Junee Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"Make Tracks"

Junee Shire Council

General Purpose Financial Statements
for the year ended 30 June 2017

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the operations for Junee Shire Council.

(ii) Junee Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 30 October 2017. Council has the power to amend and reissue these financial statements.

Junee Shire Council

General Purpose Financial Statements
for the year ended 30 June 2017

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 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 16/17 financial year can be found at Note 29 of the financial statements.

Junee Shire Council

General Purpose Financial Statements
for the year ended 30 June 2017

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2017.

Cr Neil Smith
Mayor

Cr Matt Austin
Councillor

Mr James Davis
General manager

Mr Bradley Pascoe
Responsible accounting officer

Junee Shire Council

Income Statement
for the year ended 30 June 2017

Budget 2017 [1]	$ '000	Notes	Actual 2017	Actual 2016
	Income from continuing operations			
	Revenue:			
5,004	Rates and annual charges	3a	5,012	4,630
3,310	User charges and fees	3b	3,298	2,871
122	Interest and investment revenue	3c	85	116
397	Other revenues	3d	506	368
5,203	Grants and contributions provided for operating purposes	3e,f	6,915	5,654
237	Grants and contributions provided for capital purposes	3e,f	722	1,198
	Other income:			
224	Net gains from the disposal of assets	5	412	295
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
14,497	Total income from continuing operations		16,950	15,132
	Expenses from continuing operations			
4,678	Employee benefits and on-costs	4a	4,429	4,413
466	Borrowing costs	4b	400	349
4,535	Materials and contracts	4c	5,890	4,840
2,254	Depreciation and amortisation	4d	2,194	2,329
–	Impairment	4d	–	–
1,315	Other expenses	4e	1,333	1,157
13,248	Total expenses from continuing operations		14,246	13,088
1,249	Operating result from continuing operations		**2,704**	**2,044**
	Discontinued operations			
–	Net profit/(loss) from discontinued operations	24	–	–
1,249	Net operating result for the year		2,704	2,044
1,249	**Net operating result attributable to Council**		2,704	2,044
–	**Net operating result attributable to non-controlling interests**		–	–
1,012	**Net operating result for the year before grants and contributions provided for capital purposes**		1,982	846

[1] Original budget as approved by Council – refer Note 16

Junee Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		**2,704**	**2,044**
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(517)	(2,641)
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(414)	–
Total items which will not be reclassified subsequently to the operating result		**(931)**	**(2,641)**
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		**(931)**	**(2,641)**
Total comprehensive income for the year		1,773	(597)
Total comprehensive income attributable to Council		1,773	(597)
Total comprehensive income attributable to non-controlling interests		–	–

Junee Shire Council

Statement of Financial Position
as at 30 June 2017

$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	2,279	2,817
Investments	6b	1,000	–
Receivables	7	988	890
Inventories	8	824	985
Other	8	–	–
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		**5,091**	**4,692**
Non-current assets			
Investments	6b	–	–
Receivables	7	167	167
Inventories	8	881	985
Infrastructure, property, plant and equipment	9	137,177	136,277
Investments accounted for using the equity method	19	–	–
Intangible assets	25	–	–
Total non-current assets		**138,225**	**137,429**
TOTAL ASSETS		143,316	142,121
LIABILITIES			
Current liabilities			
Payables	10	283	373
Income received in advance	10	98	99
Borrowings	10	993	1,026
Provisions	10	1,547	1,800
Total current liabilities		**2,921**	**3,298**
Non-current liabilities			
Payables	10	37	37
Income received in advance	10	–	–
Borrowings	10	7,093	7,278
Provisions	10	11	27
Total non-current liabilities		**7,141**	**7,342**
TOTAL LIABILITIES		10,062	10,640
Net assets		133,254	131,481
EQUITY			
Retained earnings	20	82,239	79,535
Revaluation reserves	20	51,015	51,946
Other reserves	20	–	–
Council equity interest		133,254	131,481
Non-controlling equity interests		–	–
Total equity		133,254	131,481

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

Junee Shire Council

Statement of Changes in Equity
for the year ended 30 June 2017

$ '000	Notes	2017 Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	2016 Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		79,535	51,946	–	**131,481**	–	**131,481**	77,491	54,587	–	**132,078**	–	**132,078**
a. Correction of prior period errors	20 (c)	–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
Revised opening balance		**79,535**	**51,946**	**–**	**131,481**	**–**	**131,481**	**77,491**	**54,587**	**–**	**132,078**	**–**	**132,078**
c. Net operating result for the year		**2,704**	**–**	**–**	**2,704**	**–**	**2,704**	2,044	–	–	**2,044**	–	**2,044**
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(517)	–	**(517)**	–	**(517)**	–	(2,641)	–	**(2,641)**	–	**(2,641)**
– Revaluations: other reserves	20b (ii)	–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
– Transfers to Income Statement	20b (ii)	–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(414)	–	**(414)**	–	**(414)**	–	–	–	**–**	–	**–**
– Joint ventures and associates	19b	–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
– Other reserves movements	20b (ii)	–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
Other comprehensive income		**–**	**(931)**	**–**	**(931)**	**–**	**(931)**	**–**	**(2,641)**	**–**	**(2,641)**	**–**	**(2,641)**
Total comprehensive income (c&d)		**2,704**	**(931)**	**–**	**1,773**	**–**	**1,773**	**2,044**	**(2,641)**	**–**	**(597)**	**–**	**(597)**
e. Distributions to/(contributions from) non-controlling interests		–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
f. Transfers between equity		–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
Equity – balance at end of the reporting period		**82,239**	**51,015**	**–**	**133,254**	**–**	**133,254**	**79,535**	**51,946**	**–**	**131,481**	**–**	**131,481**

Junee Shire Council

Statement of Cash Flows
for the year ended 30 June 2017

Budget 2017	$ '000	Notes	Actual 2017	Actual 2016
	Cash flows from operating activities			
	Receipts:			
5,004	Rates and annual charges		4,974	4,592
3,310	User charges and fees		3,208	2,966
122	Investment and interest revenue received		89	143
5,440	Grants and contributions		7,620	6,874
397	Other		531	466
	Payments:			
(4,978)	Employee benefits and on-costs		(4,643)	(4,351)
(4,187)	Materials and contracts		(6,182)	(4,950)
(466)	Borrowing costs		(400)	(423)
–	Bonds, deposits and retention amounts refunded		(2)	(38)
(1,315)	Other		(1,210)	(1,112)
3,327	**Net cash provided (or used in) operating activities**	11b	3,985	4,167
	Cash flows from investing activities			
	Receipts:			
–	Sale of investment securities		2,750	2,150
795	Sale of real estate assets		555	880
413	Sale of infrastructure, property, plant and equipment		710	488
	Payments:			
–	Purchase of investment securities		(3,750)	(2,150)
(3,767)	Purchase of infrastructure, property, plant and equipment		(4,520)	(4,786)
(120)	Purchase of real estate assets		(50)	(134)
(2,679)	**Net cash provided (or used in) investing activities**		(4,305)	(3,552)
	Cash flows from financing activities			
	Receipts:			
–	Proceeds from borrowings and advances		380	–
	Payments:			
(519)	Repayment of borrowings and advances		(598)	(133)
(519)	**Net cash flow provided (used in) financing activities**		(218)	(133)
129	**Net increase/(decrease) in cash and cash equivalents**		(538)	482
–	Plus: **cash and cash equivalents – beginning of year**	11a	2,817	2,335
129	**Cash and cash equivalents – end of the year**	11a	2,279	2,817
	Additional Information:			
	plus: **Investments on hand – end of year**	6b	1,000	–
	Total cash, cash equivalents and investments		3,279	2,817

Please refer to Note 11 for additional cash flow information

Junee Shire Council

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

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n/a – not applicable

Junee Shire Council

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

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

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

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

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. 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 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,

Significant judgements in applying the Council's accounting policies

(i) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

(i) Rates, annual charges, grants and contributions

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

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Council may apply contributions according to the priorities established in work schedules.

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they 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 in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- *General Fund*
- *Sewerage Fund*

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is a member of the **Goldenfields Water County Council** (a body corporate under the Local Government Act).

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Junee Shire Council is a member of the Riverina Regional Library (RRL).

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 Valley & Wagga Wagga.

The Council has an interest in the assets, liabilities and output of this joint arrangement. No one Council has control over the Riverina Regional Library.

Detailed information relating to Council's joint operations can be found at Note 19 (c).

(d) Leases

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

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.

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

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

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

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

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents 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.

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

(g) Inventories

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

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

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. 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.

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

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

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

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

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.

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

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.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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.

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

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

Subsequent measurement

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

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

Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

Investment Policy

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

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(j) Fair value estimation – financial instruments

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

flows at the current market interest rate that is available to the Council for similar financial instruments.

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Land improvements
- Buildings – specialised/non-specialised

Internally valued:

- Community land
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Sewerage network

As approximated by depreciated historical cost:

- Plant and equipment
- Other structures
- Other assets

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

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

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

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.

Depreciation

Land is not depreciated.

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

Plant & Equipment	
- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	5 to 15 years
Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years
Buildings	
- Buildings – Masonry	50 to 100 years
- Other	20 to 40 years
Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 80 years

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Transportation Assets	
- Sealed Roads: Surface	20 years
- Sealed Roads: Structure	100 years
- Unsealed roads	20 years
- Bridge: Concrete	100 years
- Bridge: Other	100 years
- Road Pavements	100 years
- Kerb & Gutter	70 years
- Paths	50 years
Sewer Assets	
- Dams & Reservoirs	100 years
- Reticulation pipes: PVC	100 years
- Reticulation pipes: Other	100 years
- Pumps and telemetry	15 to 25 years
Other Infrastructure Assets	
- Bulk earthworks	Infinite

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

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

(l) Investment property

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

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

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

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(o) Borrowing costs

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

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

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

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable.

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Land under roads

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

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

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

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council has not classified any assets as intangible.

(u) Crown reserves

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

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

(v) Rural fire service assets

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

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

(w) Goods and Services Tax (GST)

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

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

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

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

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

AASB 9 –Financial Instruments, Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testings of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristic tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair value with the result that there will not be any financial impact for these developments.

The revisions also amend measurement rules for financial liabilities that the Council elects to measure at a fair value through profit and loss. Changes in fair value attributable to changes in the Council's credit risk are presented in other comprehensive income. Council does not have any liabilities that are

Junee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

recorded on this basis and the new requirements will not have any financial impact.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- The 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime;
- Expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A financial impact will only arise if any investments become subject to impairment.

AASB 15 – Revenue from contracts with customers; This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customer in amounts that reflect the consideration (that is, payment) to which the Council expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective commensurate date for this in application is beginning on or after 1 January 2018.

AASB 16 - Leases, Accounting for the method of single lessee related assets & liabilities, where leases with a term of more than 12 months (subject to any underlying low value terms) are to be recognised within Council asset and liabilities accordingly. This is likely to have an impact on Council due to operational leases in the asset class Plant Property & Equipment.

(y) Rounding of amounts

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

(z) Comparative figures

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

(aa) Disclaimer

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

Junee Shire Council

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

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

$ '000	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
Functions/activities	**Income from continuing operations**			**Expenses from continuing operations**			**Operating result from continuing operations**			**Grants included in income from continuing operations**		**Total assets held (current and non-current)**	
	Original budget 2017	**Actual 2017**	Actual 2016	**Original budget 2017**	**Actual 2017**	Actual 2016	**Original budget 2017**	**Actual 2017**	Actual 2016	**Actual 2017**	Actual 2016	**Actual 2017**	Actual 2016
Governance	–	–	–	123	141	138	(123)	(141)	(138)	–	–	1,526	109
Administration	579	662	372	1,532	1,891	2,697	(953)	(1,229)	(2,325)	–	–	3,170	3,826
Public order and safety	28	32	54	329	399	313	(301)	(367)	(259)	41	48	340	345
Environment	743	850	761	864	1,049	939	(121)	(199)	(178)	62	73	5,336	5,345
Community services and education	1,343	1,535	1,251	1,123	1,364	1,114	220	171	137	881	1,030	77	78
Housing and community amenities	284	325	339	588	714	718	(304)	(389)	(379)	15	17	806	807
Sewerage services	616	704	692	553	672	756	63	32	(64)	14	16	10,048	12,614
Recreation and culture	370	423	379	2,090	2,538	2,003	(1,720)	(2,115)	(1,624)	34	40	18,341	18,370
Mining, manufacturing and construction	–	–	–	–	–	–	–	–	–	–	–	14	14
Transport and communication	3,851	4,403	4,797	5,827	5,212	4,131	(1,976)	(809)	666	2,372	2,775	99,824	96,762
Economic affairs	254	290	346	219	266	279	35	24	67	–	–	3,834	3,851
Total functions and activities	**8,068**	**9,224**	**8,991**	**13,248**	**14,246**	**13,088**	**(5,180)**	**(5,022)**	**(4,097)**	**3,419**	**3,999**	**143,316**	**142,121**
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income [1]	6,429	7,726	6,141	–	–	–	6,429	7,726	6,141	3,947	2,670	–	–
Operating result from continuing operations	**14,497**	**16,950**	**15,132**	**13,248**	**14,246**	**13,088**	**1,249**	**2,704**	**2,044**	**7,366**	**6,669**	**143,316**	**142,121**

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

Junee Shire Council

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

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

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

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

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

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

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 2017

Note 3. Income from continuing operations

$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		1,756	1,329
Farmland		1,679	1,745
Business		302	335
Total ordinary rates		**3,737**	**3,409**
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		561	532
Stormwater management services		50	43
Sewerage services		607	595
Waste management services (non-domestic)		57	51
Total annual charges		**1,275**	**1,221**
TOTAL RATES AND ANNUAL CHARGES		5,012	4,630

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

Junee Shire Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		2	3
Sewerage services		83	81
Waste management services (non-domestic)		93	55
Total user charges		**178**	**139**
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		94	97
Building services – other		1	1
Private works – section 67		183	176
Regulatory/ statutory fees		6	6
Registration fees		3	5
Section 149 certificates (EPA Act)		18	15
Section 603 certificates		12	11
Town planning		–	2
Total fees and charges – statutory/regulatory		**317**	**313**
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries		75	106
Community centres		3	2
Family day care		134	125
Lease rentals		26	17
Leaseback fees – Council vehicles		22	30
Library and art gallery		6	8
Multipurpose centre		293	277
Park rents		6	6
Rent and hire of council properties		10	3
RMS (formerly RTA) charges (state roads not controlled by Council)		2,228	1,845
Total fees and charges – other		**2,803**	**2,419**
TOTAL USER CHARGES AND FEES		3,298	2,871

Junee Shire Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		36	34
– Interest earned on investments (interest and coupon payment income)		49	82
TOTAL INTEREST AND INVESTMENT REVENUE		85	116
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		6	34
General Council cash and investments		36	28
Restricted investments/funds – external:			
Sewerage fund operations		43	54
Total interest and investment revenue recognised		**85**	**116**
(d) Other revenues			
Rental income – other council properties		95	54
Fines		8	3
Legal fees recovery – rates and charges (extra charges)		25	9
Commissions and agency fees		152	155
Diesel rebate		33	40
Holiday activities		4	4
Sales – swimming centre		42	46
Insurance rebates		46	27
Other		101	30
TOTAL OTHER REVENUE		506	368

Junee Shire Council

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

Note 3. Income from continuing operations (continued)

$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,589	1,761	–	–
Financial assistance – local roads component	1,309	864	–	–
Pensioners' rates subsidies – general component	49	45	–	–
Total general purpose	**3,947**	**2,670**	**–**	**–**
Specific purpose				
Pensioners' rates subsidies:				
– Sewerage	14	16	–	–
– Domestic waste management	18	18	–	–
Aged care	1	1	–	–
Bushfire and emergency services	24	48	–	–
Community transport	196	130	–	–
Environmental protection	19	5	–	–
Family day care	1,001	898	–	–
Fixing country roads	–	–	620	1,084
Heritage and cultural	5	10	–	–
Library – per capita	35	12	–	–
Library – special projects	–	17	–	–
LIRS subsidy	26	28	–	–
Noxious weeds	45	49	–	–
Repair program	56	67	–	–
Street lighting	18	17	–	–
Transport (roads to recovery)	903	1,171	–	–
Transport (other roads and bridges funding)	388	407	–	19
Youth services	50	2	–	–
Total specific purpose	**2,799**	**2,896**	**620**	**1,103**
Total grants	**6,746**	**5,566**	**620**	**1,103**
Grant revenue is attributable to:				
– Commonwealth funding	1,034	1,558	–	–
– State funding	5,712	3,978	620	1,103
– Other funding	–	30	–	–
	6,746	**5,566**	**620**	**1,103**

Junee Shire Council

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

Note 3. Income from continuing operations (continued)

$ '000		2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions					
Developer contributions:					
(s93 & s94 – EP&A Act, s64 of the LGA):					
S 94A – fixed development consent levies		–	–	102	95
Total developer contributions	17	**–**	**–**	**102**	**95**
Other contributions:					
Community services		101	42	–	–
Community transport		51	46	–	–
Gifted asset (grand piano)		17	–	–	–
Total other contributions		**169**	**88**	**–**	**–**
Total contributions		169	88	102	95
TOTAL GRANTS AND CONTRIBUTIONS		6,915	5,654	722	1,198

$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	738	159
Add: grants and contributions recognised in the current period but not yet spent:	912	738
Less: grants and contributions recognised in a previous reporting period now spent:	(738)	(159)
Net increase (decrease) in restricted assets during the period	**174**	**579**
Unexpended and held as restricted assets	912	738
Comprising:		
– Specific purpose unexpended grants	912	738
	912	**738**

Junee Shire Council

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

Note 4. Expenses from continuing operations

$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		3,908	3,644
Employee leave entitlements (ELE)		283	649
Superannuation – defined contribution plans		309	284
Superannuation – defined benefit plans		189	189
Workers' compensation insurance		91	166
Fringe benefit tax (FBT)		14	25
Training costs (other than salaries and wages)		91	111
Protective clothing		22	21
Other		7	6
Total employee costs		**4,914**	**5,095**
Less: capitalised costs		(485)	(682)
TOTAL EMPLOYEE COSTS EXPENSED		4,429	4,413
Number of 'full-time equivalent' employees (FTE) at year end		**59**	**63**
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		**64**	**64**
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		400	349
Total interest bearing liability costs expensed		**400**	**349**
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		400	349
(c) Materials and contracts			
Raw materials and consumables		2,584	1,847
Contractor and consultancy costs		2,760	2,384
Auditors remuneration (1)		25	19
Legal expenses:			
– Legal expenses: planning and development		18	25
– Legal expenses: debt recovery		24	12
– Legal expenses: other		4	4
Operating leases:			
– Operating lease rentals: minimum lease payments (2)		475	549
TOTAL MATERIALS AND CONTRACTS		5,890	4,840

(continued on the next page...)

Junee Shire Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		25	–
Remuneration for audit and other assurance services		**25**	**–**
Total Auditor-General remuneration		**25**	**–**
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		–	19
Remuneration for audit and other assurance services		**–**	**19**
Total remuneration of other Council's Auditors		**–**	**19**
Total Auditor remuneration		**25**	**19**
2. Operating lease payments are attributable to:			
Motor vehicles & heavy plant		475	542
Other		–	7
		475	**549**
(d) Depreciation, amortisation and impairment			
Plant and equipment		187	227
Office equipment		24	18
Furniture and fittings		9	9
Land improvements (depreciable)		66	27
Infrastructure:			
– Buildings – non-specialised		46	42
– Buildings – specialised		222	222
– Other structures		106	106
– Roads		1,150	1,205
– Bridges		52	52
– Footpaths		41	41
– Stormwater drainage		71	69
– Sewerage network		220	307
Other assets			
– Library books		–	1
– Other		–	3
Total depreciation and amortisation costs		2,194	2,329
Impairment			
– Roads & Bulk Earthworks		414	–
Total gross impairment costs		**414**	**–**
Less: IPP&E impairments (to)/from equity	9a	(414)	–
Total impairment costs		–	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		2,194	2,329

Junee Shire Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		33	49
Bad and doubtful debts		3	2
Bank charges		15	14
Cleaning		77	87
Computer software charges		94	85
Contributions/levies to other levels of government			
– Bushfire fighting fund		166	100
– Emergency services levy (includes FRNSW, SES, and RFS levies)		12	–
– NSW fire brigade levy		20	–
Councillor expenses – mayoral fee		19	19
Councillor expenses – councillors' fees		76	75
Councillors' expenses (incl. mayor) – other (excluding fees above)		21	17
Councillor Election Expense		33	–
Donations, contributions and assistance to other organisations (Section 356)		2	3
Electricity and heating		216	201
Fire and emergency services levy (FESL) implementation costs		9	–
Insurance		304	280
Office expenses (including computer expenses)		27	26
Postage		17	14
Printing and stationery		25	32
Street lighting		77	66
Subscriptions and publications		14	11
Telephone and communications		45	46
Tourism expenses (excluding employee costs)		4	6
Valuation fees		24	24
TOTAL OTHER EXPENSES		1,333	1,157

Note 5. Gains or losses from the disposal of assets

Property (excl. investment property)			
Proceeds from disposal – property		300	358
Less: carrying amount of property assets sold/written off		(317)	(439)
Net gain/(loss) on disposal		**(17)**	**(81)**
Plant and equipment			
Proceeds from disposal – plant and equipment		410	130
Less: carrying amount of plant and equipment assets sold/written off		(195)	(109)
Net gain/(loss) on disposal		**215**	**21**
Real estate assets held for sale			
Proceeds from disposal – real estate assets		555	880
Less: carrying amount of real estate assets sold/written off		(341)	(525)
Net gain/(loss) on disposal		**214**	**355**
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		2,750	2,150
Less: carrying amount of financial assets sold/redeemed/matured		(2,750)	(2,150)
Net gain/(loss) on disposal		**–**	**–**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		412	295

Junee Shire Council

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

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

$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,279	–	17	–
Cash-equivalent assets [1]					
– Deposits at call		–	–	1,300	–
– Short-term deposits		1,000	–	1,500	–
Total cash and cash equivalents		**2,279**	**–**	**2,817**	**–**
Investments (Note 6b)					
– Long term deposits		1,000	–	–	–
Total investments		**1,000**	**–**	**–**	**–**
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		3,279	–	2,817	–

[1] Those investments where time to maturity (from date of purchase) is < 3 mths.

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

Cash and cash equivalents				
a. 'At fair value through the profit and loss'	**2,279**	**–**	**2,817**	**–**

Investments
Nil

Junee Shire Council

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

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

$ '000	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Total cash, cash equivalents and investments	3,279	–	2,817	–
attributable to:				
External restrictions (refer below)	2,961	–	2,395	–
Internal restrictions (refer below)	285	–	281	–
Unrestricted	33	–	141	–
	3,279	**–**	**2,817**	**–**

2017 $ '000		Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions					
External restrictions – included in liabilities					
Nil					
External restrictions – other					
Specific purpose unexpended grants	(B)	738	174		912
Sewerage services	(C)	1,668	439	–	2,107
Domestic waste management	(C)	(31)	–	(47)	(78)
Other		20	–	–	20
External restrictions – other		2,395	613	(47)	2,961
Total external restrictions		**2,395**	**613**	**(47)**	**2,961**
Internal restrictions					
Employees leave entitlement		205	–	–	205
Deposits, retentions and bonds		32	4	–	36
Junee historical society		17	–	–	17
Gravel pit restoration		27	–	–	27
Total internal restrictions		**281**	**4**	**–**	**285**
TOTAL RESTRICTIONS		2,676	617	(47)	3,246

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

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

Junee Shire Council

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

Note 7. Receivables

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Purpose					
Rates and annual charges		501	–	460	–
Interest and extra charges		21	–	23	–
User charges and fees		69	–	30	–
Private works		69	–	19	–
Accrued revenues					
– Interest on investments		7	–	9	–
Cemetery fees		11	–	21	–
Deferred debtors		–	167	–	167
Kerb and gutter contributions		3	–	3	–
Net GST receivable		–	–	32	–
RMS charges		351	–	336	–
Other debtors		2	–	–	–
Total		**1,034**	**167**	**933**	**167**
Less: provision for impairment					
Rates and annual charges		(39)	–	(36)	–
User charges and fees		(7)	–	(7)	–
Total provision for impairment – receivables		**(46)**	**–**	**(43)**	**–**
TOTAL NET RECEIVABLES		988	167	890	167
Externally restricted receivables					
Sewerage services					
– Rates and availability charges		99	–	89	–
Total external restrictions		**99**	**–**	**89**	**–**
Internally restricted receivables					
Nil					
Unrestricted receivables		**889**	**167**	**801**	**167**
TOTAL NET RECEIVABLES		988	167	890	167

Notes on debtors above:

(i) Rates and annual charges outstanding are secured against the property.

(ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.

(iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%). Generally all other receivables are non-interest bearing.

(iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Junee Shire Council

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

Note 8. Inventories and other assets

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		498	881	685	985
Stores and materials		320	–	294	–
Trading stock		6	–	6	–
Total inventories at cost		**824**	**881**	**985**	**985**
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		824	881	985	985
(b) Other assets					
Nil					

Externally restricted assets
There are no restrictions applicable to the above assets.

Other disclosures

(a) Details for real estate development					
Residential		498	881	685	985
Total real estate for resale		**498**	**881**	**685**	**985**
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		7	119	551	985
Development costs		466	734	134	–
Borrowing costs		20	28	–	–
Other holding costs		5	–	–	–
Total costs		**498**	**881**	**685**	**985**
Total real estate for resale		**498**	**881**	**685**	**985**
Movements:					
Real estate assets at beginning of the year		685	985	363	1,698
– Purchases and other costs		50	–	134	–
– WDV of sales (expense)	5	(341)	–	(525)	–
– Transfer between current/non-current		104	(104)	713	(713)
Total real estate for resale		**498**	**881**	**685**	**985**

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

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

Junee Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Plant and equipment	2,964	1,930	1,034	–	392	(195)	(187)	–	–	3,052	2,008	1,044
Office equipment	430	346	84	–	4	–	(24)	–	–	435	371	64
Furniture and fittings	215	177	38	–	2	–	(9)	–	–	217	186	31
Land:												
– Operational land	2,425	–	2,425	(4)	–	(34)	–	–	–	2,387	–	2,387
– Community land	2,218	–	2,218	14	–	–	–	–	–	2,232	–	2,232
Land improvements – depreciable	1,826	1,068	758	–	–	–	(66)	–	–	1,826	1,134	692
Infrastructure:												
– Buildings – non-specialised	3,883	2,502	1,381	–	–	(283)	(46)	–	–	3,536	2,484	1,052
– Buildings – specialised	18,978	7,615	11,363	223	262	–	(222)	–	–	19,464	7,838	11,626
– Other structures	4,370	1,626	2,744	(1)	–	–	(106)	–	–	4,370	1,733	2,637
– Roads	67,931	15,858	52,073	3,405	61	–	(1,150)	(162)	–	71,397	17,170	54,227
– Bridges	5,174	1,598	3,576	–	–	–	(52)	–	–	5,174	1,650	3,524
– Footpaths	2,063	271	1,792	–	–	–	(41)	–	–	2,063	312	1,751
– Bulk earthworks (non-depreciable)	42,025	–	42,025	–	–	–	–	(252)	–	42,025	252	41,773
– Stormwater drainage	5,215	1,175	4,040	–	–	–	(71)	–	–	5,215	1,246	3,969
– Sewerage network	21,167	10,441	10,726	53	6	–	(220)	–	(517)	22,568	12,520	10,048
Other assets:												
– Library books	23	23	–	–	–	–	–	–	–	23	23	–
– Other	12	12	–	–	120	–	–	–	–	132	12	120
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	**180,919**	**44,642**	**136,277**	**3,690**	**847**	**(512)**	**(2,194)**	**(414)**	**(517)**	**186,116**	**48,939**	**137,177**

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

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

Junee Shire Council

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

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

$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Sewerage services						
Infrastructure	22,568	12,520	**10,048**	21,167	10,441	**10,726**
Total sewerage services	**22,568**	**12,520**	**10,048**	**21,167**	**10,441**	**10,726**
TOTAL RESTRICTED I,PP&E	**22,568**	**12,520**	**10,048**	**21,167**	**10,441**	**10,726**

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

(i) Impairment losses recognised direct to equity (ARR):

Imapirment recognised for Roads and Bulk Earthworks (non-depreciable)		(414)	–
Total impairment losses		**(414)**	**–**
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	(414)	–

Junee Shire Council

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

Note 10a. Payables, borrowings and provisions

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Payables					
Goods and services – operating expenditure		3	–	269	–
Accrued expenses:					
– Borrowings		18	–	18	–
– Salaries and wages		57	–	2	–
– Other expenditure accruals		111	–	25	–
Security bonds, deposits and retentions		28	37	30	37
ATO – net GST payable		30	–	–	–
Trust fund		36	–	29	–
Total payables		**283**	**37**	**373**	**37**
Income received in advance					
Payments received in advance – rates		98	–	99	–
Total income received in advance		**98**	**–**	**99**	**–**
Borrowings					
Loans – secured	1	993	7,093	1,026	7,278
Total borrowings		**993**	**7,093**	**1,026**	**7,278**
Provisions					
Employee benefits:					
Annual leave		409	–	458	–
Long service leave		1,121	11	1,325	27
Other leave		17	–	17	–
Total provisions		**1,547**	**11**	**1,800**	**27**
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		2,921	7,141	3,298	7,342

(i) Liabilities relating to restricted assets	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Externally restricted assets				
Sewer	–	–	52	–
Liabilities relating to externally restricted assets	–	–	52	–
Internally restricted assets				
Employee Leave Entitlements	205	–	205	–
Liabilities relating to internally restricted assets	205	–	205	–
Total liabilities relating to restricted assets	205	–	257	–
Total liabilities relating to unrestricted assets	2,716	7,141	3,041	7,342
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	2,921	7,141	3,298	7,342

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 15.

Junee Shire Council

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

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

$ '000	Actual 2017	Actual 2016

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	947	1,092
	947	**1,092**

Note 10b. Description of and movements in provisions

	2016	2017				
Class of provision	**Opening balance as at 1/7/16**	**Additional provisions**	**Decrease due to payments**	**Remeasurement effects due to discounting**	**Unused amounts reversed**	**Closing balance as at 30/6/17**
Annual leave	458	244	(293)	–	–	**409**
Long service leave	1,352	–	(139)	(81)	–	**1,132**
Other leave	17	–	–	–	–	**17**
TOTAL	**1,827**	**244**	**(432)**	**(81)**	**–**	**1,558**

a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Junee Shire Council

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

Note 11. Statement of cash flows – additional information

$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	2,279	2,817
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		**2,279**	**2,817**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**2,704**	**2,044**
Adjust for non-cash items:			
Depreciation and amortisation		2,194	2,329
Net losses/(gains) on disposal of assets		(412)	(295)
Non-cash capital grants and contributions		(17)	–
Impairment losses recognition – I,PP&E		–	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(101)	170
Increase/(decrease) in provision for doubtful debts		3	1
Decrease/(increase) in inventories		(26)	221
Increase/(decrease) in payables		(266)	(331)
Increase/(decrease) in accrued interest payable		–	(74)
Increase/(decrease) in other accrued expenses payable		141	(63)
Increase/(decrease) in other liabilities		34	24
Increase/(decrease) in employee leave entitlements		(269)	141
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		**3,985**	**4,167**

Junee Shire Council

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

Note 11. Statement of cash flows – additional information (continued)

$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Other non-cash items (gifted asset)		17	–
Total non-cash investing and financing activities		**17**	**–**
(d) Financing arrangements			
(i) 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**

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

(ii) Secured loan liabilities

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

Note 12. Commitments for expenditure

(a) Capital commitments (exclusive of GST)

Nil

(b) Finance lease commitments

Nil

(c) 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	371	414
Later than one year and not later than 5 years	1,078	833
Later than 5 years	381	21
Total non-cancellable operating lease commitments	**1,830**	**1,268**

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 2017

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

$ '000	Amounts 2017	Indicator 2017	Prior periods 2016	Prior periods 2015	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses	1,570	**9.93%**	4.04%	-1.45%	>0.00%
Total continuing operating revenue [1] excluding capital grants and contributions	15,816				
2. Own source operating revenue ratio					
Total continuing operating revenue [1] excluding all grants and contributions	8,901	**53.82%**	53.82%	61.06%	>60.00%
Total continuing operating revenue [1]	16,538				
3. Unrestricted current ratio					
Current assets less all external restrictions [2]	2,031	**1.03x**	1.03x	0.97x	>1.5x
Current liabilities less specific purpose liabilities [3, 4]	1,974				
4. Debt service cover ratio					
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation	4,164	**4.17x**	6.70x	3.27x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	998				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	483	**8.75%**	8.75%	9.03%	<10% Rural
Rates, annual and extra charges collectible	5,520				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits x12	3,279	**3.02 mths**	3.1 mths	2.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,086				

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.

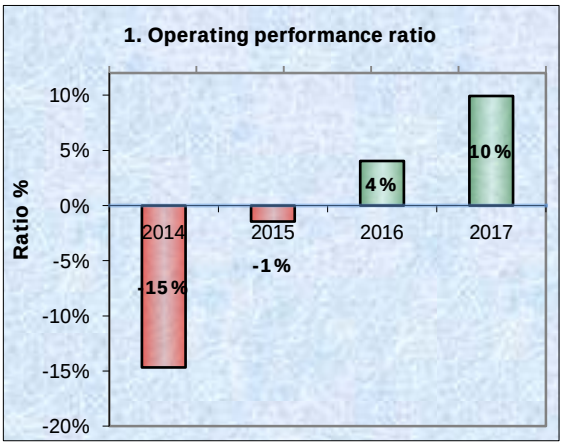
[3] Refer to Note 10(a).

[4] Refer to Note 10(a)(ii) – excludes all payables and 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 2017

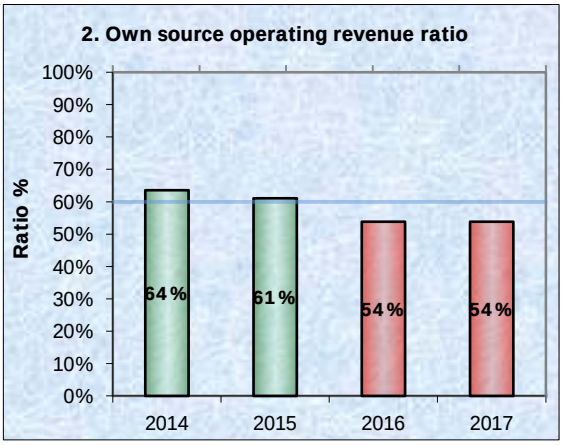
Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio	Commentary on 2016/17 result
This ratio measures Council's achievement of containing operating expenditure within operating revenue.	**2016/17 ratio 9.93%** This ratio is meeting the given benchmark, however Council will need to monitor its operational expenditure trends in order to maintain the positive results. Significant impact or change has occurred due to the advance payment of Financial Assistance Grant.

Benchmark: ——— Minimum >=0.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

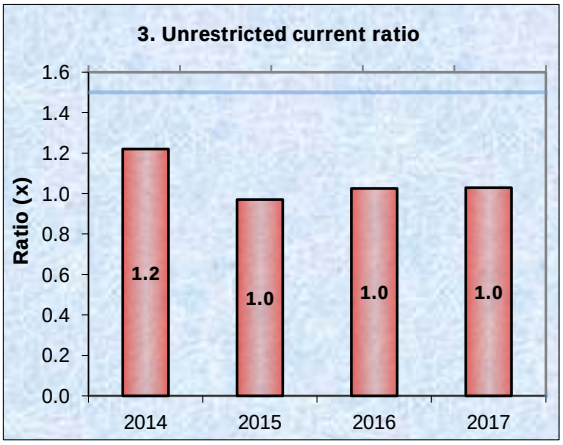
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of own source operating revenue ratio	Commentary on 2016/17 result
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	**2016/17 ratio 53.82%** This ratio is attributed to the fluctuation of grants received from year to year, Council has a certain proportion of community service based grants and contributions that affect this area.

Benchmark: ——— Minimum >=60.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of unrestricted current ratio	Commentary on 2016/17 result
To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	**2016/17 ratio 1.03x** Whilst positive Council is still tracking under the industry benchmark.

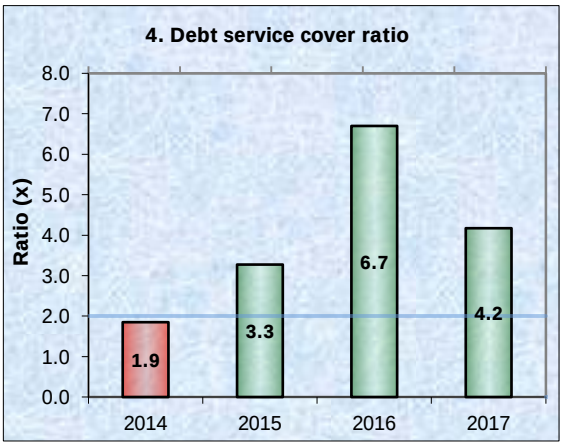
Benchmark: ——— Minimum >=1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark

Junee Shire Council

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

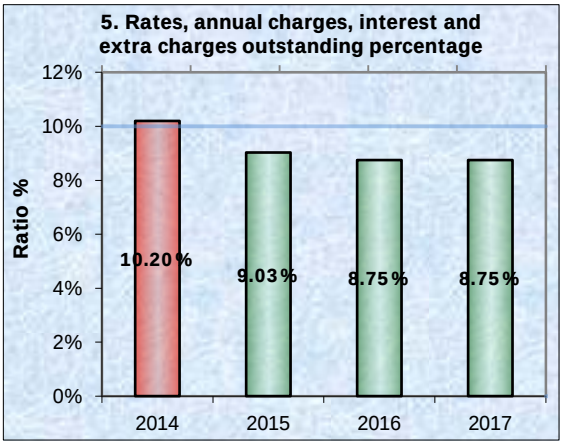
Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of debt service cover ratio	Commentary on 2016/17 result
	2016/17 ratio 4.17x
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments	This ratio has been affected by a larger repayment of debt in the reporting period.

Benchmark: ——— Minimum >=2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

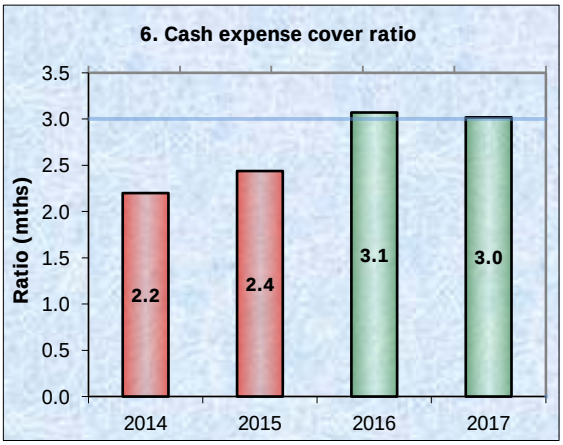
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio	Commentary on 2016/17 result
	2016/17 ratio 8.75%
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	Continued improvement in the management of outstanding rate debtors has held this ratio within the benchmark.

Benchmark: ——— Maximum <10.00%
Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of cash expense cover ratio	Commentary on 2016/17 result
	2016/17 ratio 3.02 mths
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.	This ratio has been affected by higher repayment of loan principal in the reporting period.

Benchmark: ——— Minimum >=3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark

Junee Shire Council

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

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

$ '000	General indicators [5] 2017	General indicators [5] 2016	Sewer indicators 2017	Sewer indicators 2016	Benchmark
Local government industry indicators – by fund					
1. Operating performance ratio					
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses / Total continuing operating revenue [1] excluding capital grants and contributions	**10.35%**	4.35%	**1.34%**	-1.34%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue [1] excluding capital grants and contributions / Total continuing operating revenue [1]	**51.73%**	51.49%	**98.13%**	97.86%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions [2] / Current liabilities less specific purpose liabilities [3, 4]	**2.58x**	2.18x	**No liabilities**	33.79x	>1.5x

Notes

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

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

Junee Shire Council

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

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

$ '000	General indicators [5] 2017	General indicators [5] 2016	Sewer indicators 2017	Sewer indicators 2016	Benchmark
Local government industry indicators – by fund (continued)					
4. Debt service cover ratio					
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation / Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	**3.94x**	6.08x	**0.00x**	0.00x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding / Rates, annual and extra charges collectible	**7.82%**	8.78%	**16.31%**	14.96%	<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits / Payments from cash flow of operating and financing activities x12	**1.08 months**	1.25 months	**0.00 months**	0.00 months	> 3 months

Notes

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

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

Junee Shire Council

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

Note 14. Investment properties

$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	2,279	2,817	3,279	2,817
Investments				
– 'Held to maturity'	1,000	–	–	–
Receivables	1,155	1,057	1,155	1,057
Total financial assets	**4,434**	**3,874**	**4,434**	**3,874**
Financial liabilities				
Payables	320	410	320	410
Loans/advances	8,086	8,304	7,502	8,304
Total financial liabilities	**8,406**	**8,714**	**7,822**	**8,714**

Fair value is determined as follows:

– **Cash** and **cash equivalents**, **receivables**, **payables** – are estimated to be the carrying value that approximates market value.

– **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

– Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Junee Shire Council

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

Note 15. Financial risk management (continued)

$ '000

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

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

The risks associated with the investments held are:

– **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

– **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

– **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
2017	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 1% movement in interest rates	23	23	(23)	(23)
2016				
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 2017

Note 15. Financial risk management (continued)

$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	22%	100%	21%	86%
Overdue	78%	0%	79%	14%
	100%	**100%**	**100%**	**100%**

(ii) Ageing of receivables – value		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Rates and annual charges	**Other receivables**				
Current	Current	108	604	99	553
< 1 year overdue	0 – 30 days overdue	228	89	209	81
1 – 2 years overdue	31 – 60 days overdue	35	7	32	6
2 – 5 years overdue	61 – 90 days overdue	72	–	66	–
> 5 years overdue	> 91 days overdue	58	–	54	–
		501	**700**	**460**	**640**

(iii) Movement in provision for impairment of receivables	2017	2016
Balance at the beginning of the year	43	42
+ new provisions recognised during the year	3	1
Balance at the end of the year	**46**	**43**

Junee Shire Council

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

Note 15. Financial risk management (continued)

$ '000

(c) Liquidity risk

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

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

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

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

$ '000	Subject to no maturity	payable in: ≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	Total cash outflows	Actual carrying values
2017									
Trade/other payables	65	255	–	–	–	–	–	320	**320**
Loans and advances	–	710	986	720	729	739	9,078	12,962	**8,086**
Total financial liabilities	**65**	**965**	**986**	**720**	**729**	**739**	**9,078**	**13,282**	**8,406**
2016									
Trade/other payables	67	343	–	–	–	–	–	410	**410**
Loans and advances	–	561	677	687	1,223	688	9,647	13,483	**8,304**
Total financial liabilities	**67**	**904**	**677**	**687**	**1,223**	**688**	**9,647**	**13,893**	**8,714**

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

The following interest rates were applicable to Council's borrowings at balance date:	2017 Carrying value	2017 Average interest rate	2016 Carrying value	2016 Average interest rate
Trade/other payables	320	0.00%	410	0.00%
Loans and advances – fixed interest rate	1,188	3.83%	897	3.97%
Loans and advances – variable interest rate	6,898	4.15%	7,407	5.20%
	8,406		8,714	

Junee Shire Council

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

Note 16. Material budget variations

$ '000

Council's original financial budget for 16/17 was adopted by the Council on 28 June 2016.

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

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

Note that for variations* of budget to actual :
Material variations represent those variances that amount to **10%** or more of the original budgeted figure.
F = Favourable budget variation, **U** = Unfavourable budget variation

$ '000	2017 Budget	2017 Actual	2017 Variance*		
REVENUES					
Rates and annual charges	**5,004**	**5,012**	**8**	**0%**	**F**
User charges and fees	**3,310**	**3,298**	**(12)**	**(0%)**	**U**
Interest and investment revenue	**122**	**85**	**(37)**	**(30%)**	**U**
Interest rates have declined marginally, Council has also structured the operational cash flow requirements differently than in the past, holding more funds at call to meet cash flow demands.					
Other revenues	**397**	**506**	**109**	**27%**	**F**
Increase in leasing income Increased insurance rebates					
Operating grants and contributions	**5,203**	**6,915**	**1,712**	**33%**	**F**
Advance payment of half 2017/2018 Financial Assiatance Grant Other grants not planned eg Creating Liveable Communities/Upskillin IT Additional Family Care contributions					
Capital grants and contributions	**237**	**722**	**485**	**205%**	**F**
Flood restoration grant not budgeted					
Net gains from disposal of assets	**224**	**412**	**188**	**84%**	**F**
Increased volume of land sales and better trade in values for plant replaced					

Junee Shire Council

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

Note 16. Material budget variations (continued)

$ '000	2017 Budget	2017 Actual	2017 Variance*		
EXPENSES					
Employee benefits and on-costs	4,678	4,429	249	5%	F
Borrowing costs	466	400	66	14%	F
Due to delay in drawdown of budgeted loan					
Materials and contracts	4,535	5,890	(1,355)	(30%)	U
Increased material costs due to flood event repairs					
Depreciation and amortisation	2,254	2,194	60	3%	F
Other expenses	1,315	1,333	(18)	(1%)	U
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	3,327	3,985	658	19.8%	F
Impacted by early payment of Financial Assistance Grant					
Cash flows from investing activities	(2,679)	(4,305)	(1,626)	60.7%	U
Impacted by capital works carry overs from 2015/16					
Cash flows from financing activities	(519)	(218)	301	(58.0%)	F
Due to timing of land sales and repayment of debt					

Junee Shire Council

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

Note 17. Statement of developer contributions

$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Village Parks & Gardens	–	5	–	–	(5)	–	–	–
Laurie Daley Oval Amenities	–	12	–	–	(12)	–	–	–
Bethungra Dam Reserve	–	3	–	–	(3)	–	–	–
Viewing Platform Rocky Hill	–	7	–	–	(7)	–	–	–
Upgrade Playground Equipment	–	9	–	–	(9)	–	–	–
Athenium Theatre	–	7	–	–	(7)	–	–	–
Urban Footpaths Crossings	–	5	–	–	(5)	–	–	–
Urban Street Tree Planting	–	1	–	–	(1)	–	–	–
Roads	–	29	–	–	(29)	–	–	–
Junee Junction	–	24	–	–	(24)	–	–	–
S94 contributions – under a plan	**–**	**102**	**–**	**–**	**(102)**	**–**	**–**	**–**
S94A levies – under a plan	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total S94 revenue under plans	**–**	**102**	**–**	**–**	**(102)**	**–**	**–**	**–**
S94 not under plans	–	–	–	–	–	–	–	–
S93F planning agreements	–	–	–	–	–	–	–	
S64 contributions	–	–	–	–	–	–	–	
Total contributions	**–**	**102**	**–**	**–**	**(102)**	**–**	**–**	**–**

Junee Shire Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

JUNEE SHIRE COUNCIL SECTION 94A LEVY CONTRIBUTION PLAN 2016

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					
Village Parks & Gardens	–	5	–	–	(5)	–	–	–
Laurie Daley Oval Amenities	–	12	–	–	(12)	–	–	–
Bethungra Dam Reserve	–	3	–	–	(3)	–	–	–
Viewing Platform Rocky Hill	–	7	–	–	(7)	–	–	–
Upgrade Playground Equipment	–	9	–	–	(9)	–	–	–
Athenium Theatre	–	7	–	–	(7)	–	–	–
Urban Footpaths Crossings	–	5	–	–	(5)	–	–	–
Urban Street Tree Planting	–	1	–	–	(1)	–	–	–
Roads	–	29	–	–	(29)	–	–	–
Junee Junction	–	24	–	–	(24)	–	–	–
Total	**–**	**102**	**–**	**–**	**(102)**	**–**	**–**	**–**

Junee Shire Council

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

Note 18. Contingencies and other assets/liabilities not recognised

$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(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.

Junee Shire Council

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

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

$ '000

LIABILITIES NOT RECOGNISED (continued)**:**

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

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 2017

Note 19. Interests in other entities

$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries) ***Note 19(a)***
Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates ***Note 19(b)***
Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.
Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations ***Note 19(c)***
Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities ***Note 19(d)***
Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised ***Note 19(e)***

Junee Shire Council

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

Note 19. Interests in other entities (continued)

$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) 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	2017 Net profit	2017 Net assets
Riverina Regional Library	Provision of Library Services Joint Venture	152	4,253

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 2017 Council's ownership interest in the Riverina Regional Library was 4.57%.

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.

Junee Shire Council

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

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

$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		79,535	77,491
a. Net operating result for the year		2,704	2,044
Balance at end of the reporting period		82,239	79,535
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		51,015	51,946
Total		**51,015**	**51,946**
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		51,946	54,587
– Revaluations for the year	9(a)	(517)	(2,641)
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(414)	–
– Balance at end of year		**51,015**	**51,946**
TOTAL VALUE OF RESERVES		**51,015**	**51,946**

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(d) Voluntary changes in accounting policies

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

Junee Shire Council

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

Note 21. Financial result and financial position by fund

Income Statement by fund $ '000	Actual 2017	Actual 2017
Continuing operations	**Sewer**	**General**[1]
Income from continuing operations		
Rates and annual charges	607	4,405
User charges and fees	83	3,215
Interest and investment revenue	43	42
Other revenues	–	506
Grants and contributions provided for operating purposes	14	6,901
Grants and contributions provided for capital purposes	–	722
Other income		
Net gains from disposal of assets	–	412
Share of interests in joint ventures and associates using the equity method	–	–
Total income from continuing operations	**747**	**16,203**
Expenses from continuing operations		
Employee benefits and on-costs	198	4,231
Borrowing costs	–	400
Materials and contracts	285	5,605
Depreciation and amortisation	220	1,974
Impairment	–	–
Other expenses	34	1,299
Total expenses from continuing operations	**737**	**13,509**
Operating result from continuing operations	10	2,694
Discontinued operations		
Net profit/(loss) from discontinued operations	–	–
Net operating result for the year	10	2,694
Net operating result attributable to each council fund	10	2,694
Net operating result attributable to non-controlling interests	–	–
Net operating result for the year before grants and contributions provided for capital purposes	10	1,972

[1] General fund refers to all Council's activities other than 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 2017

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

Statement of Financial Position by fund $ '000	Actual 2017	Actual 2017
ASSETS	**Sewer**	**General**[1]
Current assets		
Cash and cash equivalents	2,107	172
Investments	–	1,000
Receivables	99	889
Inventories	–	824
Other	–	–
Non-current assets classified as 'held for sale'	–	–
Total current assets	2,206	2,885
Non-current assets		
Investments	–	–
Receivables	–	167
Inventories	–	881
Infrastructure, property, plant and equipment	10,048	127,129
Investments accounted for using the equity method	–	–
Intangible assets	–	–
Total non-current assets	10,048	128,177
TOTAL ASSETS	**12,254**	**131,062**
LIABILITIES		
Current liabilities		
Payables	–	283
Income received in advance	–	98
Borrowings	–	993
Provisions	–	1,547
Total current liabilities	–	2,921
Non-current liabilities		
Payables	–	37
Borrowings	–	7,093
Provisions	–	11
Total non-current liabilities	–	7,141
TOTAL LIABILITIES	**–**	**10,062**
Net assets	**12,254**	**121,000**
EQUITY		
Retained earnings	5,006	77,233
Revaluation reserves	7,248	43,767
Total equity	**12,254**	**121,000**

[1] General Fund refers to all Council's activities other than 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 2017

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

$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 30/10/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Junee Shire Council

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

Note 27. Fair value measurement

$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

		Fair value measurement hierarchy			
2017		**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
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
Infrastructure:					
– Roads	30/06/12	–	–	54,227	54,227
– Bridges	30/06/12	–	–	3,524	3,524
– Footpaths	30/06/12	–	–	1,751	1,751
– Bulk Earthworks (non–depreciable)	30/06/12	–	–	41,773	41,773
– 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**	**133,738**	**137,177**

Junee Shire Council

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

Note 27. Fair value measurement (continued)

$ '000

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

2016		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/14	–	–	1,034	1,034
Office Equipment	30/06/14	–	–	84	84
Furniture & Fittings	30/06/14	–	–	38	38
– Operational Land	30/06/13	–	2,425	–	2,425
– Community Land	30/06/16	–	–	2,218	2,218
Land Improvements – depreciable	30/06/16	–	–	758	758
Buildings – Non Specialised	30/06/13	–	1,381	–	1,381
Buildings – Specialised	30/06/13	–	–	11,363	11,363
Other Structures	30/06/13	–	–	2,744	2,744
Infrastructure:					–
– Roads	30/06/12	–	–	52,073	52,073
– Bridges	30/06/12	–	–	3,576	3,576
– Footpaths	30/06/12	–	–	1,792	1,792
– Bulk Earthworks (non–depreciable)	30/06/12	–	–	42,025	42,025
– Stormwater Drainage	30/06/15	–	–	4,040	4,040
– Sewerage Network	30/06/12	–	–	10,726	10,726
Total infrastructure, property, plant and equipment		**–**	**3,806**	**132,471**	**136,277**

(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 2017

Note 27. 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 – 1/7/15	132,743	132,743
Purchases (GBV)	4,765	4,765
Disposals (WDV)	(109)	(109)
Depreciation and impairment	(2,287)	(2,287)
FV gains – other comprehensive income	303	303
FV loss – other comprehensive income	(2,944)	(2,944)
Closing balance – 30/6/16	**132,471**	**132,471**
Purchases (GBV)	4,486	4,486
Disposals (WDV)	(195)	(195)
Depreciation and impairment	(2,562)	(2,562)
FV loss – other comprehensive income	(462)	(462)
Closing balance – 30/6/17	**133,738**	**133,738**

Junee Shire Council

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

Note 27. Fair value measurement (continued)

$ '000

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

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 (30/6/17) $'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant & Equipment	1,044	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	64	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	31	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	692	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 2017

Note 27. Fair value measurement (continued)

$ '000

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

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

Class	Fair value (30/6/17) $'000	Valuation technique/s	Unobservable inputs
I,PP&E (continued)			
Buildings - Specialised	11,626	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	2,637	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value
Roads	54,227	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	3,524	Depreciated replacement cost	- Gross replacement cost Estimated unit rates based on recent construction costs - Asset condition - Remaining useful life - Residual Value
Footpaths	1,751	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 2017

Note 27. Fair value measurement (continued)

$ '000

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

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

Class	Fair value (30/6/17) $'000	Valuation technique/s	Unobservable inputs
I,PP&E (continued)			
Bulk Earthworks (non-depreciable)	41,773	Current 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
Stormwater Drainage	3,969	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
Sewerage Network	10,048	Depreciated replacement cost	- 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
Library Books	Nil	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value
Other	120	Depreciated replacement cost	- Gross replacement cost Obtain quotations otherwise estimated unit rates based on recent costs - Asset condition - Remaining useful life - Residual Value

(5). 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 2017

Note 28. Related party disclosures

$ '000

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	785
Post-employment benefits	56
Other long-term benefits	34
Total	**875**

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	$'000	$'000		$'000	$'000
Mark Halliburton Plumbing and Gas	5	–		–	–

Junee Shire Council

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

Note 29. Financial review

$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	**2017**	**2016**	2015	2014	2013
Inflows:					
Rates and annual charges revenue	**5,012**	4,630	4,310	4,197	3,910
User charges revenue	**3,298**	2,871	3,362	2,999	2,658
Interest and investment revenue (losses)	**85**	116	120	144	151
Grants income – operating and capital	**7,366**	6,669	4,800	4,339	5,648
Total income from continuing operations	**16,950**	15,132	13,686	12,418	13,007
Sale proceeds from I,PP&E	**1,265**	1,368	1,043	626	1,577
New loan borrowings and advances	**380**	–	1,540	–	–
Outflows:					
Employee benefits and on-cost expenses	**4,429**	4,413	4,020	4,416	4,149
Borrowing costs	**400**	349	440	443	430
Materials and contracts expenses	**5,890**	4,840	5,226	4,657	4,330
Total expenses from continuing operations	**14,246**	13,088	13,112	12,858	12,397
Total cash purchases of I,PP&E	**4,520**	4,786	4,316	3,119	4,239
Total loan repayments (incl. finance leases)	**598**	133	290	–	163
Operating surplus/(deficit) (excl. capital income)	**1,982**	846	12	(1,571)	(604)

Financial position figures	**2017**	**2016**	2015	2014	2013
Current assets	**5,091**	4,692	4,278	4,879	5,467
Current liabilities	**2,921**	3,298	3,016	3,418	2,541
Net current assets	**2,170**	1,394	1,262	1,461	2,926
Available working capital (Unrestricted net current assets)	**1,373**	1,509	480	827	761
Cash and investments – unrestricted	**33**	141	2	43	40
Cash and investments – internal restrictions	**285**	281	32	–	1,342
Cash and investments – total	**3,279**	2,817	2,335	2,050	3,143
Total borrowings outstanding (Loans, advances and finance leases)	**8,086**	8,304	8,437	7,187	7,187
Total value of I,PP&E (excl. land and earthworks)	**139,472**	134,251	128,423	126,461	124,287
Total accumulated depreciation	**48,939**	44,642	41,978	40,896	39,492
Indicative remaining useful life (as a % of GBV)	65%	67%	67%	68%	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 2017

Note 30. 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 statements

Junee Shire Council

To the Councillors of Junee Shire Council

Qualified Opinion

I have audited the accompanying financial statements of Junee Shire Council (the Council), which comprise the Statement of Financial Position as at 30 June 2017, the Income Statement, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report,

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

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

Basis for Qualified Opinion

Council's Roads, Bridges, Footpaths and Bulk earthworks (non-depreciable) reported in Note 9a as part of its Infrastructure, property, plant and equipment (IPPE), are recorded in the Statement of Financial Position at $101.3 million. The Code and Australian Accounting Standards require revaluations to be performed with sufficient regularity to ensure the carrying amount does not materially differ from fair value.

The Code required Council to perform a full revaluation of IPPE every five years. Council last revalued Roads, Bridges, Footpaths and Bulk earthworks (non-depreciable) as at 30 June 2012. Council has not provided sufficient appropriate evidence to demonstrate the reported amount of $101.3 million reflects fair value at 30 June 2017. This is a limitation on the scope of my audit. As Council has not conducted a full revaluation, I am unable to quantify the effects of any potential misstatement.

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. 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 Budget included in the Income Statement, Statement of Cash Flows, Note 2(a) Council functions/activities – financial information and Note 16 Material budget variations
- on the attached Special Schedules. I have issued a separate opinion on Special Schedule 8 - Permissible Income Calculation
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Lawrissa Chan
Director, Financial Audit Services

30 October 2017
SYDNEY

audit office
OF NEW SOUTH WALES

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

Contact: Lawrissa Chan
Phone no: 9275 7100
Our ref: D1727106/1745

30 October 2017

Dear Mayor

Report on the Conduct of the Audit
for the year ended 30 June 2017
Junee Shire Council

We have audited the general purpose financial statements of Junee Shire Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

We have expressed a modified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires us to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue during my audit of the Council's financial statements.

Modified audit opinion

Council's roads, bridges, footpaths and bulk earthworks, which form part of its infrastructure, property, plant and equipment (IPPE), are reported in the statement of financial position at $101.3 million. The Code and Australian Accounting Standards require revaluations to be performed with sufficient regularity to ensure the carrying amount does not materially differ from fair value.

The Code required Council to perform a full revaluation of IPPE every five years. Council last revalued roads, bridges, footpaths and bulk earthworks as at 30 June 2012. Council has not provided sufficient appropriate evidence to demonstrate the reported amount of $101.3 million reflects fair value at 30 June 2017. This is a limitation on the scope of my audit. As Council has not conducted a full revaluation, I am unable to quantify the effects of any potential misstatement.

INCOME STATEMENT

Operating result

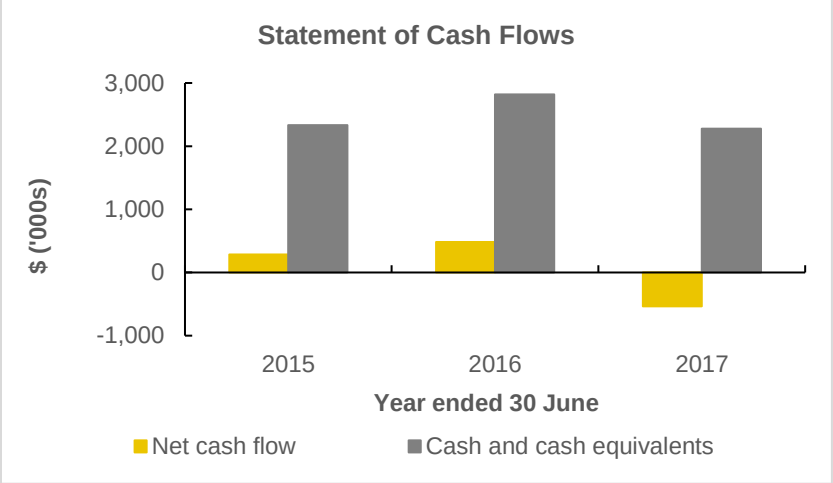
	2017 $'000	2016 $'000	Variance %
Rates and annual charges revenue	5,012	4,630	8.3 ↑
Grants and contributions revenue	7,637	6,852	11.5 ↑
Operating result for the year	2,704	2,044	32.3 ↑
Net operating result before capital amounts	1,982	846	134.3 ↑

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

- Council's operating surplus improved from $2 million in the previous year to $2.7 million in the current year. This is driven by the receipt of $1.3 million (50 per cent) of the 2017-2018 Financial Assistance Grant in June 2017. Council budgeted for a surplus of $1.2 million.
- The net operating result before capital contributions was a surplus of $2.0 million against the previous year's surplus of $0.8 million.
- Rates and annual charges have increased by $0.4 million (8.3 per cent) compared with the prior year. The increase in ordinary rate income is attributable to the approved Special Rate Variation, which included a 9.0 per cent increase in 2017.
- Grants and contributions revenue increased by $0.8 million (11.5 per cent) compared with the prior year. The Council received $1.3 million (50 per cent) of its Financial Assistance Grants for 2017–18 in advance.
- Council's depreciation and amortisation expense decreased compared to the prior year by $0.1 million.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities amounted to $4.0 million, which is consistent with the prior year.
- Net Cash used in investing activities amounted to ($4.3 million). This is largely due to the net cash outflow of ($4.5 million) for infrastructure, property, plant and equipment additions during the year, with $3.4 million being invested in roads. Also, $1 million relating to purchase of investment securities.
- We highlight that the cash and cash equivalents figures noted above excludes long term deposits (> 3 months) classified as investments. For 2017, the Council has $1 million of investments (2016: nil, 2015: nil).



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	$'000	$'000	
External restrictions	2,961	2,395	
Internal restrictions	285	281	
Unrestricted	33	141	
Cash and investments	**3,279**	**2,817**	

- Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in externally restricted cash balances includes an increase of $0.2 million in specific purpose unexpended grants. $0.4 million of this relates to the local roads portion of the $1.3 million Financial Assistance Grant payment for 2017/2018 received in advance. $2.1 million of the external restriction relates to the sewer fund.
- 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. We have observed limited movement in internal restrictions during 2017.
- Council has a decreasing level of unrestricted cash and investments held at 30 June 2017 compared to the prior year. This is consistent with the $0.1 million increase in Receivables (Note 7).

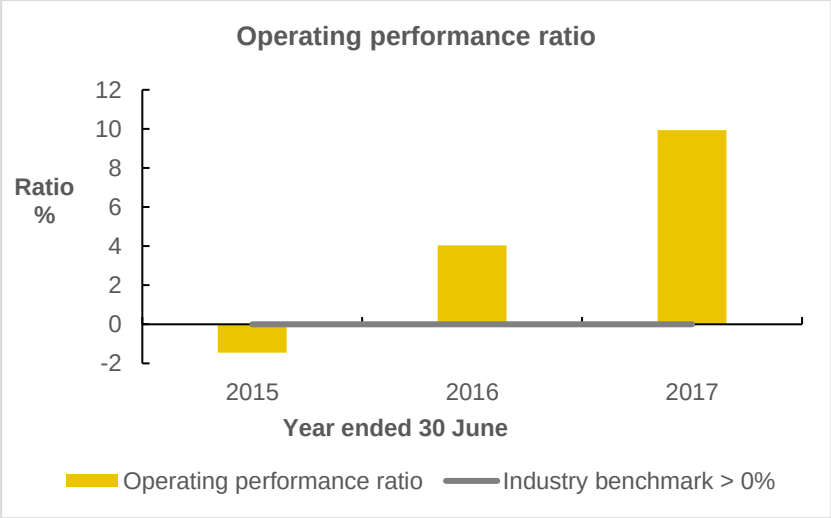
Debt

Council continues to hold a significant level of debt, with a balance of $8.1 million as at 30 June 2017 (2016: $8.3 million).

PERFORMANCE RATIOS

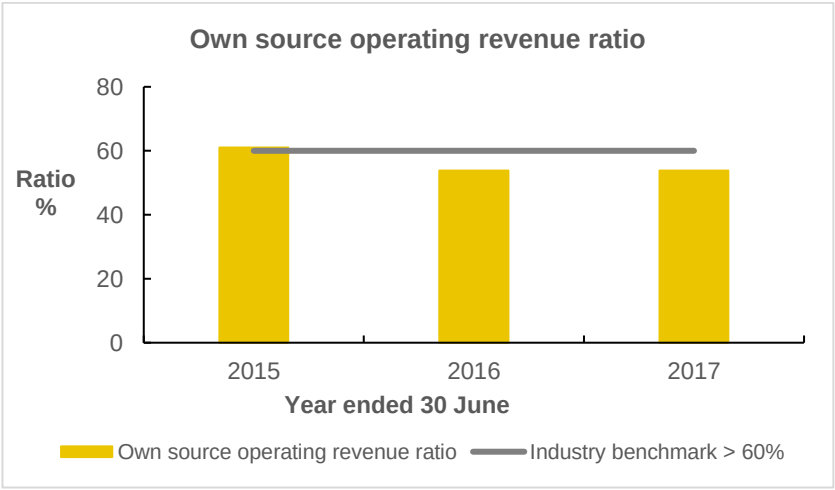
Operating performance ratio

- The 'operating performances ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio improved to 9.93 per cent and remained well above the industry benchmark of 0 per cent. This is due to Council receiving $1.3 million (50 per cent) of its 2017/18 Financial Assistance Grants in advance.



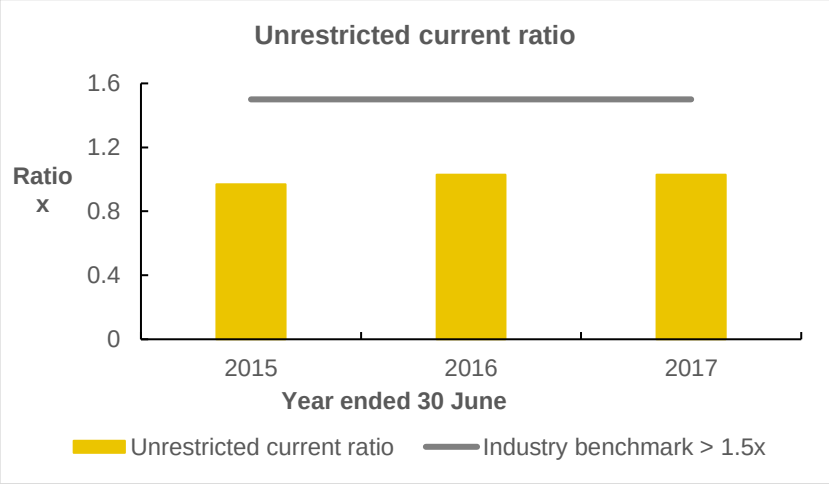
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- Council's own source operating revenue has decreased over the last three years and is below the industry benchmark of 60 per cent. This is predominantly due to the receipt of $1.3 million (50 per cent) Financial Assistance Grants for 2017–18 in advance.



Unrestricted current ratio

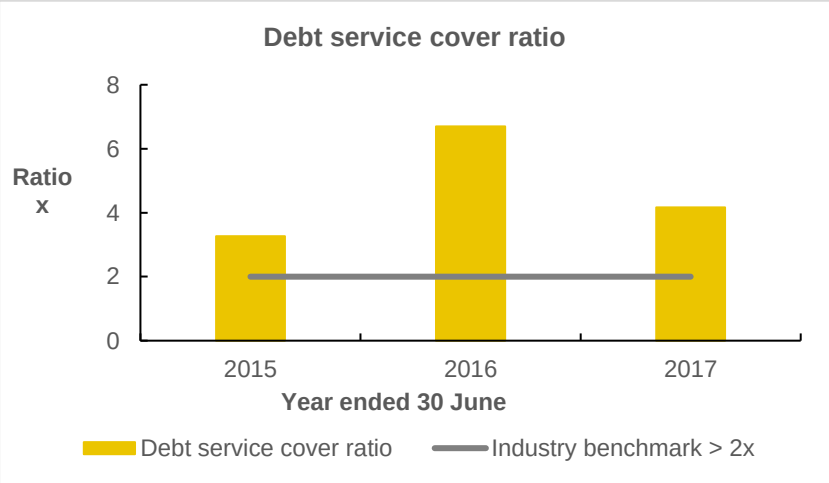
- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- This ratio indicates that Council currently has $1.03 of unrestricted assets available to service every $1.00 of its unrestricted current liabilities, including loan repayments and payables. A ratio of 1.03x is below the industry benchmark minimum. This indicates that Council needs to improve its liquidity position to be able to meet its current liabilities when they fall due.



Debt service cover ratio

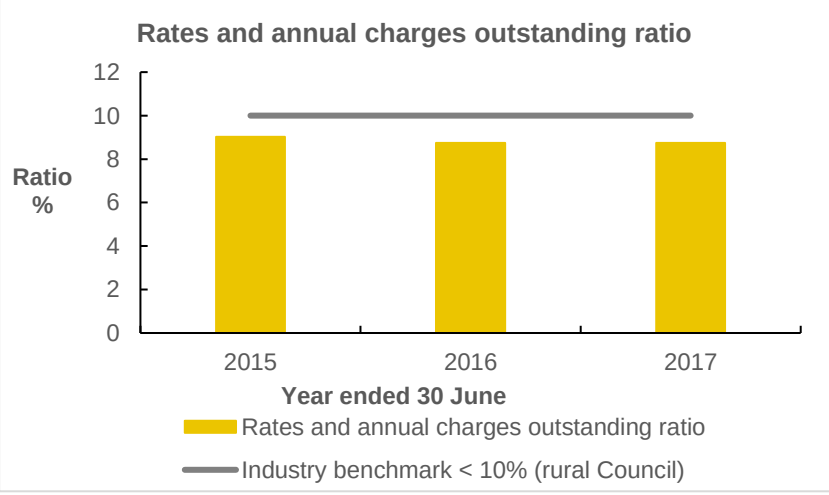
- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The debt service cover ratio of 4.17 times (2016: 6.7 times) indicates the Council has adequate revenue to cover the principal repayments and borrowing costs. The Council has consistently been above the industry minimum benchmark of 2.0 times.

  The Council's debt service cover ratio in 2017 was positively impacted by the prepayment of the 2017–18 Financial Assistance Grant.



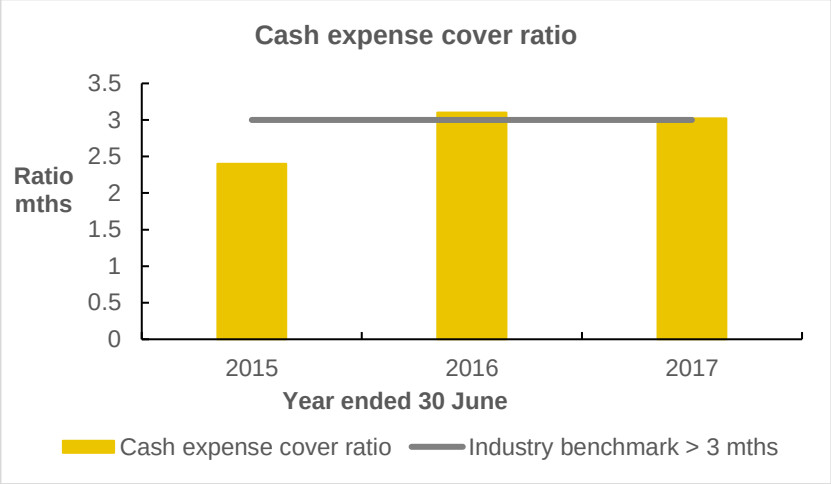
Rates and annual charges outstanding ratio

- 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 rural councils.
- The outstanding rates and annual charges percentage is stable across the three year period shown and is below the benchmark for rural councils which is a reflection of the sound debt recovery procedures in place at the Council.



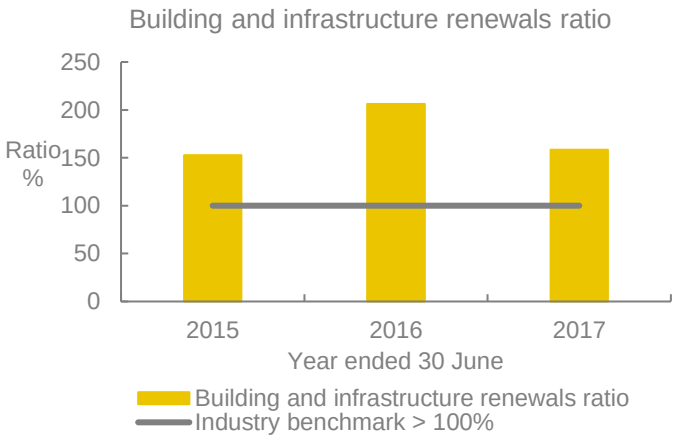
Cash expense cover ratio

- This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- At 30 June 2017, the Council had the capacity to cover 3.02 months of cash expenditure without additional cash inflows. This is at industry benchmark minimum level. This ratio has been affected by higher repayment of loan principal in the reporting period (2017: $0.6 million, 2016: $0.1 million)



Building and Infrastructure renewals ratio

- The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.
- This ratio is sourced from information contained in Council's Special Schedule 7 which has not been audited.
- Council has remained above the benchmark in both the current and prior period, indicating that Council is actively renewing its building and infrastructure assets.
- We highlight that this ratio should not be viewed in isolation. A long-term view should be taken, as capital expenditure fluctuates from year to year and can distort this ratio.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

Legislative compliance

My audit procedures identified non-compliance with the *Local Government Code of Accounting Practice and Financial Reporting* that will be reported to the Local Government Minister.

Council has not revalued roads, bridges, footpaths and bulk earthworks since 30 June 2012. This is a departure from the *Local Government Code of Accounting Practice and Financial Reporting* which requires Council to undertake formal valuations at least once every five years.

Other than the matter described above, our audit procedures did not identify any further reportable findings on the Council's compliance with legislative requirements.

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

30 October 2017
SYDNEY

cc: Keith White, Director Finance & Administration
James Davis, General Manager

Junee Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"Make Tracks"

Junee Shire Council

Special Purpose Financial Statements
for the year ended 30 June 2017

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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 2017

Statement by Councillors and Management
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

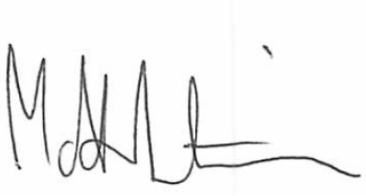
To the best of our knowledge and belief, these financial statements:

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

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

Signed in accordance with a resolution of Council made on 17 October 2017.

Cr Neil Smith
Mayor



Cr Matt Austin
Councillor

Mr James Davis
General manager

Mr Bradley Pascoe
Responsible accounting officer

Junee Shire Council

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

$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	607	595
User charges	83	81
Liquid trade waste charges	–	–
Fees	–	–
Interest	43	54
Grants and contributions provided for non-capital purposes	14	16
Profit from the sale of assets	–	–
Other income	–	–
Total income from continuing operations	**747**	**746**
Expenses from continuing operations		
Employee benefits and on-costs	198	371
Borrowing costs	–	–
Materials and contracts	285	45
Depreciation, amortisation and impairment	220	307
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	34	33
Total expenses from continuing operations	**737**	**756**
Surplus (deficit) from continuing operations before capital amounts	**10**	**(10)**
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	**10**	**(10)**
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	**10**	**(10)**
Less: corporate taxation equivalent (30%) [based on result before capital]	(3)	–
SURPLUS (DEFICIT) AFTER TAX	**7**	**(10)**
Plus opening retained profits	4,996	5,006
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	3	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	**5,006**	**4,996**
Return on capital %	**0.1%**	**-0.1%**
Subsidy from Council	**229**	**–**
Calculation of dividend payable:		
Surplus (deficit) after tax	7	(10)
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	**7**	**–**
Potential dividend calculated from surplus	**4**	**–**

Junee Shire Council

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

$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	2,107	1,668
Investments	–	–
Receivables	99	89
Inventories	–	–
Other	–	–
Total current Assets	**2,206**	**1,757**
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	10,048	10,726
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	**10,048**	**10,726**
TOTAL ASSETS	**12,254**	**12,483**
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	52
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	**–**	**52**
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	**–**	**–**
TOTAL LIABILITIES	**–**	**52**
NET ASSETS	12,254	12,431
EQUITY		
Retained earnings	5,006	4,996
Revaluation reserves	7,248	7,435
Other reserves	–	–
Council equity interest	12,254	12,431
Non-controlling equity interest	–	–
TOTAL EQUITY	12,254	12,431

Junee Shire Council

Special Purpose Financial Statements
for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

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2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	9

Junee Shire Council

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

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

(where gross operating turnover is over $2 million)

Nil

Category 2

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

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, with the exception of some figures disclosed in Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) 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-

Junee Shire Council

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

Note 1. Significant accounting policies (continued)

nominated business activities and are reflected in Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Junee Shire Council

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

Note 1. Significant accounting policies (continued)

return' pricing and revenue generated from prices set by Council in any given financial year.

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

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

(iv) Dividends

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

Local government 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 sewerage assessments at 30 June 2017 multiplied by $30 (less the payment for tax equivalent charges, not exceeding $3 per assessment).

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

Junee Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

1. Calculation and payment of tax-equivalents
[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by $3/assessment	5,139
(iii)	Amounts payable for tax equivalents **[lesser of (i) and (ii)]**	–
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends **[calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]**	3,500
(ii)	Number of assessments x ($30 less tax equivalent charges per assessment)	51,390
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	31,200

2017 Surplus	7,000	**2016 Surplus**	(10,000)	**2015 Surplus**	34,200
		2016 Dividend	–	**2015 Dividend**	–

(iv)	Maximum dividend from surplus **[least of (i), (ii) and (iii) above]**	3,500
(v)	Dividend actually paid from surplus **[refer below for required pre-dividend payment criteria]**	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? [a]	YES

3. Required outcomes for 4 criteria
[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)		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]**		NO
	Complying charges	**(a)** Residential **[item 2 (c) in table 1]**	YES
		(b) Non-residential **[item 2 (c) in table 1]**	NO
		(c) Trade waste **[item 2 (d) in table 1]**	YES
	DSP with commercial developer charges **[item 2 (e) in table 1]**		NO
	Liquid trade waste approvals and policy **[item 2 (f) in table 1]**		YES
(iii)	Complete performance reporting form **(by 15 September each year)**		YES
(iv)	a. Integrated water cycle management evaluation		NO
	b. Complete and implement integrated water cycle management strategy		NO

Junee Shire Council

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

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated)			2017
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	704
NWI F10	Written down replacement cost of fixed assets (sewerage) **Written down current cost of system assets (s48)**	$'000	10,048
NWI F12	Operating cost (sewerage) **Management expenses (s1) + operational and maintenance expenses (s2)**	$'000	519
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)]**	%	-0.35%
NWI F27	Capital works grants (sewerage) **Grants for the acquisition of assets (12a)**	$'000	–
National Water Initiative (NWI) financial performance indicators Water and sewer (combined)			
NWI F3	Total income (water and sewerage) **Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)**	$'000	704
NWI F8	Revenue from community service obligations (water and sewerage) **Community service obligations (NWI F25) x 100 divided by total income (NWI F3)**	%	1.99%
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)]**	%	-0.35%
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 2017

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

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

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

NWI F22 Net debt to equity (water and sewerage) — % — -17.19%
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) — –
Earnings before interest and tax (EBIT) divided by net interest

Earnings before interest and tax (EBIT): - 35
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: - 43
Interest expense (w4a + s4a) – interest income (w9 + s10)

NWI F24 Net profit after tax (water and sewerage) — $'000 — 8
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 — 14
Grants for pensioner rebates (w11b + s12b)

Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.

2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.

a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Junee Shire Council

To the Councillors of the Junee Shire Council

Opinion

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

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

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

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

Basis for Opinion

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

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

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

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

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.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling

Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 28 October 2017.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

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 statements on any website where they may be presented
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about any other information which may have been hyperlinked to/from the financial statements.

Lawrissa Chan
Director, Financial Audit Services

30 October 2017
SYDNEY

Junee Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

"Make Tracks"

Junee Shire Council

Special Schedules
for the year ended 30 June 2017

Contents

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Special Schedules[1]		
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Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
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[1] Special Schedules are not audited (with the exception of Special Schedule 8).

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 2017

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	**141**	**–**	**–**	**(141)**
Administration	**1,891**	**662**	**–**	**(1,229)**
Public order and safety				
Fire service levy, fire protection, emergency services	221	14	–	**(207)**
Beach control	–	–	–	**–**
Enforcement of local government regulations	107	6	–	**(101)**
Animal control	62	12	–	**(50)**
Other	9	–	–	**(9)**
Total public order and safety	**399**	**32**	**–**	**(367)**
Health	**–**	**–**	**–**	**–**
Environment				
Noxious plants and insect/vermin control	88	45	–	**(43)**
Other environmental protection	6	6	–	**–**
Solid waste management	880	749	–	**(131)**
Street cleaning	1	–	–	**(1)**
Drainage	74	50	–	**(24)**
Stormwater management	–	–	–	**–**
Total environment	**1,049**	**850**	**–**	**(199)**
Community services and education				
Administration and education	–	93	–	**93**
Social protection (welfare)	–	–	–	**–**
Aged persons and disabled	253	253	–	**–**
Children's services	1,111	1,189	–	**78**
Total community services and education	**1,364**	**1,535**	**–**	**171**
Housing and community amenities				
Public cemeteries	112	75	–	**(37)**
Public conveniences	78	–	–	**(78)**
Street lighting	76	18	–	**(58)**
Town planning	329	113	102	**(114)**
Other community amenities	119	17	–	**(102)**
Total housing and community amenities	**714**	**223**	**102**	**(389)**
Water supplies	**–**	**–**	**–**	**–**
Sewerage services	**672**	**704**	**–**	**32**

Junee Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	335	41	–	**(294)**
Museums	–	–	–	**–**
Art galleries	–	–	–	**–**
Community centres and halls	108	25	–	**(83)**
Performing arts venues	–	–	–	**–**
Other performing arts	–	–	–	**–**
Other cultural services	–	–	–	**–**
Sporting grounds and venues	388	6	–	**(382)**
Swimming pools	1,370	351	–	**(1,019)**
Parks and gardens (lakes)	–	–	–	**–**
Other sport and recreation	337	–	–	**(337)**
Total recreation and culture	**2,538**	**423**	**–**	**(2,115)**
Fuel and energy	**–**	**–**	**–**	**–**
Agriculture	**–**	**–**	**–**	**–**
Mining, manufacturing and construction				
Building control	–	–	–	**–**
Other mining, manufacturing and construction	–	–	–	**–**
Total mining, manufacturing and const.	**–**	**–**	**–**	**–**
Transport and communication				
Urban roads (UR) – local	1,965	–	–	**(1,965)**
Urban roads – regional	–	–	–	**–**
Sealed rural roads (SRR) – local	1,801	929	620	**(252)**
Sealed rural roads (SRR) – regional	216	443	–	**227**
Unsealed rural roads (URR) – local	408	–	–	**(408)**
Unsealed rural roads (URR) – regional	–	–	–	**–**
Bridges on UR – local	–	–	–	**–**
Bridges on SRR – local	–	–	–	**–**
Bridges on URR – local	–	–	–	**–**
Bridges on regional roads	–	–	–	**–**
Parking areas	–	–	–	**–**
Footpaths	18	–	–	**(18)**
Aerodromes	–	–	–	**–**
Other transport and communication	804	2,411	–	**1,607**
Total transport and communication	**5,212**	**3,783**	**620**	**(809)**
Economic affairs				
Camping areas and caravan parks	–	17	–	**17**
Other economic affairs	266	273	–	**7**
Total economic affairs	**266**	**290**	**–**	**24**
Totals – functions	**14,246**	**8,502**	**722**	**(5,022)**
General purpose revenues (1)		**7,726**		**7,726**
Share of interests – joint ventures and associates using the equity method	**–**	**–**		**–**
NET OPERATING RESULT (2)	**14,246**	**16,228**	**722**	**2,704**

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Junee Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	**–**							–	**–**
NSW Treasury Corporation	–	–	**–**							–	**–**
Other State Government	–	–	**–**							–	**–**
Public subscription	–	–	**–**							–	**–**
Financial institutions	1,026	7,278	**8,304**	380	598	–	–	400	993	7,093	**8,086**
Other	–	–	**–**							–	**–**
Total loans	**1,026**	**7,278**	**8,304**	**380**	**598**	**–**	**–**	**400**	**993**	**7,093**	**8,086**
Other long term debt											
Ratepayers advances	–	–	**–**							–	**–**
Government advances	–	–	**–**							–	**–**
Finance leases	–	–	**–**							–	**–**
Deferred payments	–	–	**–**							–	**–**
Total long term debt	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total debt	**1,026**	**7,278**	**8,304**	**380**	**598**	**–**	**–**	**400**	**993**	**7,093**	**8,086**

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

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 2017

$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	61	82
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	35	82
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	21	27
i. Effluent management	29	25
j. Biosolids management	–	–
k. Maintenance expenses	170	233
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	203	–
3. Depreciation expenses		
a. System assets	220	307
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	**739**	**756**

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 2017

$'000		Actuals 2017	Actuals 2016
	Income		
6.	**Residential charges** (including rates)	607	595
7.	**Non-residential charges**		
	a. Access (including rates)	–	–
	b. Usage charges	83	81
8.	**Trade waste charges**		
	a. Annual fees	–	–
	b. Usage charges	–	–
	c. Excess mass charges	–	–
	d. Re-inspection fees	–	–
9.	**Extra charges**	–	–
10.	**Interest income**	43	54
11.	**Other income**	–	–
11a.	**Aboriginal Communities Water and Sewerage Program**	–	–
12.	**Grants**		
	a. Grants for acquisition of assets	–	–
	b. Grants for pensioner rebates	14	16
	c. Other grants	–	–
13.	**Contributions**		
	a. Developer charges	–	–
	b. Developer provided assets	–	–
	c. Other contributions	–	–
14.	**Total income**	**747**	**746**
15.	**Gain (or loss) on disposal of assets**	–	–
16.	**Operating result**	**8**	**(10)**
16a.	**Operating result (less grants for acquisition of assets)**	8	(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 2017

$'000		Actuals 2017	Actuals 2016
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**	–	–
	Non-operating funds employed		
20.	**Proceeds from disposal of assets**	–	–
21.	**Borrowing utilised**	–	–
22.	**Totals**	–	–
C	**Rates and charges**		
23.	**Number of assessments**		
	a. Residential (occupied)	1,437	1,437
	b. Residential (unoccupied, ie. vacant lot)	131	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)**	$ 32,003	$ 32,766

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 2017

$'000		Actuals Current	Actuals Non-current	Actuals Total
	ASSETS			
26.	**Cash and investments**			
	a. Developer charges	–	–	–
	b. Special purpose grants	–	–	–
	c. Accrued leave	–	–	–
	d. Unexpended loans	–	–	–
	e. Sinking fund	–	–	–
	f. Other	2,107	–	**2,107**
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	–	10,048	**10,048**
	b. Plant and equipment	–	–	–
30.	**Other assets**	–	–	–
31.	**Total assets**	**2,206**	**10,048**	**12,254**
	LIABILITIES			
32.	**Bank overdraft**	–	–	–
33.	**Creditors**	–	–	–
34.	**Borrowings**	–	–	–
35.	**Provisions**			
	a. Tax equivalents	–	–	–
	b. Dividend	–	–	–
	c. Other	–	–	–
36.	**Total liabilities**	**–**	**–**	**–**
37.	**NET ASSETS COMMITTED**	**2,206**	**10,048**	**12,254**
	EQUITY			
38.	Accumulated surplus			5,006
39.	Asset revaluation reserve			7,248
40.	Other reserves			–
41.	**TOTAL EQUITY**			**12,254**
	Note to system assets:			
42.	**Current replacement cost** of system assets			22,568
43.	Accumulated **current cost** depreciation of system assets			(12,520)
44.	Written down **current cost** of system assets			**10,048**

Junee Shire Council

Notes to Special Schedule 5
for the year ended 30 June 2017

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 2017

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance[a]	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council offices / Administration Centres	11	11	5	7	738	1,593			100%		0%
	Council Works Depot	24	24	16	14	372	803		45%	45%	4%	6%
	Council Public Halls	–	–	3	2	1,220	2,633	100%				0%
	Council Houses	–	–	9	6	573	1,237	95%				5%
	Medical Centre	–	–	9	12	893	1,929	100%				0%
	Museum	17	17	4	12	892	1,927			100%		0%
	Library	–	–	10	7	2,165	4,675	100%				0%
	Amenities/Toilets	45	45	17	15	–	–	22%	58%		20%	
	Swimming Pool	50	50	7	8	915	1,976		100%			0%
	Recreation Centre	54	54	9	9	4,103	8,857	98%		2%		0%
	Other	132	132	18	19	806	1,739	25%	30%	25%	10%	10%
	Sub-total	**333**	**333**	**106**	**111**	**12,678**	**27,369**	**71.3%**	**10.4%**	**16.4%**	**0.8%**	**1.0%**
Other structures	Other structures	281	281	22	17	2,637	4,369	22%	60%	5%	12%	1%
	Sub-total	**281**	**281**	**22**	**17**	**2,637**	**4,369**	**22.0%**	**60.0%**	**5.0%**	**12.0%**	**1.0%**
Roads	Sealed Roads Surface	182	182	221	209	11,113	13,271	27%	27%	41%	4%	1%
	Sealed Roads Structure	697	697	422	270	60,598	72,365	16%	16%	61%	6%	1%
	Unsealed Roads	366	366	172	130	7,084	8,459	8%	27%	60%	5%	0%
	Bridges	–	–	–	–	6,685	7,984	12%	61%	24%	3%	0%
	Footpaths	–	–	3	1	10,965	13,095	85%	9%	6%		0%
	Kerb & Gutter	–	–	2	2	3,379	4,035	38%	38%	16%	7%	1%
	Sub-total	**1,246**	**1,245**	**819**	**611**	**101,275**	**119,208**	**24.7%**	**21.0%**	**48.7%**	**4.9%**	**0.8%**

Junee Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance[a]	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Mains	1,931	1,931	134	121	6,264	13,407	29%	15%	4%	52%	0%
	Treatment	256	256	107	92	979	2,095			34%	23%	43%
	Effluent Reuse	43	43	48	39	2,806	6,006	60%	38%	2%		0%
	Sub-total	**2,229**	**2,230**	**289**	**252**	**10,048**	**21,507**	**34.8%**	**20.0%**	**6.4%**	**34.7%**	**4.2%**
Stormwater drainage	Pipes/Culverts	109	109	14	11	1,173	1,173		2%	95%	3%	0%
	Urban Drainage Infrastructure	10	10	3	17	2,796	2,796	37%	21%	38%	4%	0%
	Sub-total	**119**	**119**	**17**	**28**	**3,969**	**3,969**	**26.1%**	**15.4%**	**54.8%**	**3.7%**	**0.0%**
	TOTAL – ALL ASSETS	**4,207**	**4,208**	**1,253**	**1,017**	**130,607**	**176,422**	**33.1%**	**20.1%**	**37.6%**	**8.0%**	**1.2%**

Notes:

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

Infrastructure asset condition assessment 'key'

1	**Excellent**	No work required (normal maintenance)
2	**Good**	Only minor maintenance work required
3	**Average**	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 2017

$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals [1]	**3,680**	**158.48%**	>= 100%	206.21%	152.85%
Depreciation, amortisation and impairment	**2,322**				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	**4,207**	**4.70%**	< 2%	6.34%	5.97%
Net carrying amount of infrastructure assets	**89,526**				
3. Asset maintenance ratio					
Actual asset maintenance	**1,017**	**0.81**	> 1.00	0.87	0.87
Required asset maintenance	**1,253**				

Notes

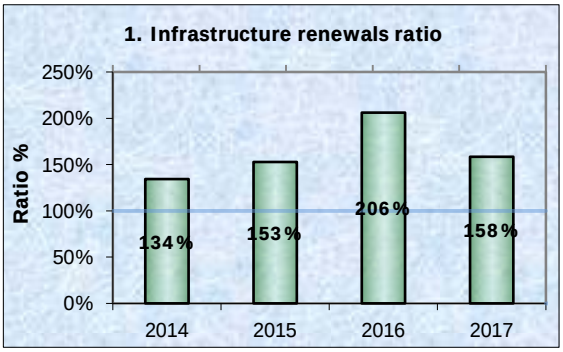
***** All asset performance indicators are calculated using the asset classes identified in the previous table.

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

Junee Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017



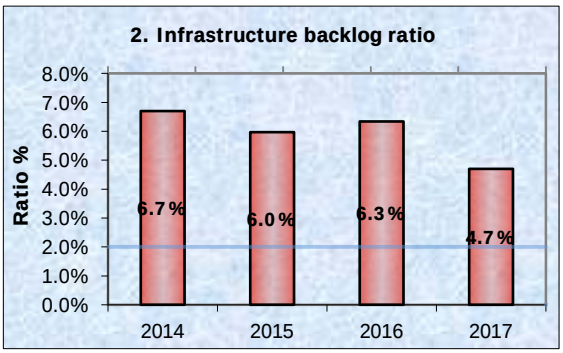
Purpose of asset renewals ratio

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

2016/17 Ratio 158.48%

Benchmark: ——— Minimum >=100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



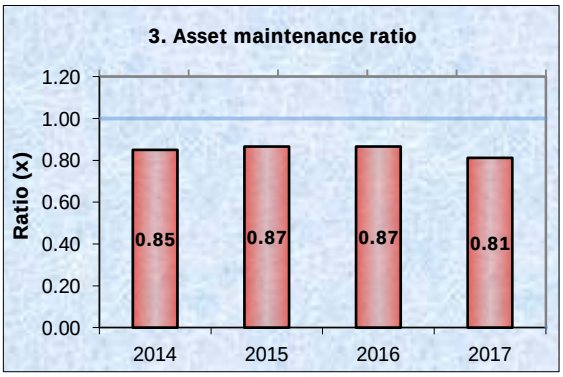
Purpose of infrastructure backlog ratio

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

2016/17 Ratio 4.70%

Benchmark: ——— Maximum <2.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

2016/17 Ratio 0.81 x

Benchmark: ——— Minimum >1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark

Junee Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

$ '000	Benchmark	Sewer 2017	General [1] 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals [2] / Depreciation, amortisation and impairment	>= 100%	**24.09%**	**172.55%**
	prior period:	0.00%	242.66%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard / Net carrying amount of infrastructure assets	< 2%	**22.19%**	**2.49%**
	prior period:	27.71%	3.39%
3. Asset maintenance ratio			
Actual asset maintenance / Required asset maintenance	> 1.00	**0.87**	**0.79**
	prior period:	0.93	0.85

Notes

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

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

Junee Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation [1]			
Last year notional general income yield	a	3,490	3,824
Plus or minus adjustments [2]	b	18	(12)
Notional general income	c = (a + b)	**3,508**	**3,812**
Permissible income calculation			
Special variation percentage [3]	d	9.00%	0.00%
Or rate peg percentage	e	1.80%	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)	316	–
Or plus rate peg amount	i = c x e	–	57
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	**3,824**	**3,869**
Plus (or minus) last year's carry forward total	l	–	(0)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	**–**	**(0)**
Total permissible income	o = k + n	**3,824**	**3,869**
Less notional general income yield	p	3,824	3,871
Catch-up or (excess) result	q = o – p	**(0)**	**(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	**(0)**	**(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 8 in the financial data return (FDR) to administer this process.

INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Junee Shire Council

To the Councillors of Junee Shire Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Junee Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Junee Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 28 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.

Lawrissa Chan
Director, Financial Audit Services

30 October 2017
SYDNEY