091	73,908
Economic affairs	378	290	658	266	(280)	24	50	–	3,479	3,834
Other	3,876	3,947	–	–	3,876	3,947	1,903	3,947	19	–
Total functions and activities	16,655	16,950	15,813	14,246	842	2,704	5,959	7,366	115,533	117,400

Junee 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 and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

Environment

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

Community services and education

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

Housing and community amenities

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

Sewerage services

Includes the provision of sewerage treatment and reticulation system for the collection of sewage within the Junee township.

Recreation and culture

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

Mining, manufacturing and construction

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

Transport and communication

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

Economic affairs

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

Junee Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,533	1,756
Farmland	1,896	1,679
Business	356	302
Total ordinary rates	3,785	3,737
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	707	561
Stormwater management services	43	50
Sewerage services	617	607
Waste management services (non-domestic)	80	57
Total annual charges	1,447	1,275
TOTAL RATES AND ANNUAL CHARGES	5,232	5,012

Council has used 1/07/2017 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.

Junee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	1	2
Sewerage services	251	83
Waste management services (non-domestic)	133	93
Total specific user charges	385	178
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	65	94
Building services – other	61	1
Inspection services	94	–
Private works – section 67	240	183
Registration fees	12	9
Section 149 certificates (EPA Act)	14	18
Section 603 certificates	14	12
Total fees and charges – statutory/regulatory	500	317
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	60	75
Community centres	–	3
Family day care	150	134
Lease rentals	39	26
Leaseback fees – Council vehicles	16	22
Library and art gallery	–	6
Multipurpose centre	343	293
Park rents	–	6
Rent and hire of council properties	20	10
RMS (formerly RTA) charges (state roads not controlled by Council)	2,301	2,228
Other	6	–
Total fees and charges – other	2,935	2,803
TOTAL USER CHARGES AND FEES	3,820	3,298

Accounting policy for user charges and fees

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

Junee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	36	36
– Cash and investments	77	49
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>113</u>	<u>85</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	36	6
General Council cash and investments	51	36
Restricted investments/funds – external:		
Sewerage fund operations	20	43
Domestic waste management operations	6	–
<u>Total interest and investment revenue recognised</u>	<u>113</u>	<u>85</u>
Accounting policy for interest and investment revenue		
Interest income is recognised using the effective interest rate at the date that interest is earned.		
(d) Other revenues		
Rental income – other council properties	92	95
Fines	7	8
Legal fees recovery – rates and charges (extra charges)	54	25
Commissions and agency fees	109	152
Diesel rebate	45	33
Holiday activities	–	4
Insurance rebates	63	46
Insurance claim recoveries	18	–
Recycling income (non-domestic)	12	–
Sales – swimming centre	46	42
Other	252	101
<u>TOTAL OTHER REVENUE</u>	<u>698</u>	<u>506</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.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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.

Junee 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	1,830	2,589	–	–
Financial assistance – local roads component	908	1,309	–	–
Other				
Pensioners' rates subsidies – general component	43	49	–	–
Total general purpose	2,781	3,947	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Sewerage	16	14	–	–
– Domestic waste management	16	18	–	–
Sewerage services	–	–	191	–
Aged care	–	1	–	–
Bushfire and emergency services	–	24	–	–
Community transport	101	196	–	–
Economic development	50	–	–	–
Environmental protection	–	19	–	–
Family day care	1,019	1,001	–	–
Fixing country roads	–	–	–	620
Heritage and cultural	–	5	48	–
Library – per capita	35	35	–	–
LIRS subsidy	23	26	–	–
Noxious weeds	51	45	–	–
Recreation and culture	–	–	355	–
Repair program	–	56	–	–
Street lighting	18	18	–	–
Traffic route subsidy	16	–	–	–
Transport (roads to recovery)	820	903	–	–
Transport (other roads and bridges funding)	374	388	–	–
Youth services	–	50	–	–
Town Improvement Grant	45	–	–	–
Total specific purpose	2,584	2,799	594	620
Total grants	5,365	6,746	594	620
Grant revenue is attributable to:				
– Commonwealth funding	1,855	1,034	–	–
– State funding	3,510	5,712	594	620
	5,365	6,746	594	620

Junee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 94A - fixed development consent levies		–	–	120	102
Total developer contributions – cash		–	–	120	102
Total developer contributions	22	–	–	120	102
Other contributions:					
Cash contributions					
Bushfire services		9	–	–	–
Community services		44	101	–	–
Community transport		43	51	–	–
Gifted asset (grand piano)		–	17	–	–
Kerb and gutter		–	–	6	–
Flood Restoration Contribution		579	–	–	–
Other		32	–	–	–
Total other contributions – cash		707	169	6	–
Total other contributions		707	169	6	–
Total contributions		707	169	126	102
TOTAL GRANTS AND CONTRIBUTIONS		6,072	6,915	720	722

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.

(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	2018	2017
Operating grants		
Unexpended at the close of the previous reporting period	912	738
Add: operating grants recognised in the current period but not yet spent	1,832	912
Less: operating grants recognised in a previous reporting period now spent	(756)	(738)
Unexpended and held as restricted assets (operating grants)	1,988	912

Junee 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	4,169	3,472
Travel expenses	16	–
Employee leave entitlements (ELE)	694	719
Superannuation – defined contribution plans	357	309
Superannuation – defined benefit plans	150	189
Workers' compensation insurance	160	91
Fringe benefit tax (FBT)	4	14
Training costs (other than salaries and wages)	47	91
Protective clothing	24	22
Other	32	7
Total employee costs	5,653	4,914
Less: capitalised costs	(329)	(485)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>5,324</u>	<u>4,429</u>
Number of 'full-time equivalent' employees (FTE) at year end	60	59
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	64	64

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

(b) Borrowing costs	2018	2017
Interest bearing liability costs		
Interest on loans	390	400
Total interest bearing liability costs expensed	390	400
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>390</u>	<u>400</u>

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.

Junee Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	2,175	2,584
Contractor and consultancy costs	3,215	2,760
Auditors remuneration ⁽²⁾	34	25
Legal expenses:		
– Legal expenses: planning and development	23	18
– Legal expenses: debt recovery	57	24
– Legal expenses: other	18	4
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	453	475
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>5,975</u>	<u>5,890</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:

Motor vehicles & heavy plant	445	475
Other	8	–
	<u>453</u>	<u>475</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:

Audit and other assurance services

Audit and review of financial statements	34	25
Remuneration for audit and other assurance services	<u>34</u>	<u>25</u>
Total Auditor-General remuneration	<u>34</u>	<u>25</u>
Total Auditor remuneration	<u>34</u>	<u>25</u>

Junee Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	246	187
Office equipment	21	24
Furniture and fittings	9	9
Land improvements (depreciable)	77	66
Infrastructure:		
– Buildings – non-specialised	41	46
– Buildings – specialised	232	222
– Other structures	105	106
– Roads & Bulk Earthworks	1,353	1,150
– Bridges	41	52
– Footpaths	58	41
– Stormwater drainage	71	71
– Sewerage network	199	220
Other assets	10	–
Total depreciation and amortisation costs	2,463	2,194
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>	<u>2,463</u>	<u>2,194</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.

Impairment of non-financial assets

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

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

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

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.

Junee 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	62	33
Bad and doubtful debts	5	3
Bank charges	18	15
Cleaning	55	77
Computer software charges	144	94
Contributions/levies to other levels of government		
– Bushfire fighting fund	190	166
– Emergency services levy (includes FRNSW, SES, and RFS levies)	13	12
– NSW fire brigade levy	21	20
– EPA Waste Station Licence Fee's	7	–
Councillor expenses – mayoral fee	20	19
Councillor expenses – councillors' fees	79	76
Councillors' expenses (incl. mayor) – other (excluding fees above)	1	21
Councillor election expense	–	33
Donations, contributions and assistance to other organisations (Section 356)	4	2
Electricity and heating	234	216
Fire and emergency services levy (FESL) implementation costs	–	9
Insurance	241	304
Postage	18	17
Printing and stationery	44	25
Street lighting	81	77
Subscriptions and publications	83	14
Telephone and communications	68	72
Tourism expenses (excluding employee costs)	–	4
Valuation fees	24	24
Other	16	–
<u>TOTAL OTHER EXPENSES</u>	<u>1,428</u>	<u>1,333</u>

Accounting policy for other expenses

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

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		–	300
Less: carrying amount of property assets sold/written off		–	(317)
Net gain/(loss) on disposal		–	(17)
Plant and equipment	9		
Proceeds from disposal – plant and equipment		353	410
Less: carrying amount of plant and equipment assets sold/written off		(227)	(195)
Net gain/(loss) on disposal		126	215
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(852)	–
Net gain/(loss) on disposal		(852)	–
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		1,454	555
Less: carrying amount of real estate assets sold/written off		(954)	(341)
Net gain/(loss) on disposal		500	214
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		500	2,750
Less: carrying amount of financial assets sold/redeemed/matured		(500)	(2,750)
Net gain/(loss) on disposal		–	–
Furniture and Fittings			
Less: carrying amount of Furniture and Fittings assets sold/written off		(2)	–
Net gain/(loss) on disposal		(2)	–
Office Equipment			
Less: carrying amount of Office Equipment assets sold/written off		(5)	–
Net gain/(loss) on disposal		(5)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(233)	412

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	1,127	1,279
Cash-equivalent assets		
– Short-term deposits	3,500	1,000
Total cash and cash equivalents	4,627	2,279

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.

Junee Shire Council

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

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
Held to maturity	500	–	1,000	–
Total investments	500	–	1,000	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>5,127</u>	<u>–</u>	<u>3,279</u>	<u>–</u>
Held to maturity investments				
Long term deposits	500	–	1,000	–
Total	500	–	1,000	–

Accounting policy for investments

Classification

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

Loans and receivables

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

Recognition and de-recognition

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

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

Junee 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	5,127	–	3,279	–
attributable to:				
External restrictions (refer below)	4,204	–	2,961	–
Internal restrictions (refer below)	282	–	285	–
Unrestricted	641	–	33	–
	5,127	–	3,279	–

\$ '000	2018		2017	
Details of restrictions				
External restrictions – included in liabilities				
Specific purpose unexpended loans – general		557		–
External restrictions – included in liabilities		557		–
External restrictions – other				
Specific purpose unexpended grants		1,988		912
Sewerage services		1,559		2,107
Domestic waste management		37		(78)
Stormwater management		43		–
Other		20		20
External restrictions – other		3,647		2,961
Total external restrictions		4,204		2,961
Internal restrictions				
Employees leave entitlement		205		205
Deposits, retentions and bonds		36		36
Junee historical society		14		17
Gravel pit restoration		27		27
Total internal restrictions		282		285
TOTAL RESTRICTIONS		4,486		3,246

Junee 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	540	–	501	–
Interest and extra charges	8	–	21	–
User charges and fees	7	–	69	–
Private works	–	–	69	–
Accrued revenues				
– Interest on investments	31	–	7	–
Deferred debtors	–	167	–	167
Net GST receivable	7	–	–	–
Cemetery fees	–	–	11	–
Kerb and gutter contributions	–	–	3	–
RMS charges	372	–	351	–
Other debtors	266	–	2	–
Total	1,231	167	1,034	167
Less: provision for impairment				
Rates and annual charges	(42)	–	(39)	–
User charges and fees	(7)	–	(7)	–
Total provision for impairment – receivables	(49)	–	(46)	–
<u>TOTAL NET RECEIVABLES</u>	<u>1,182</u>	<u>167</u>	<u>988</u>	<u>167</u>
Externally restricted receivables				
Sewerage services				
– Rates and availability charges	99	–	99	–
Total external restrictions	99	–	99	–
Unrestricted receivables	1,083	167	889	167
TOTAL NET RECEIVABLES	<u>1,182</u>	<u>167</u>	<u>988</u>	<u>167</u>

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	46	43
+ new provisions recognised during the year	3	3
Balance at the end of the year	49	46

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

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

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)	221	339	498	881
Stores and materials	356	—	320	—
Trading stock	—	—	6	—
Total inventories at cost	577	339	824	881
TOTAL INVENTORIES	577	339	824	881

Externally restricted assets

There are no restrictions applicable to the above assets.

Junee 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

(ii) Other disclosures

(a) Details for real estate development

Residential		221	339	498	881
Total real estate for resale		221	339	498	881

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

Represented by:

Acquisition costs		2	46	7	119
Development costs		210	282	466	734
Borrowing costs		7	11	20	28
Other holding costs		2	–	5	–
Total costs		221	339	498	881
Total real estate for resale		221	339	498	881

Movements:

Real estate assets at beginning of the year		498	881	685	985
– Purchases and other costs		135	–	50	–
– WDV of sales (expense)	5	(954)	–	(341)	–
– Transfer between current/non-current		542	(542)	104	(104)
Total real estate for resale		221	339	498	881

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Junee 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 (restated *)			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	–	–	–	–	1,109	–	–	–	–	–	–	1,109	–	1,109
Plant and equipment	3,052	2,008	1,044	–	391	(227)	(246)	–	(6)	–	–	2,994	2,038	956
Office equipment	435	371	64	–	9	–	(21)	–	(5)	–	–	193	146	47
Furniture and fittings	217	186	31	–	–	–	(9)	–	–	–	–	145	123	22
Land:														
– Operational land	2,387	–	2,387	–	–	–	–	–	–	(1,066)	–	1,321	–	1,321
– Community land	2,232	–	2,232	–	–	–	–	–	–	–	–	2,232	–	2,232
Land improvements – depreciable	1,826	1,134	692	–	–	–	(77)	–	–	–	–	1,826	1,211	615
Infrastructure:														
– Buildings – non-specialised	3,536	2,484	1,052	17	–	–	(41)	–	–	–	409	3,749	2,312	1,437
– Buildings – specialised	19,464	7,838	11,626	12	–	–	(232)	–	–	(2,544)	–	17,731	8,869	8,862
– Other structures	4,370	1,733	2,637	12	–	–	(105)	–	–	(174)	–	3,933	1,563	2,370
– Roads *	69,088	29,051	40,037	1,561	59	(852)	(1,353)	97	–	–	–	69,328	29,779	39,549
– Bridges *	4,098	1,532	2,566	–	–	–	(41)	–	–	–	–	4,098	1,573	2,525
– Footpaths *	2,904	862	2,042	–	–	–	(58)	–	–	–	–	2,904	920	1,984
– Bulk earthworks (non-depreciable) *	30,966	252	30,714	207	–	–	–	112	–	–	–	31,173	140	31,033
– Stormwater drainage	5,215	1,246	3,969	–	–	–	(71)	–	–	–	–	5,215	1,317	3,898
– Sewerage network	22,568	12,520	10,048	–	9	–	(199)	–	–	–	215	22,792	12,719	10,073
Other assets:														
– Library books	23	23	–	–	–	–	–	–	–	–	–	22	22	–
– Other	132	12	120	–	–	–	(10)	–	(2)	–	–	130	22	108
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	172,513	61,252	111,261	1,809	1,577	(1,079)	(2,463)	209	(13)	(3,784)	624	170,895	62,754	108,141

* Refer Note 12 - Correction of Errors relating to a previous reporting period

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

Junee 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 Crown Lands and Water (CLAW).

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	100	Flood control structures	80 to 100
Reticulation pipes: other	80 to 97		
Pumps and telemetry	10 to 20		
Transportation assets		Other infrastructure assets	
Bridges	100	Bulk earthworks	20
Major Culverts	100	Swimming pools	50
Footpaths	50	Other open space/recreational assets	20
Pavement Sub-Base	152	Other infrastructure	20
Pavement Base	76		
Unsealed Pavement Base	27		
Primer Seal	5		
Wearing Course (Seal)	20		
Kerb & Gutter	75		

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

Land under roads

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

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

Junee 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)

Crown reserves

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

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
Sewerage services						
WIP	776	—	776	—	—	—
Infrastructure	22,792	12,719	10,073	22,568	12,520	10,048
Total sewerage services	23,568	12,719	10,849	22,568	12,520	10,048
TOTAL RESTRICTED IPP&E	23,568	12,719	10,849	22,568	12,520	10,048

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

\$ '000	2018	2017
(i) Impairment losses recognised direct to equity (ARR):		
Impairment recognised for Roads and Bulk Earthworks (non-depreciable)	—	(414)
Total impairment losses	—	(414)
(ii) Reversals of impairment losses previously recognised direct to equity (ARR):		
Impairment recognised for Roads and Bulk Earthworks (non-depreciable)	209	—
Total impairment reversals	209	—
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	209	(414)

Junee Shire Council

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

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	–	–	3	–
Accrued expenses:				
– Borrowings	–	–	18	–
– Salaries and wages	58	–	57	–
– Other expenditure accruals	421	–	111	–
Security bonds, deposits and retentions	–	–	28	37
ATO – net GST payable	–	–	30	–
Trust fund	29	–	36	–
Other	8	–	–	–
Total payables	516	–	283	37
Income received in advance				
Payments received in advance – rates	115	–	98	–
Total income received in advance	115	–	98	–
Borrowings				
Loans – secured ¹	1,104	6,874	993	7,093
Total borrowings	1,104	6,874	993	7,093
TOTAL PAYABLES AND BORROWINGS	1,735	6,874	1,374	7,130

(a) Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

(b) 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	8,086	(108)	–	–	–	7,978
TOTAL	8,086	(108)	–	–	–	7,978

¹. Loans are secured over the general rating income of Council

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

Junee Shire Council

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

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
(c) Financing arrangements		
Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ⁽¹⁾	250	250
Credit cards/purchase cards	20	20
Total financing arrangements	270	270
Undrawn facilities as at balance date:		
– Bank overdraft facilities	250	250
– Credit cards/purchase cards	20	20
Total undrawn financing arrangements	270	270

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

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Junee Shire Council

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

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	490	–	409	–
Long service leave	1,169	24	1,121	11
Other leave	12	–	17	–
<u>TOTAL PROVISIONS</u>	<u>1,671</u>	<u>24</u>	<u>1,547</u>	<u>11</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Internally restricted assets				
Employee Leave Entitlements	205	–	205	–
Provisions relating to internally restricted assets	205	–	205	–
Total provisions relating to restricted assets	205	–	205	–
Total provisions relating to unrestricted assets	1,466	24	1,342	11
<u>TOTAL PROVISIONS</u>	<u>1,671</u>	<u>24</u>	<u>1,547</u>	<u>11</u>

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

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

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

Provisions – employees benefits	1,141	947
	<u>1,141</u>	<u>947</u>

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

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

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

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.

Junee Shire Council

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

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Council's roads, bridges, footpaths and bulk earthworks are required to be recorded at fair value in accordance with the Code and AASB 116 Property, Plant and Equipment.

In 2016-17, Council's financial statements were qualified as it was unable to demonstrate that the aforementioned assets were carried at fair value. As a result, in the current year Council undertook a valuation of its roads, bridges, footpaths and bulk earthworks as at 30 June 2017. This resulted in an \$11.1 million decrement to the fair value of these assets and corresponding asset revaluation reserve as at 30 June 2017. In addition, the valuation process identified assets that were not recorded by Council or assets that had been recorded however Council no longer controlled. This resulted in a net decrement of \$14.9 million to the fair value of these assets and corresponding asset revaluation reserve at 30 June 2016.

In accordance with the accounting standard AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the assets and asset revaluation reserve balance at 30 June 2017 and 1 July 2016 have been corrected. Note 12 (b) discloses the restatement of the line items in the statement of financial position and statement of comprehensive income impacted by the prior period error for the years ended 30 June 2017 and 30 June 2016.

Junee Shire Council

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

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

\$ '000

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

Changes to the opening Statement of Financial Position at 1 July 2016

	Original Balance 1 July, 2016	Impact Increase/ (decrease)	Restated Balance 1 July, 2016
Statement of Financial Position (extract)			
Gross Roads, Bridges, Footpaths and Bulk Earthworks	117,193	(14,858)	102,335
Accumulated Depreciation	(17,727)	–	(17,727)
Sub Total of movement - IPP&E	99,466	(14,858)	84,608
Total WDV for IPP&E	136,277	(14,858)	121,419
Total Assets	142,121	(14,858)	127,263
Total Liabilities	10,640	–	10,640
Revaluation Reserve	51,946	(14,858)	37,088
Total equity	131,481	(14,858)	116,623

Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position (extract)			
Gross Roads, Bridges, Footpaths and Bulk Earthworks	120,659	(13,603)	107,056
Accumulated Depreciation	(19,384)	(12,313)	(31,697)
Sub Total of movement - IPP&E	101,275	(25,916)	75,359
Total WDV for IPP&E	122,319	(11,058)	111,261
Total assets	143,316	(25,916)	117,400
Total liabilities	10,062	–	10,062
Revaluation Reserve	51,015	(25,916)	25,099
Total equity	133,254	(25,916)	107,338

Junee Shire Council

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

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,627	2,279
Balance as per the Statement of Cash Flows		4,627	2,279
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		842	2,704
Adjust for non-cash items:			
Depreciation and amortisation		2,463	2,194
Net losses/(gains) on disposal of assets		233	(412)
Non-cash capital grants and contributions		–	(17)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(197)	(101)
Increase/(decrease) in provision for doubtful debts		3	3
Decrease/(increase) in inventories		(30)	(26)
Increase/(decrease) in payables		(3)	(266)
Increase/(decrease) in accrued interest payable		(18)	–
Increase/(decrease) in other accrued expenses payable		311	141
Increase/(decrease) in other liabilities		(77)	34
Increase/(decrease) in employee leave entitlements		137	(269)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		3,664	3,985
(c) Non-cash investing and financing activities			
Other non-cash items (gifted asset)		–	17
Total non-cash investing and financing activities		–	17

Junee Shire Council

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

Note 14. Interests in other entities

\$ '000

Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2018 Net profit	2018 Net assets
Riverina Regional Library	Provision of Library Services Joint Venture	224	4,477

Reasons for non-recognition

Junee Shire Council is a member of Riverina Regional Library. This joint arrangement has been established to provide library services to the member councils of Bland, Coolamon, Cootamundra-Gundagai, Federation, Greater Hume, Junee, Lockhart, Temora, Snowy Valleys and Wagga Wagga.

As at 30 June 2018 Council's ownership interest in the Riverina Regional Library was 4.50%.

There are 23 voting delegates, 2 of whom represent Junee Shire Council. This equates to 8.69% voting power. No member Council "controls" Riverina Regional Library.

Council has no interest in any other reserves at the beginning or end of the reporting period with respect to the Riverina Regional Library. Riverina Regional Library figures have not been consolidated with Council's activities.

Note 15. Commitments for expenditure

\$ '000

2018

2017

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	464	371
Later than one year and not later than 5 years	1,291	1,078
Later than 5 years	481	381
Total non-cancellable operating lease commitments	2,236	1,830

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

Motor Vehicles & Heavy Plant

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

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.

Junee 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.

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

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

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

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

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

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

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

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

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

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

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

Junee Shire Council

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

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

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

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was **\$ 149,723.10**.

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

Council's expected contributions to the Fund for the next annual reporting period is **\$ 119,368.40**

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

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

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

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

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

* Plus promotional increases

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

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

Council's additional lump sum contribution is around **0.17%** of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) which provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

Junee Shire Council

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

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(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.

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

Junee Shire Council

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Junee 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	4,627	2,279	4,627	2,279
Investments				
– Held to maturity	500	1,000	500	1,000
Receivables	1,349	1,155	1,330	1,155
Total financial assets	6,476	4,434	6,457	4,434
Financial liabilities				
Payables	516	320	497	320
Loans/advances	7,978	8,086	7,978	8,086
Total financial liabilities	8,494	8,406	8,475	8,406

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.

Junee 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 advisers.

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	25	25	(25)	(25)
2017				
Possible impact of a 1% movement in interest rates	23	23	(23)	(23)

Junee 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.

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	20%	88%	22%	86%
Overdue	80%	12%	78%	14%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	108	108
< 1 year overdue	251	228
1 – 2 years overdue	38	35
2 – 5 years overdue	79	72
> 5 years overdue	64	58
	540	501

Other receivables

Current	831	604
0 – 30 days overdue	8	89
31 – 60 days overdue	12	7
61 – 90 days overdue	7	–
	858	700

Junee 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	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables		99	398	–	–	497	516
Loans and advances	4.06%	–	727	3,641	9,273	13,641	7,978
Total financial liabilities		99	1,125	3,641	9,273	14,138	8,494
2017							
Trade/other payables		65	255	–	–	320	320
Loans and advances	4.15%	–	710	3,174	9,078	12,962	8,086
Total financial liabilities		65	965	3,174	9,078	13,282	8,406

Junee 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 27 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 Variance* -----		
REVENUES					
Rates and annual charges	5,538	5,232	(306)	(6%)	U
User charges and fees	2,876	3,820	944	33%	F
Increased revenue from RMS contracted works. Increased revenue from Town Planning and Building Services. Introduction of new charges for non-residential Sewer services. Budget was included in Rates and Charges. Greater activity at Junee Resource and Recycling Centre saw a 66% increase in revenue over budget. Lift in planned revenue from Family Day Care, Junee Recreation Centre and other areas of user charges.					
Interest and investment revenue	35	113	78	223%	F
Greater cash held than planned. Budget was also very conservative in anticipated income from interest. The delay in the construction of the new Sewer Treatment Plant contributed to the higher than planned cash levels earning interest.					
Other revenues	687	698	11	2%	F
Operating grants and contributions	3,702	6,072	2,370	64%	F
Early payment of 50% of 18/19 Financial Assistance Grants in June 2018. Greater activity in Family Day Care.					
Capital grants and contributions	5,116	720	(4,396)	(86%)	U
Impacted by the delay in the commencement of the upgrade to the Sewer Treatment Works. Offset by receipt of Stronger Country Community grants.					
Net gains from disposal of assets	276	–	(276)	(100%)	U
Budget only allowed for a positive result for the disposal of plant and equipment and did not allow for disposal of Infrastructure assets.					

Junee 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	3,638	5,324	(1,686)	(46%) U
Salary budget for 17/18 did not include the value of salary and wages for road and parks maintenance. These amounts were included in the materials budget. Actual expenditure also includes increased expenditure in roads maintenance, private works and RMS works.				
Borrowing costs	561	390	171	30% F
Lower than planned due to delay in the loan for the Sewer Treatment Plant upgrade and timing of other borrowings.				
Materials and contracts	5,613	5,975	(362)	(6%) U
Budget included salary and wages component for roads and parks maintenance.				
Depreciation and amortisation	2,631	2,463	168	6% F
Other expenses	1,356	1,428	(72)	(5%) U
Lower than planned expenditure for Insurance - \$77k. Classification of budgeted expenditure compared to actuals. Lower expenditure over a range of accounts.				
Net losses from disposal of assets	—	233	(233)	0% U
Budget for 17/18 did not allow for the disposal costs of infrastructure assets that were required following the revaluation of IPP&E assets.				

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

Cash flows from operating activities	6,695	3,664	(3,031)	(45.3%) U
Key contributor to the variance relates to the planned grant income to cover the upgrade of the Sewer Treatment Plant. This has been offset by the early payment of 18/19 FAG grants that was not catered for in the 17/18 budget.				
Cash flows from investing activities	(11,514)	(1,208)	10,306	(89.5%) F
Main contributor to the variation is the delay in the construction of the new Sewer Treatment Plant -\$8.5 million. Also impacted by increase in real estate sales, higher returns from sale of plant and delayed purchase of additional land for real estate development.				
Cash flows from financing activities	2,601	(108)	(2,709)	(104.2%) U
Due to delay in construction of Sewer Treatment Plant budgeted loan not drawn down.				

Junee 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:

		Fair value measurement hierarchy			
2018		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/18	—	—	956	956
Office Equipment	30/06/18	—	—	47	47
Furniture & Fittings	30/06/18	—	—	22	22
– Operational Land	30/06/18	—	1,321	—	1,321
– Community Land	30/06/16	—	—	2,232	2,232
Land Improvements – depreciable	30/06/16	—	—	615	615
Buildings – Non Specialised	30/06/18	—	1,437	—	1,437
Buildings – Specialised	30/06/18	—	—	8,862	8,862
Other Structures	30/06/18	—	—	2,370	2,370
– Roads	30/06/17	—	—	39,549	39,549
– Bridges	30/06/17	—	—	2,525	2,525
– Footpaths	30/06/17	—	—	1,984	1,984
– Bulk Earthworks (non-depreciable)	30/06/17	—	—	31,033	31,033
– Stormwater Drainage	30/06/15	—	—	3,898	3,898
– Sewerage Network	30/06/17	—	—	10,073	10,073
Other Assets	30/06/18	—	—	108	108
Total infrastructure, property, plant and equipment		—	2,758	104,274	107,032

Junee 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)

Fair value measurement hierarchy		Total			
Level 1	Level 2		Level 3		
2017	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/14	—	—	1,044	1,044
Office Equipment	30/06/14	—	—	64	64
Furniture & Fittings	30/06/14	—	—	31	31
– Operational Land	30/06/13	—	2,387	—	2,387
– Community Land	30/06/16	—	—	2,232	2,232
Land Improvements – depreciable	30/06/16	—	—	692	692
Buildings – Non Specialised	30/06/13	—	1,052	—	1,052
Buildings – Specialised	30/06/13	—	—	11,626	11,626
Other Structures	30/06/13	—	—	2,637	2,637
– Roads	30/06/17	—	—	40,037	40,037
– Bridges	30/06/17	—	—	2,566	2,566
– Footpaths	30/06/17	—	—	2,042	2,042
– Bulk Earthworks (non-depreciable)	30/06/17	—	—	30,714	30,714
– Stormwater Drainage	30/06/15	—	—	3,969	3,969
– Sewerage Network	30/06/17	—	—	10,048	10,048
Other Assets	30/06/14	—	—	120	120
Total infrastructure, property, plant and equipment		—	3,439	107,822	111,261

(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.

Junee Shire Council

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

Note 19. Fair value measurement (continued)

\$ '000

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

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

	IPP&E	Total
Opening balance – 1/7/16	132,471	132,471
Purchases (GBV)	4,486	4,486
Disposals (WDV)	(195)	(195)
Depreciation and impairment	(2,562)	(2,562)
FV gains – other comprehensive income	(462)	(462)
Closing balance – 30/6/17	133,738	133,738
Purchases (GBV)	2,260	2,260
Disposals (WDV)	(1,079)	(1,079)
Depreciation and impairment	(2,422)	(2,422)
FV gains – other comprehensive income	(28,223)	(28,223)
Closing balance – 30/6/18	104,274	104,274

Junee Shire Council

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

Note 19. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant & Equipment	956	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value
Office Equipment	47	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value
Furniture & Fittings	22	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value
Community Land	2,232	Current replacement cost	Cost per square metre, Valuers valuation
Land Improvements - depreciable	615	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value

Junee Shire Council

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

Note 19. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Buildings - Specialised	8,862	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value
Other Structures	2,370	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value
Roads	39,549	Depreciated replacement cost	- Gross replacement cost Estimated unit rates based on a combination of contract rates, location, site conditions and checked against recent construction costs - Asset condition - Remaining useful life - Residual Value
Bridges	2,525	Depreciated replacement cost	- Gross replacement cost Estimated unit rates based on recent construction costs - Asset condition - Remaining useful life - Residual Value
Footpaths	1,984	Depreciated replacement cost	- Gross replacement cost Estimated unit rates based on recent construction costs - Asset condition - Remaining useful life - Residual Value

Junee Shire Council

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

Note 19. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Bulk Earthworks (non-depreciable)	31,033	Current replacement cost	<ul style="list-style-type: none"> - Gross replacement cost Estimated unit rates based on a combination of contract rates, location, site conditions and checked against recent construction costs - Asset condition - Remaining useful life - Residual Value
Stormwater Drainage	3,898	Depreciated replacement cost	<ul style="list-style-type: none"> - Gross replacement cost Estimated unit rates based on a combination of contract rates, location, site conditions and checked against recent construction costs - Asset condition - Remaining useful life - Residual Value
Sewerage Network	10,073	Depreciated replacement cost	<ul style="list-style-type: none"> - Gross replacement cost 2014 NSW Reference Rate Manual for Water Supply, Sewerage and Stormwater Assets and checked against recent construction costs. - Asset condition - Remaining useful life - Residual Value
Other	108	Depreciated replacement cost	<ul style="list-style-type: none"> - Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value

(4). Highest and best use

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

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	853	785
Post-employment benefits	60	56
Other long-term benefits	17	34
Total	930	875

Junee 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
	Actual \$	Actual \$		Actual \$	Actual \$
2018					
Mark Halliburton Plumbing and Gas	1,903	—	30 day account	—	—
R S Taylor Plumbing Services	67,277	—	30 day account	—	—
Junee District Co-Operative Society (trading as Junee IGA)	7,191	—	30 day account	—	—
Amanda Riley Creative	320	—	30 day account	—	—
Matt Riley Mechanical Repairs	88	—	30 day account	—	—
Restated *	Actual \$	Actual \$		Actual \$	Actual \$
Mark Halliburton Plumbing and Gas	5,000	—	30 day account	—	—

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

Council entered into a contract to the value of \$6,612,399 (GST Inclusive) for the construction of a new Sewer Treatment Plant. The contract was approved by Council on 6 September 2018 following a public tender process.

Note 22. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.4 planning agreements	—	120	—	—	(120)	—	—	
Total contributions	—	120	—	—	(120)	—	—	—

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Financial result and financial position by fund

Income Statement by fund		
\$ '000	2018	2018
Continuing operations	Sewer	General¹
Income from continuing operations		
Rates and annual charges	603	4,629
User charges and fees	271	3,549
Interest and investment revenue	20	93
Other revenues	7	691
Grants and contributions provided for operating purposes	–	6,072
Grants and contributions provided for capital purposes	191	529
Total income from continuing operations	1,092	15,563
Expenses from continuing operations		
Employee benefits and on-costs	381	4,943
Borrowing costs	–	390
Materials and contracts	141	5,834
Depreciation and amortisation	199	2,264
Other expenses	–	1,428
Net losses from the disposal of assets	–	233
Total expenses from continuing operations	721	15,092
Operating result from continuing operations	371	471
 Net operating result attributable to each council fund	 371	 471
 Net operating result for the year before grants and contributions provided for capital purposes	 180	 (58)

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.

Junee Shire Council

Notes to the Financial Statements as at 30 June 2018

Note 23. Financial result and financial position by fund (continued)

Statement of Financial Position by fund		
\$ '000	2018	2018
ASSETS	Sewer	General¹
Current assets		
Cash and cash equivalents	1,559	3,068
Investments	–	500
Receivables	99	1,083
Inventories	–	577
Total current assets	1,658	5,228
Non-current assets		
Receivables	–	167
Inventories	–	339
Infrastructure, property, plant and equipment	10,849	97,292
Total non-current assets	10,849	97,798
TOTAL ASSETS	12,507	103,026
LIABILITIES		
Current liabilities		
Payables	–	516
Income received in advance	–	115
Borrowings	–	1,104
Provisions	–	1,671
Total current liabilities	–	3,406
Non-current liabilities		
Borrowings	–	6,874
Provisions	–	24
Total non-current liabilities	–	6,898
TOTAL LIABILITIES	–	10,304
Net assets	12,507	92,722
EQUITY		
Accumulated surplus	5,041	78,040
Revaluation reserves	7,466	14,682
Total equity	12,507	92,722

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.

Junee Shire Council

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

Note 24(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	355	2.23%	9.93%	4.04%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	15,935				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	9,863	59.22%	53.82%	53.82%	> 60.00%
Total continuing operating revenue ⁽¹⁾	16,655				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	2,583	1.14x	1.03x	1.03x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	2,265				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	3,208	2.92x	4.17x	6.70x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,098				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	506	8.72%	8.75%	8.75%	< 10% regional & rural
Rates, annual and extra charges collectible	5,805				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	5,127	4.27 mths	3.0 mths	3.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	1,201				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 10 and 11.

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

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Sewer indicators		Benchmark
	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	1.16%	10.35%	19.98%	1.34%	> 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	57.69%	51.73%	81.04%	98.13%	> 60.00%
Total continuing operating revenue ⁽¹⁾					
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	2.35x	2.58x	No liabilities	No liabilities	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)					

Notes

(1) - (4) Refer to Notes at Note 24a above.

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

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Sewer indicators		Benchmark
	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	2.58x	3.94x	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	7.82%	7.82%	16.42%	16.31%	< 10% Regional & Rural
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	3.08	1.12	35.77	48.91	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	

Notes

(1) Refer to Notes at Note 24a above.

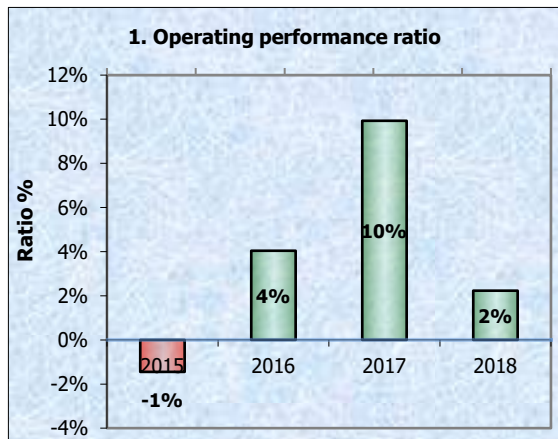
(5) General fund refers to all of Council's activities except for its sewer activity which is listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Junee Shire Council

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

Note 24(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

Commentary on 2017/18 result

2017/18 ratio 2.23%

Council continues to meet the benchmark level however performance for the year has been affected by a decrease in grant revenue and increases in expenditure on road maintenance on repairs following 2016 floods and increase in asset depreciation following revaluations.

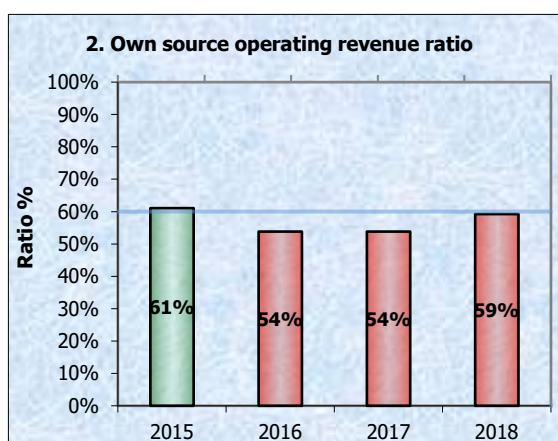
Benchmark: — Minimum $\geq 0.00\%$

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



Ratio achieves benchmark

Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2017/18 result

2017/18 ratio 59.22%

Although Council has just missed out on achieving the benchmark performance, we see a significant improvement over the 2016/17 performance. This ratio is impacted on a yearly basis by the fluctuation in grant revenue and contributions. Council also had a lift in revenue from both Sewer and Waste services following a freeze on charges.

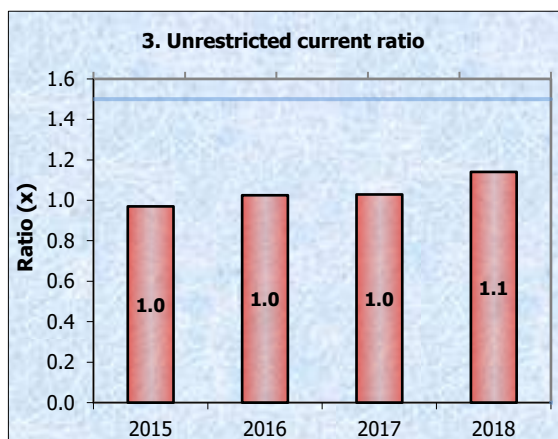
Benchmark: — Minimum $\geq 60.00\%$

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



Ratio achieves benchmark

Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2017/18 result

2017/18 ratio 1.14x

Council is showing some improvement and will continue to show improvement over the coming years, however we don't anticipate meeting the benchmark until 2027/28 given the current pressure on cash.

Benchmark: — Minimum ≥ 1.50

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



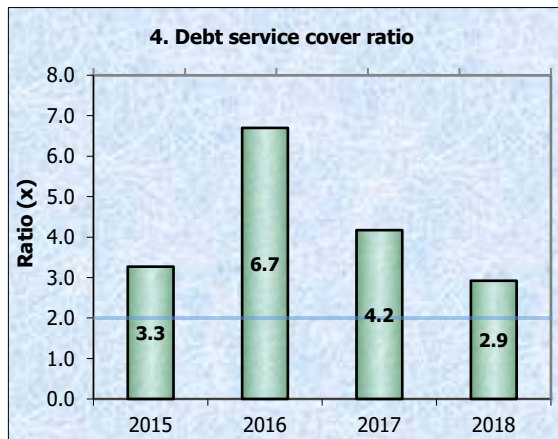
Ratio achieves benchmark

Ratio is outside benchmark

Junee Shire Council

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

Note 24(c). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum ≥ 2.00

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

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

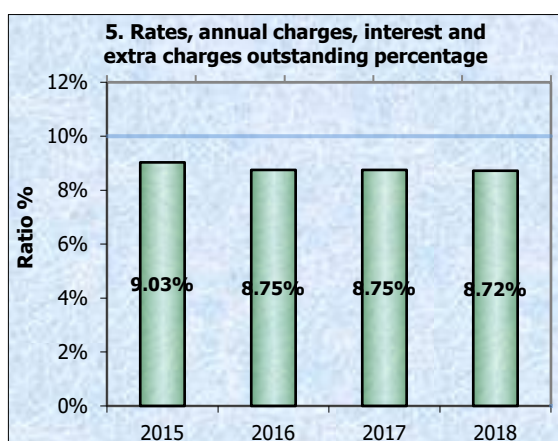
2017/18 ratio 2.92x

Council consistently achieves the benchmark level. This ratio will fluctuate year on year dependent on maturity of loans and Council's ability to pay down debt.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

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

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

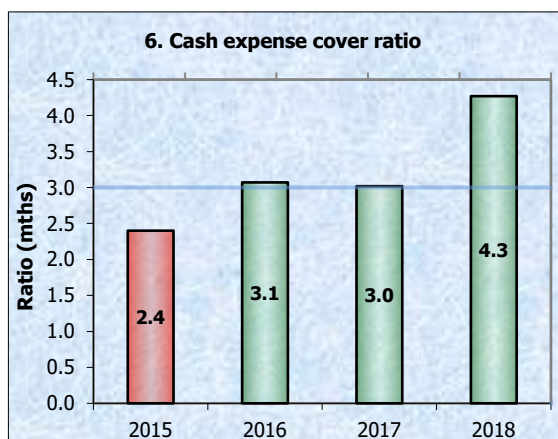
2017/18 ratio 8.72%

Council continues to be consistent in its collection performance and remains performing at better than the benchmark level.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

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

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 4.27 mths

Council has performed better than the benchmark level however this has been impacted by a delay in planned expenditure that has produced a higher cash level.



Ratio achieves benchmark

Ratio is outside benchmark

Junee Shire Council

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

Note 25. Financial review and commentary

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Inflows:					
Rates and annual charges revenue	5,232	5,012	4,630	4,310	4,197
User charges revenue	3,820	3,298	2,871	3,362	2,999
Interest and investment revenue (losses)	113	85	116	120	144
Grants income – operating and capital	5,959	7,366	6,669	4,800	4,339
Total income from continuing operations	16,655	16,950	15,132	13,686	12,418
Sale proceeds from IPP&E	1,807	1,265	1,368	1,043	626
New loan borrowings and advances	600	380	–	1,540	–
Outflows:					
Employee benefits and on-cost expenses	5,324	4,429	4,413	4,020	4,416
Borrowing costs	390	400	349	440	443
Materials and contracts expenses	5,975	5,890	4,840	5,226	4,657
Total expenses from continuing operations	15,813	14,246	13,088	13,112	12,858
Total cash purchases of IPP&E	3,380	4,520	4,786	4,316	3,119
Total loan repayments (incl. finance leases)	708	598	133	290	–
Operating surplus/(deficit) (excl. capital income)	122	1,982	846	12	(1,571)
Financial position figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Current assets	6,886	5,091	4,692	4,278	4,879
Current liabilities	3,406	2,921	3,298	3,016	3,418
Net current assets	3,480	2,170	1,394	1,262	1,461
Available working capital (Unrestricted net current assets)	1,706	1,373	1,509	480	827
Cash and investments – unrestricted	641	33	141	2	43
Cash and investments – internal restrictions	282	285	281	32	–
Cash and investments – total	5,127	3,279	2,817	2,335	2,050
Total borrowings outstanding (Loans, advances and finance leases)	7,978	8,086	8,304	8,437	7,187
Total value of IPP&E (excl. land and earthwork)	136,169	136,928	134,251	128,423	126,461
Total accumulated depreciation	62,754	61,252	44,642	41,978	40,896
Indicative remaining useful life (as a % of GBV)	54%	55%	67%	67%	68%

Source: published audited financial statements of Council (current year and prior year)

Junee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26. Council information and contact details

Principal place of business:

29 Belmore Street
Junee NSW 2663

Contact details

Mailing address:

PO Box 93
Junee NSW 2663

Opening hours:

9:00am - 5:00am
Monday to Friday

Telephone: 02 6924 8100

Facsimile: 02 6924 2497

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

Email: jsc@junee.nsw.gov.au

Officers

GENERAL MANAGER

Mr James Davis

RESPONSIBLE ACCOUNTING OFFICER

Mr Bradley Pascoe

PUBLIC OFFICER

Mr Keith White

AUDITORS

Auditor General NSW

Elected members

MAYOR

Cr Neil Smith

COUNCILLORS

Cr Matt Austin

Cr Robin Asmus

Cr Robert Callow

Cr David Carter

Cr Mark Cook

Cr Pam Halliburton

Cr Martin Holmes

Cr Kerri Walker

Other information

ABN: 62 621 799 578



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Junee Shire Council

To the Councillors of the Junee Shire Council

Opinion

I have audited the accompanying financial report of Junee 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.



Lawrissa Chan
Director

26 November 2018
SYDNEY

Neil Smith
Mayor
Junee Shire Council
PO Box 93
JUNEE NSW 2663

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: D1828271/FA1745

26 November 2018

Dear Mayor

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





I have audited the general purpose financial statements of the Junee 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

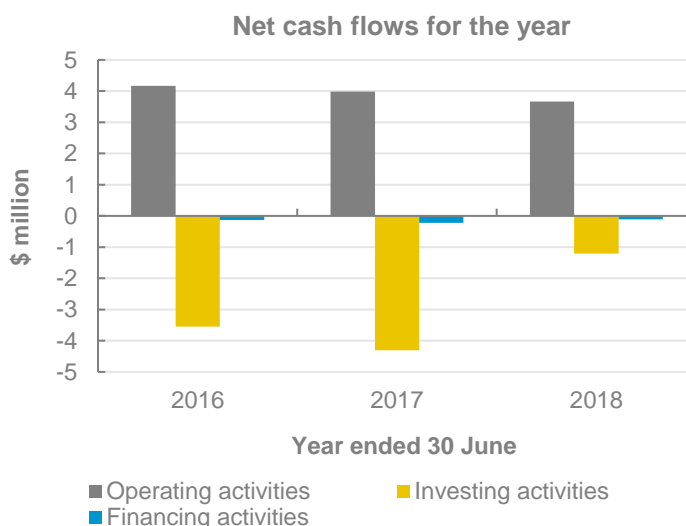
	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	5.2	5.0	4.0 
Grants and contributions revenue	6.8	7.6	10.5 
Operating result for the year	0.8	2.7	70.4 
Net operating result before capital amounts	0.1	2.0	95.0 

The following comments are made in respect of Council's operating result for the year:

- Rates and annual charges revenue was \$5.2 million (\$5.0 million for the year ended 30 June 2017). The movement is mainly due to the permissible rate increase of 1.5 per cent granted by the Minister for Local Government and a new organics waste charge (included under domestic waste management services) applicable for the 2018 financial year.
- Grants and contributions revenue was \$6.8 million (\$7.6 million for the year ended 30 June 2017). The movement is primarily due to the reduction of Financial Assistance Grant of \$1.1 million.
- Council's operating result for the year was a surplus of \$0.8 million (\$2.7 million for the year ended 30 June 2017). The movement was mainly due to the decrease in operational grants received during the year and the increase in employee expenses. The Council budgeted for a surplus of \$4.4 million.
- Council's net operating result before capital grants and contributions was a surplus of \$0.1 million (\$2.0 million for the year ended 30 June 2017). The movement was mainly due to the decrease in operational grants received during the year and the increase in employee expenses. The Council budgeted for a deficit of \$0.7 million.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$4.6 million (\$2.3 million for the year ended 30 June 2017). There was a net increase in cash and cash equivalents of \$2.3 million at 30 June 2018.
- Net cash provided by operating activities has decreased by \$0.3 million. This is mainly due to the decrease in cash receipts from grants and contributions.
- Net cash used in investing activities decreased by \$3.1 million. This is mainly due to the reduction in purchases of investment securities
- Net cash used in financing activities has decreased by \$0.1 million. This is a result of increased proceeds from borrowings during the 2018 financial year.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	4.2	3.0	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in externally restricted cash is due to: <ul style="list-style-type: none"> an increase in specific purpose unexpended grants of \$1.1 million as Council has now restricted the full advance payment of the Financial Assistance Grant in 2018. In 2017, Council only restricted the local roads portion of the advance payment an increase in the specific purpose unexpended loans of \$0.6 million, relating to the new loan proceeds in 2018; and <p>This is offset by a decrease in the sewerage restriction, given the status of the sewer extension project.</p>
Internal restrictions	0.3	0.3	
Unrestricted	0.6	0.0	
Cash and investments	5.1	3.3	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. There was minimal movement in the internally restricted cash balance. Unrestricted cash and investments was \$0.6 million, which is available to provide liquidity for day-to-day operations of the Council. This increase from the \$33K level in 2017 is a result of the \$500K profit on the real estate assets held for sale.

Debt

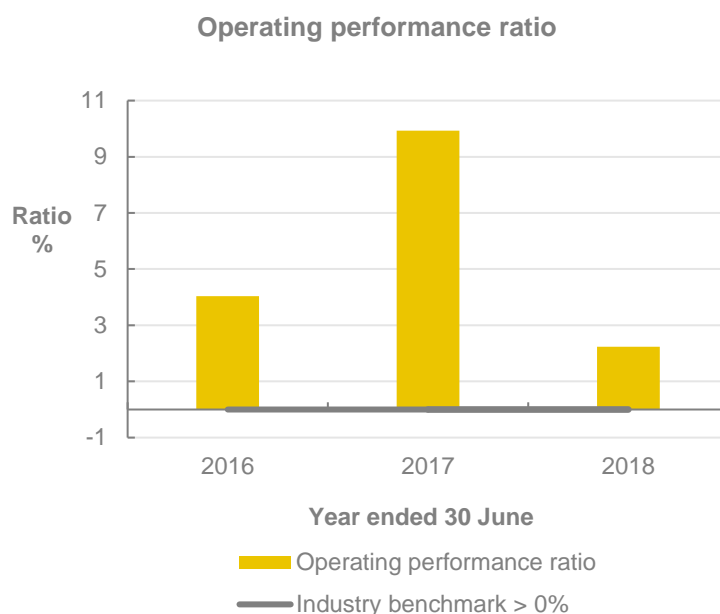
- Council has \$8.0 million of borrowings as at 30 June 2018 (2017: \$8.1 million).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 24 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.

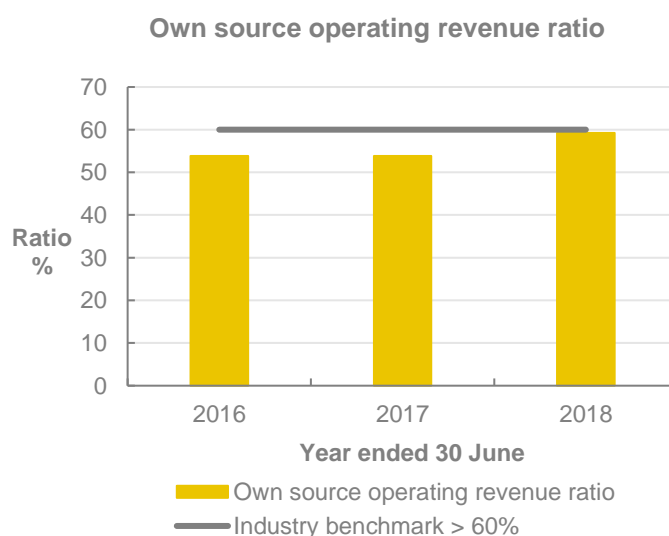
Operating performance ratio

- The '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 0%.
- The operating performance ratio of 2.2% is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditure within operating revenue.
- The operating performance ratio decreased to 2.2% (2017: 9.9%) due to the reduction in operating grants, specifically relating to the timing of the financial assistance grant.



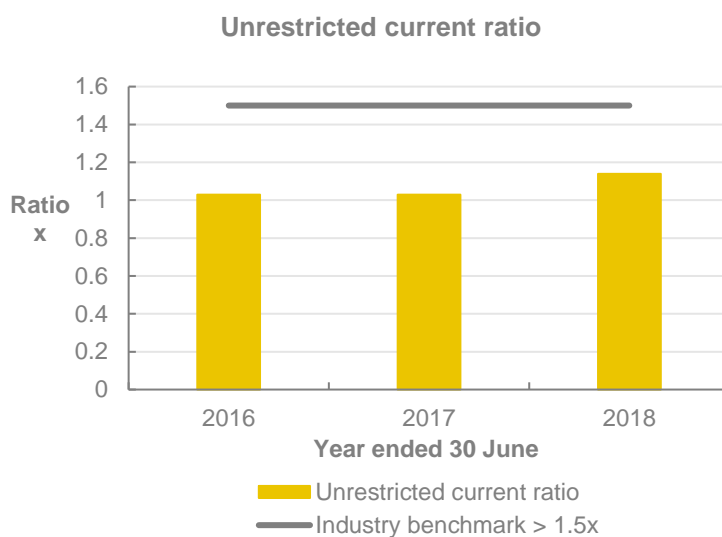
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 59% is below the industry benchmark of 60%. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio increased in 2018, due to an increase in revenue from a new organics waste charge applicable for the 2018 financial year.



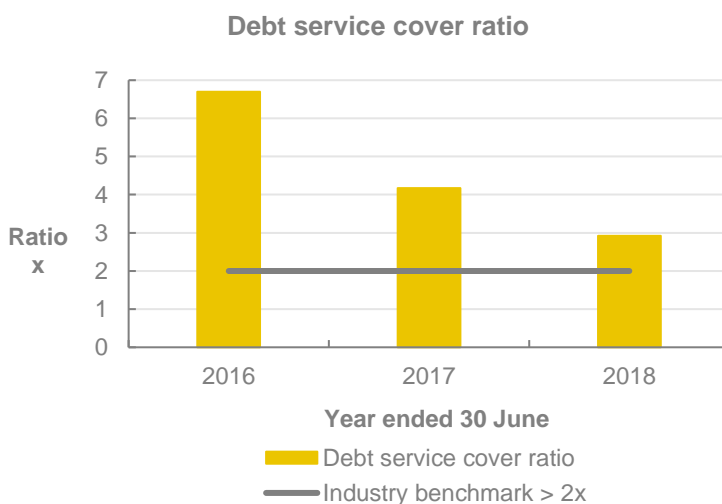
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 1.1 times is below the industry benchmark minimum of greater than 1.5 times. This indicates that Council needs to improve its liquidity position to be able to meet its current liabilities when they fall due.
- The Council's unrestricted current ratio has remained relatively steady compared with prior years.



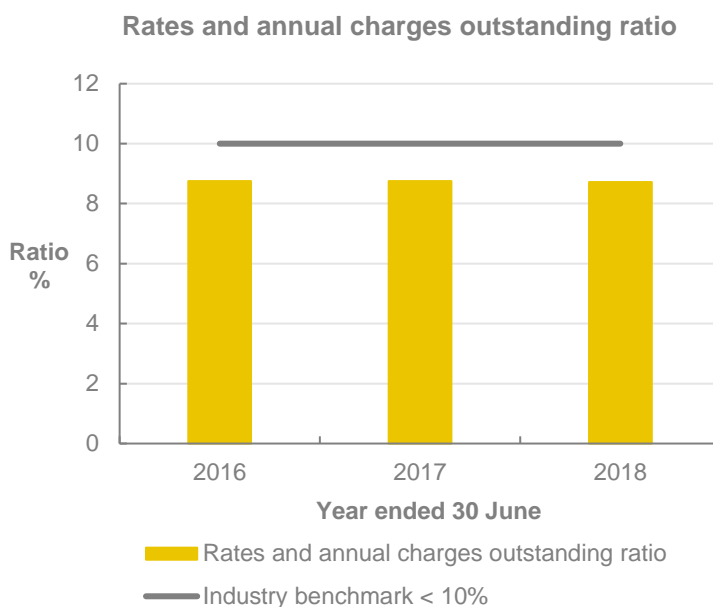
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 2.9 times is greater than the industry benchmark of greater than 2 times. This ratio indicates that the Council has adequate operating cash to fund its debt obligations.
- The debt service cover ratio of 2.9 times (2017: 4.2 times) has decreased due to the reduction in operating grants, specifically relating to the timing of the financial assistance grant.



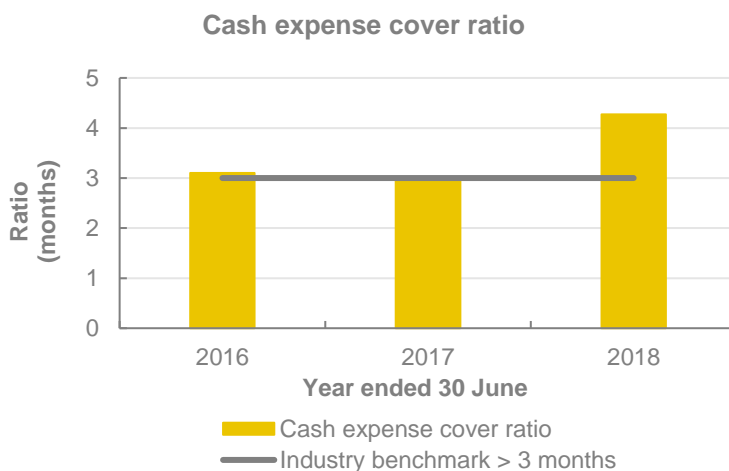
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 8.7% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges ratio has remained consistent over the last three years, indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.



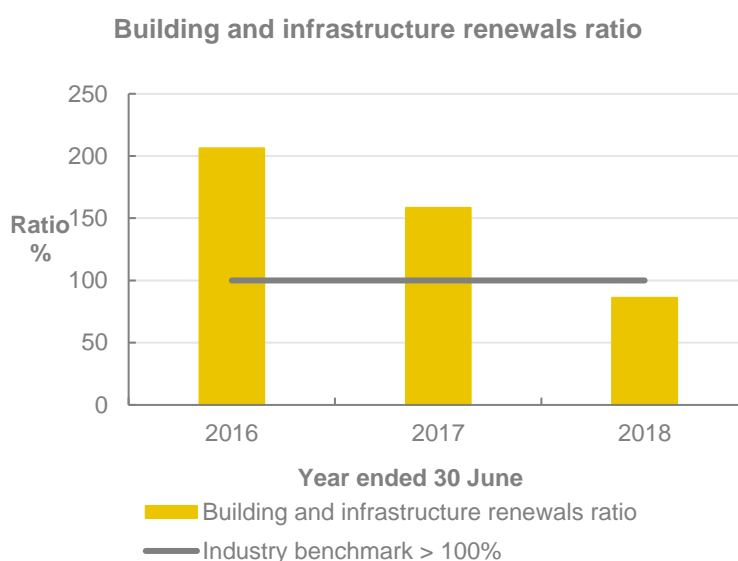
Cash expense cover ratio

- The cash expense cover 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.
- The Council's cash expense cover ratio was 4.3 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 4.3 months of operating cash expenditure without additional cash inflows at 30 June 2018.
- The Council's cash expense cover ratio increased to 4.3 months (2017: 3.0 months) due to the increase in cash and cash equivalents. The Council received \$1.4 million in proceeds from real estate asset sales during 2018.



Building and infrastructure renewals ratio (unaudited)

- 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.
- The Council's building and infrastructure renewals ratio of 86.1% is below the industry benchmark of greater than 100%.
- The Council's building and infrastructure renewals ratio decreased to 86.1% (2017: 158.5%) as a result of less asset renewals. There was also an increase in infrastructure capital projects being captured within capital work in progress as at 30 June 2018.



OTHER MATTERS

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 10(b).

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.



Lawrissa Chan
Director, Financial Audit Services

cc: James Davis, General Manager
Keith White, Director Finance and Administration
Tim Hurst, Chief Executive of the Office of Local Government

Junee Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"Make Tracks"



Junee Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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Statement of Financial Position – Sewerage Business Activity	4
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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).
-

Junee 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 20 November 2018.



Cr Neil Smith
Mayor
20 November 2018



Cr Matt Austin
Councillor
20 November 2018



Mr James Davis
General Manager
20 November 2018



Mr Bradley Pascoe
Responsible Accounting Officer
20 November 2018

Junee 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	603	607
User charges	271	83
Interest	20	43
Grants and contributions provided for non-capital purposes	–	14
Other income	7	–
Total income from continuing operations	901	747
Expenses from continuing operations		
Employee benefits and on-costs	381	198
Materials and contracts	141	285
Depreciation, amortisation and impairment	199	220
Other expenses	–	34
Total expenses from continuing operations	721	737
Surplus (deficit) from continuing operations before capital amounts	180	10
Grants and contributions provided for capital purposes	191	–
Surplus (deficit) from continuing operations after capital amounts	371	10
Surplus (deficit) from all operations before tax	371	10
Less: corporate taxation equivalent (30%) [based on result before capital]	(54)	(3)
SURPLUS (DEFICIT) AFTER TAX	317	7
Plus opening retained profits	5,006	4,996
Plus/less: prior period adjustments	(336)	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	54	3
Closing retained profits	5,041	5,006
Return on capital %	1.8%	0.1%
Subsidy from Council	85	229
Calculation of dividend payable:		
Surplus (deficit) after tax	317	7
Less: capital grants and contributions (excluding developer contributions)	(191)	–
Surplus for dividend calculation purposes	126	7
Potential dividend calculated from surplus	63	4

Junee 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	1,559	2,107
Receivables	99	99
Total current Assets	1,658	2,206
Non-current assets		
Infrastructure, property, plant and equipment	10,073	10,048
Capital work in progress	776	–
Total non-current assets	10,849	10,048
TOTAL ASSETS	12,507	12,254
LIABILITIES		
Nil		
NET ASSETS	12,507	12,254
EQUITY		
Accumulated surplus	5,041	5,006
Revaluation reserves	7,466	7,248
TOTAL EQUITY	12,507	12,254

Junee 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	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	10

Junee 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

Junee 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)

Junee Sewerage Service

Comprising the activities and net assets of Council's Sewerage Reticulation & Treatment Operations servicing the town of Junee.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 3 (Sewerage Best-Practice Management Disclosures).

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

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

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

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.

Junee Shire Council

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

Note 1. Significant accounting policies (continued)

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.

(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.

Junee Shire Council

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

Note 1. Significant accounting policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

Local government sewerage businesses are permitted to pay an annual dividend from its 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.

Junee 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	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="5,178"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text" value="–"/>

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="63,000"/>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="51,780"/>
(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	<input type="text" value="123,000"/>

2018 Surplus	<input type="text" value="126,000"/>	2017 Surplus	<input type="text" value="7,000"/>	2016 Surplus	<input type="text" value="(10,000)"/>
		2017 Dividend	<input type="text" value="–"/>	2016 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="51,780"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="text" value="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)	<input type="text" value="NO"/>
(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]	<input type="text" value="NO"/>
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(b) Non-residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(c) Trade waste [item 2 (d) in table 1]	<input type="text" value="YES"/>
	DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="NO"/>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text" value="YES"/>
(iii)	Complete performance reporting form (by 15 September each year)	<input type="text" value="YES"/>
(iv)	a. Integrated water cycle management evaluation	<input type="text" value="NO"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>

Junee Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	881
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	10,849
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	523
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
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)]	%	1.47%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	191

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	881
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.82%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	–
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.47%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Junee Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage)	%	-12.47%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		> 100
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		160
	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:		(20)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	180
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	16
	Grants for pensioner rebates (w11b + s12b)		

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Junee Shire Council

To the Councillors of the Junee Shire Council

Opinion

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

The Declared Business Activity of the Council is Sewerage Business Activity.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activity 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
- 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 'Lawrissa Chan', with a stylized, cursive script.

Lawrissa Chan
Director, Financial Audit Services

26 November 2018
SYDNEY

Junee Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

"Make Tracks"



Junee Shire Council

Special Schedules for the year ended 30 June 2018

Contents

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Special Schedules ¹

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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.

Junee 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	367	–	–	(367)
Administration	672	600	–	(72)
Public order and safety				
Fire service levy, fire protection, emergency services	233	11	–	(222)
Enforcement of local government regulations	95	5	–	(90)
Animal control	66	32	–	(34)
Total public order and safety	394	48	–	(346)
Environment				
Noxious plants and insect/vermin control	91	51	–	(40)
Other environmental protection	82	–	–	(82)
Solid waste management	876	952	–	76
Stormwater management	85	–	–	(85)
Total environment	1,134	1,003	–	(131)
Community services and education				
Administration and education	116	74	–	(42)
Aged persons and disabled	214	144	–	(70)
Children's services	1,166	1,179	–	13
Total community services and education	1,496	1,397	–	(99)
Housing and community amenities				
Public cemeteries	142	61	–	(81)
Street lighting	81	16	–	(65)
Town planning	212	239	–	27
Other community amenities	60	48	–	(12)
Total housing and community amenities	495	364	–	(131)
Sewerage services	721	901	191	371

Junee 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	440	45	—	(395)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	—	—	—	—
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	504	24	355	(125)
Swimming pools	1,310	405	—	(905)
Parks and gardens (lakes)	—	—	—	—
Other sport and recreation	—	—	—	—
Total recreation and culture	2,254	474	355	(1,425)
Transport and communication				
Urban roads (UR) – local	780	—	—	(780)
Urban roads – regional	11	—	—	(11)
Sealed rural roads (SRR) – local	1,700	—	—	(1,700)
Sealed rural roads (SRR) – regional	550	—	—	(550)
Unsealed rural roads (URR) – local	476	—	—	(476)
Bridges on SRR – local	55	—	—	(55)
Footpaths	66	—	—	(66)
Other transport and communication	3,984	2,910	174	(900)
Total transport and communication	7,622	2,910	174	(4,538)
Economic affairs				
Camping areas and caravan parks	8	17	—	9
Other economic affairs	650	1,568	—	918
Total economic affairs	658	1,585	—	927
Totals – functions	15,813	9,282	720	(5,811)
General purpose revenues ⁽¹⁾		6,653		6,653
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	15,813	15,935	720	842

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As reported in the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

Junee 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	3,871	3,824
Plus or minus adjustments ⁽²⁾	b	(18)	(12)
Notional general income	c = (a + b)	3,853	3,812
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c – g)	—	—
Or plus rate peg amount	i = c x e	89	57
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	3,942	3,869
Plus (or minus) last year's carry forward total	l	(2)	(0)
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	(2)	(0)
Total permissible income	o = k + n	3,940	3,869
Less notional general income yield	p	3,939	3,871
Catch-up or (excess) result	q = o – p	1	(2)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r – s	1	(2)

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

Junee Shire Council

To the Councillors of Junee Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

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.



Lawrissa Chan
Director

26 November 2018
SYDNEY

Junee 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	51	61
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	4	35
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	21	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	–	21
i. Effluent management	61	29
j. Biosolids management	–	–
k. Maintenance expenses	386	170
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	201
3. Depreciation expenses		
a. System assets	198	220
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
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	721	737

Junee 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)	607	607
7. Non-residential charges		
a. Access (including rates)	—	—
b. Usage charges	251	83
8. Trade waste charges		
a. Annual fees	—	—
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	20	43
11. Other income	7	—
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	191	—
b. Grants for pensioner rebates	16	14
c. Other grants	—	—
13. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	1,092	747
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	371	10
16a. Operating result (less grants for acquisition of assets)	180	10

Junee Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	—	—
b. New assets for growth	—	—
c. Renewals	—	—
d. Plant and equipment	—	—
18. Repayment of debt	—	—
19. Totals	<u>—</u>	<u>—</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	—	—
21. Borrowing utilised	—	—
22. Totals	<u>—</u>	<u>—</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,446	1,437
b. Residential (unoccupied, ie. vacant lot)	135	131
c. Non-residential (occupied)	125	125
d. Non-residential (unoccupied, ie. vacant lot)	20	20
24. Number of ETs for which developer charges were received	— ET	— ET
25. Total amount of pensioner rebates (actual dollars)	\$ 30,000	\$ 32,003

Junee Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	1,559	—	1,559
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	99	—	99
c. User charges	—	—	—
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	10,849	10,849
b. Capital work in progress	—	—	—
30. Other assets	—	—	—
31. Total assets	1,658	10,849	12,507
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	1,658	10,849	12,507
EQUITY			
38. Accumulated surplus			5,041
39. Asset revaluation reserve			7,466
40. Other reserves			—
41. TOTAL EQUITY			12,507
Note to system assets:			
42. Current replacement cost of system assets			23,568
43. Accumulated current cost depreciation of system assets			(12,719)
44. Written down current cost of system assets			10,849

Junee Shire Council

Notes to Special Schedule 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedule 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 Schedule 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 Schedule 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedule 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 Schedule 5) includes all expenses not recorded elsewhere.

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

Impairment losses (items 4d and 4e of Special Schedule 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 Schedule 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 12a of Special Schedule 5 is for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's sewerage revenue.

Residential charges ⁽²⁾ (item 6 of Special Schedule 5) include all income from residential charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedule 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 (item 11 of Special Schedule 5) includes all income not recorded elsewhere.

Other contributions (item 13c of Special Schedule 5) including capital contributions for 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 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.

Junee Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Council offices / Administration Centres	7	7	3	7	618	1,289	0%	0%	100%	0%	0%
	Council Works Depot	16	16	10	15	309	644	0%	45%	50%	5%	0%
	Council Public Halls	–	–	2	2	927	1,933	100%	0%	0%	0%	0%
	Council Houses	–	–	5	6	412	859	95%	5%	0%	0%	0%
	Medical Centre	–	–	5	14	721	1,504	100%	0%	0%	0%	0%
	Museum	11	11	3	13	721	1,504	0%	0%	100%	0%	0%
	Library	–	–	6	8	1,751	3,652	100%	0%	0%	0%	0%
	Amenities/Toilets	29	29	10	16	103	215	22%	58%	12%	8%	0%
	Swimming Pool	32	32	4	9	721	1,504	0%	100%	0%	0%	0%
	Recreation Centre	35	35	5	10	3,399	7,088	98%	0%	2%	0%	0%
	Other	86	86	11	21	617	1,288	25%	30%	35%	10%	0%
	Sub-total	216	216	64	121	10,299	21,480	70.9%	10.9%	17.4%	0.8%	0.0%
Other structures												
	Other structures	182	182	13	12	2,370	3,933	22%	60%	18%	0%	0%
	Sub-total	182	182	13	12	2,370	3,933	22.0%	60.0%	18.0%	0.0%	0.0%
Roads												
	Unsealed roads	238	238	103	142	5,256	7,525	8%	27%	65%	0%	0%
	Bridges	–	–	–	–	5,256	7,525	12%	61%	27%	0%	0%
	Footpaths	–	–	2	1	8,260	11,825	85%	9%	6%	0%	0%
	Sealed Roads Surface	119	119	133	230	8,260	11,825	27%	27%	46%	0%	0%
	Sealed Roads Structure	453	453	253	297	45,806	65,577	16%	20%	64%	0%	0%
	Kerb & Gutter	–	–	1	2	2,253	3,226	38%	38%	24%	0%	0%
	Sub-total	810	810	492	672	75,091	107,503	24.6%	23.5%	51.9%	0.0%	0.0%

Junee Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network												
	Mains	1,255	1,255	134	133	6,509	14,141	29%	15%	16%	40%	0%
	Treatment	166	166	107	101	1,302	2,828	0%	0%	34%	23%	43%
	Effluent Reuse	28	28	48	43	3,038	6,599	60%	38%	2%	0%	0%
	Sub-total	1,449	1,449	289	277	10,073	23,568	34.2%	19.6%	14.2%	26.8%	5.2%
Stormwater drainage												
	Pipes/Culverts	70	70	14	12	1,169	1,565	0%	2%	95%	3%	0%
	Urban Drainage Infrastructure	6	6	3	19	2,729	3,650	37%	21%	40%	2%	0%
	Sub-total	76	76	17	31	3,898	5,215	25.9%	15.3%	56.5%	2.3%	0.0%
	TOTAL – ALL ASSETS	2,733	2,733	875	1,113	101,731	161,699	32.1%	21.9%	41.2%	4.1%	0.8%

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

Junee 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⁾	1,809	86.14%	158.48%	206.21%	>= 100%
Depreciation, amortisation and impairment	2,100				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	2,733	2.67%	6.61%	6.34%	< 2.00%
Net carrying amount of infrastructure assets	102,346				
3. Asset maintenance ratio					
Actual asset maintenance	1,113	127.26%	81.18%	86.60%	> 100%
Required asset maintenance	875				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,733	1.69%	0.00%		
Gross replacement cost	161,699				

Notes

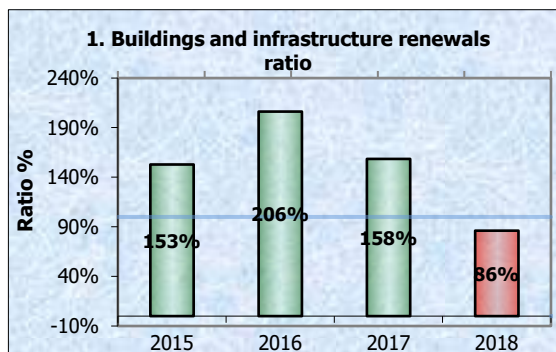
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽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.

Junee 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

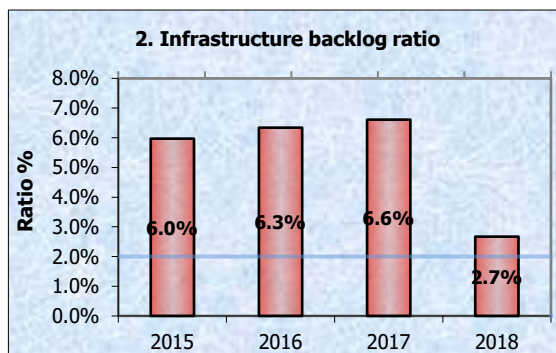
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 86.14%

This indicator has been affected by introduction of Capital work in progress, large value items that do not form part of renewals ratio until capitalisation occurs against relevant asset class.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

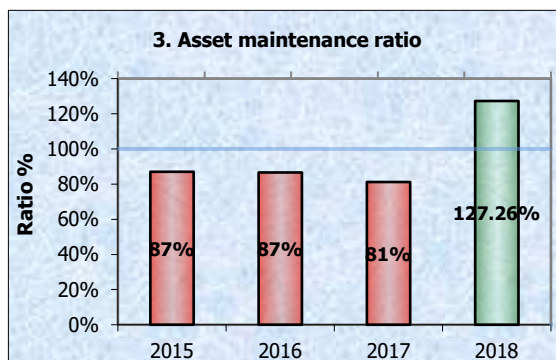
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

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

2017/18 Ratio 2.67%

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum $> 100.00\%$

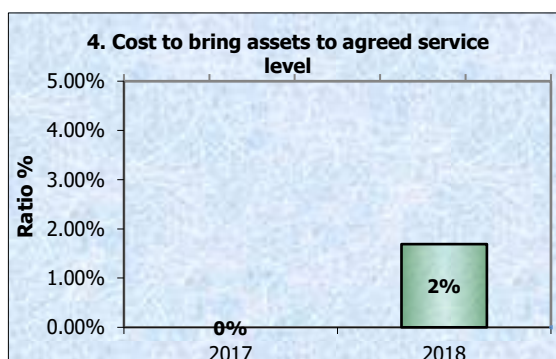
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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.

2017/18 Ratio 127.26%

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

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

2017/18 Ratio 1.69%

Junee Shire Council

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

	General indicators ⁽¹⁾		Sewer indicators		Benchmark
	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund					
1. Buildings and infrastructure renewals ratio ⁽²⁾					
Asset renewals ⁽³⁾	95.16%	144.16%	0.00%	24.09%	>= 100%
Depreciation, amortisation and impairment					
2. Infrastructure backlog ratio ⁽²⁾					
Estimated cost to bring assets to a satisfactory standard	1.39%	3.69%	14.38%	22.19%	< 2.00%
Net carrying amount of infrastructure assets					
3. Asset maintenance ratio					
Actual asset maintenance	142.76%	79.39%	95.85%	87.18%	> 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	0.93%	0.00%	6.15%	0.00%	
Gross replacement cost					

Notes

⁽¹⁾ General fund refers to all of Council's activities except for its sewer activity which is 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.