

Cootamundra-Gundagai Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the period 13 May 2016 to 30 June 2017



**COOTAMUNDRA-
GUNDAGAI** REGIONAL
COUNCIL

Cootamundra-Gundagai Regional Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Cootamundra-Gundagai Regional Council.
- (ii) Cootamundra-Gundagai Regional 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.
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Cootamundra-Gundagai Regional Council

General Purpose Financial Statements

for the period 13 May 2016 to 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 period 13 May 2016 to 30 June 2017, 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 19 October 2017.



Abb McAlister
Mayor



Dennis Palmer
Councillor



Allen Dwyer
General Manager



Kate Monaghan
Responsible accounting officer

Cootamundra-Gundagai Regional Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	12,875
User charges and fees	3b	6,576
Interest and investment revenue	3c	1,350
Other revenues	3d	867
Grants and contributions provided for operating purposes	3e,f	16,787
Grants and contributions provided for capital purposes	3e,f	9,939
<i>Other income:</i>		
Net gains from the disposal of assets	5	241
Net share of interests in joint ventures and associates using the equity method	19	—
Total income from continuing operations		48,635
Expenses from continuing operations		
Employee benefits and on-costs	4a	12,093
Borrowing costs	4b	185
Materials and contracts	4c	9,959
Depreciation and amortisation	4d	9,322
Impairment	4d	—
Other expenses	4e	12,019
Interest and investment losses	3c	—
Net losses from the disposal of assets	5	—
Total expenses from continuing operations		43,578
Operating result from continuing operations		5,057
Discontinued operations		
Net profit/(loss) from discontinued operations	24	—
Net operating result for the period		5,057
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	400,288
Net result for the period		405,345
Net operating result attributable to Council		405,345
Net operating result attributable to non-controlling interests		—
Net operating result for the period before grants and contributions provided for capital purposes		(4,882)

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

Cootamundra-Gundagai Regional Council

Statement of Comprehensive Income

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		405,345
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,667
Total items which will not be reclassified subsequently to the operating result		1,667
Amounts which will be reclassified subsequently to the operating result when specific conditions are met		
Nil		
Total other comprehensive income for the period		1,667
Total comprehensive income for the period		407,012
Total comprehensive income attributable to Council		407,012
Total comprehensive income attributable to non-controlling interests		–

Cootamundra-Gundagai Regional Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	7,555
Investments	6b	33,826
Receivables	7	3,148
Inventories	8	1,163
Other	8	1
Total current assets		45,693
Non-current assets		
Investments	6b	–
Receivables	7	–
Inventories	8	826
Infrastructure, property, plant and equipment	9	369,324
Investments accounted for using the equity method	19	–
Intangible assets	25	299
Other	8	–
Total non-current assets		370,449
TOTAL ASSETS		416,142
LIABILITIES		
Current liabilities		
Payables	10	2,374
Income received in advance	10	–
Borrowings	10	410
Provisions	10	3,026
Total current liabilities		5,810
Non-current liabilities		
Payables	10	–
Income received in advance	10	–
Borrowings	10	3,049
Provisions	10	271
Total non-current liabilities		3,320
TOTAL LIABILITIES		9,130
Net assets		407,012
EQUITY		
Retained earnings	20	405,345
Revaluation reserves	20	1,667
Other reserves	20	–
Council equity interest		407,012
Total equity		407,012

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

Cootamundra-Gundagai Regional Council

Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17

\$ '000	Notes	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Actual Total equity
Opening balance		-	-	-	-	-	-
a. Correction of prior period errors	20 (c)	-	-	-	-	-	-
b. Changes in accounting policies (prior year effects)	20 (d)	-	-	-	-	-	-
Revised opening balance		-	-	-	-	-	-
c. Net result for the year		405,345	-	-	405,345	-	405,345
d. Other comprehensive income							
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	-	1,667	-	1,667	-	1,667
– Revaluations: other reserves	20b (ii)	-	-	-	-	-	-
– Transfers to Income Statement	20b (ii)	-	-	-	-	-	-
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-	-
– Joint ventures and associates	19b	-	-	-	-	-	-
– Other reserves movements	20b (ii)	-	-	-	-	-	-
Other comprehensive income		-	1,667	-	1,667	-	1,667
Total comprehensive income (c&d)		405,345	1,667	-	407,012	-	407,012
e. Distributions to/(contributions from) non-controlling interests		-	-	-	-	-	-
f. Transfers between equity		-	-	-	-	-	-
Equity – balance at end of the reporting period		405,345	1,667	-	407,012	-	407,012

Cootamundra-Gundagai Regional Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		14,359
User charges and fees		6,074
Investment and interest revenue received		1,165
Grants and contributions		28,019
Other		2,635
Payments:		
Employee benefits and on-costs		(12,201)
Materials and contracts		(10,393)
Borrowing costs		(148)
Bonds, deposits and retention amounts refunded		(245)
Other		(6,985)
Net cash provided (or used in) operating activities	11b	22,280
Cash flows from investing activities		
Receipts:		
Sale of investment securities		25,638
Sale of real estate assets		195
Sale of infrastructure, property, plant and equipment		363
Deferred debtors receipts		10
Payments:		
Purchase of investment securities		(35,470)
Purchase of infrastructure, property, plant and equipment		(8,661)
Purchase of real estate assets		(107)
Net cash provided (or used in) investing activities		(18,032)
Cash flows from financing activities		
Receipts:		
Nil		
Payments:		
Repayment of borrowings and advances		(392)
Net cash flow provided (used in) financing activities		(392)
Net increase/(decrease) in cash and cash equivalents		3,856
Plus: cash transferred on amalgamation of councils	29	3,699
Cash and cash equivalents – end of the year	11a	7,555
Additional Information:		
plus: Investments on hand – end of year	6b	33,826
Total cash, cash equivalents and investments		41,381

Please refer to Note 11 for additional cash flow information

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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n/a – not applicable

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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

The local government Council Amalgamations Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of 2 former councils:

- Gundagai Shire Council
- Cootamundra Shire Council

to Cootamundra-Gundagai Regional Council as at 12 May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Cootamundra-Gundagai Regional Council, being 13 May 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of Gundagai Shire Council and Cootamundra Shire Council have been recognised by the Cootamundra-Gundagai Regional Council at the carrying amount recorded by the former councils.

Where the former councils had different accounting policies, an adjustment has been made on day 1 of the new council to align the policies and account for similar transactions and balances on the same basis. These adjustments have been performed as part of the assessment of the fair value of the assets and liabilities obtained.

Cootamundra-Gundagai Regional Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016, except for the following items which have been excluded from the carrying amounts. These are shown as an adjustment in Note 29.

- The former Cootamundra Shire Council recognised its partnership within the Riverina Regional Library as a joint venture, and applied the equity method of accounting based on the Council's proportional contribution to the library operations. Gundagai Shire Council did not recognise any asset or income for its

same agreement. In accordance with AASB 11, Council does not have joint control, and the agreement does not meet the definition of a joint venture or joint operation.

- The former Cootamundra and former Gundagai Shire Councils recognised plant and equipment and building assets that are owned and controlled by the NSW Rural Fire Service. These assets have been derecognised as they are not operated or controlled by the Council.

- The former Cootamundra Shire Council recognised capital levy amounts paid as a member of Statecover Insurance Mutual as an asset, where the former Gundagai Shire Council had recognised those payments as an expense. The value of the asset recognised by the former Cootamundra Shire Council was derecognised.

- The former Gundagai Shire Council recognised a provision for the restoration of gravel pits, however the amount of the provision could not be substantiated, and the provision has been derecognised.

After making these adjustments, the fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

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

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

(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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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 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 are recognised as revenue when the service has been provided.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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 purpose operations
- Water supply service
- Sewerage service

(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 established under the Local Government Act 1993 (NSW) to provide water services within its area of operation. Council is one of seven constituent members and neither controls nor significantly influences the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

(d) Leases

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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.

(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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(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 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
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks

Internally valued:

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

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other open space/recreational assets
- Other assets

The former Councils have for some classes, used different valuation methods. Therefore, some asset classes are listed above more than once. Council intends to progressively revalue all assets using a common methodology, progressively over the coming years.

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 and equipment

- Office equipment	5 to 20 years
- Office furniture	10 to 20 years
- Computer equipment	4 years
- Vehicles	5 to 10 years
- Heavy plant/road making equipment	5 to 8 years
- Other plant and equipment	5 to 15 years

Other equipment

- Playground equipment	5 to 15 years
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- Benches, seats etc.	10 to 20 years
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Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years

Water and sewer assets

- Reservoirs	40 to 100 years
- Treatment work	30 to 100 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Stormwater assets

- Drains	70 to 200 years
- Culverts	100 years
- Flood control structures	100 to 200 years

Transportation assets

- Sealed roads: surface	15 to 40 years
- Sealed roads: structure	75 to 125 years
- Unsealed roads	20 years
- Bridge: concrete	80 to 130 years
- Bridge: other	70 to 100 years
- Road pavements	100 years
- Kerb, gutter and footpaths	30 to 60 years

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	60 to 100 years
- Other open space/ Recreational assets	5 to 60 years

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

Council does not hold any investment properties as at 30 June 2017.

(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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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.

(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 long service 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 long service 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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(r) Land under roads

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

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

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

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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

(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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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.

Both former Councils had previously recognised rural fire service assets. Council has decided to derecognise these assets as at 13 May 2016 and are shown in note 29 as an adjustment.

(w) Goods and Services Tax (GST)

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

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

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

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

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

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

(y) Rounding of amounts

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

(z) Comparative figures

As Council is a new entity, prior year comparatives are not required in this current year.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current and non-current)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	15,004	3,972	11,032	14,742	–
Administration	3,103	5,617	(2,514)	108	48,170
Public order and safety	568	1,364	(796)	351	149
Health	6	141	(135)	–	–
Environment	3,029	2,504	525	505	13,184
Community services and education	2	50	(48)	2	853
Housing and community amenities	838	1,335	(497)	46	1,323
Water supplies	3,797	3,491	306	48	20,203
Sewerage services	2,748	9,150	(6,402)	47	27,889
Recreation and culture	884	3,046	(2,162)	535	26,327
Mining, manufacturing and construction	–	30	(30)	–	–
Transport and communication	2,864	11,842	(8,978)	1,735	271,093
Economic affairs	778	1,036	(258)	171	6,951
Total functions and activities	33,621	43,578	(9,957)	18,290	416,142
General purpose income ¹	15,014	–	15,014	7,235	–
Operating result from continuing operations	48,635	43,578	5,057	25,525	416,142

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		2,498
Farmland		3,460
Business		715
Total ordinary rates		6,673
Special rates		
Town improvement		254
Total special rates		254
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		1,870
Stormwater management services		116
Water supply services		1,498
Sewerage services		2,248
Waste management services (non-domestic)		216
Total annual charges		5,948
TOTAL RATES AND ANNUAL CHARGES		12,875

Council has used the following year valuations provided by the NSW Valuer General in calculating its rates:

Former Cootamundra Shire Council area – 2015

Former Gundagai Shire Council area – 2014

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services		1,965
Sewerage services		290
Total user charges		2,255
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation		263
Private works – section 67		153
Section 149 certificates (EPA Act)		23
Section 603 certificates		26
Total fees and charges – statutory/regulatory		465
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome		11
Caravan park		50
Cemeteries		312
Community centres		11
Leaseback fees – Council vehicles		43
Library and art gallery		21
Park rents		13
RMS (formerly RTA) charges (state roads not controlled by Council)		2,581
Saleyards		211
Swimming centres		134
Tourism		14
Waste disposal tipping fees		342
Water connection fees		14
Sewer connection fees		7
Sports stadium		15
Other		77
Total fees and charges – other		3,856
TOTAL USER CHARGES AND FEES		6,576

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		70
– Interest earned on investments (interest and coupon payment income)		1,245
Dividend income		35
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,350</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		70
General Council cash and investments		1,036
Restricted investments/funds – external:		
Water fund operations		123
Sewerage fund operations		121
Total interest and investment revenue recognised		<u>1,350</u>
(d) Other revenues		
Rental income – other council properties		187
Legal fees recovery – rates and charges (extra charges)		10
Commissions and agency fees		13
Diesel rebate		106
Insurance claim recoveries		12
Workers comp incentive payments		136
RFS reimbursement		304
Sales – miscellaneous		67
Other		32
<u>TOTAL OTHER REVENUE</u>		<u>867</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 13/5/16 to 30/6/17 Operating	Actual 13/5/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance – general component	3,239	–
Financial assistance – local roads component	1,459	–
Pensioners' rates subsidies – general component	114	–
FAG grants received in advance:		
Financial assistance – general component	1,674	–
Financial assistance – local roads component	749	–
Total general purpose	7,235	–
Specific purpose		
Pensioners' rates subsidies:		
– Water	48	–
– Sewerage	47	–
– Domestic waste management	77	–
Animal Control	15	–
Community centres	–	253
Economic development	35	35
Employment and training programs	5	–
Environmental protection	270	–
FESL implementation	78	–
Flood restoration	519	–
Library – per capita	64	–
LIRS subsidy	123	–
New Council Implementation Fund	5,000	–
Noxious weeds	58	–
Recreation and culture	4	276
Street lighting	45	–
Stronger Communities Fund	1,000	9,000
Transport (roads to recovery)	1,016	–
Transport (other roads and bridges funding)	–	218
Waste management – landfills	–	14
Waste management – green waste	85	–
Youth services	2	–
Other	3	–
Total specific purpose	8,494	9,796
Total grants	15,729	9,796
Grant revenue is attributable to:		
– Commonwealth funding	8,230	4
– State funding	7,461	9,792
– Other funding	38	–
	15,729	9,796

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17 Operating	Actual 13/5/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94A – fixed development consent levies		139	48
Total developer contributions	17	139	48
Other contributions:			
Recreation and culture		3	59
Roads and bridges		2	–
RMS contributions (regional roads, block grant)		914	36
Total other contributions		919	95
Total contributions		1,058	143
TOTAL GRANTS AND CONTRIBUTIONS		16,787	9,939

\$ '000	Actual 13/5/16 to 30/6/17
(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 (former Councils)	1,305
Add: grants and contributions recognised in the current period but not yet spent:	13,853
Less: grants and contributions recognised in a previous reporting period now spent:	(955)
Net increase (decrease) in restricted assets during the period	12,898
Unexpended and held as restricted assets	14,203
Comprising:	
– Specific purpose unexpended grants	1,585
– Merger implementation funds	3,698
– Stronger communities funds	8,920
	14,203

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		10,389
Travel expenses		72
Employee leave entitlements (ELE)		1,095
Superannuation		1,183
Workers' compensation insurance		372
Fringe benefit tax (FBT)		78
Training costs (other than salaries and wages)		171
Total employee costs		13,360
Less: capitalised costs		(1,267)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>12,093</u>
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		185
Total interest bearing liability costs expensed		185
(ii) Other borrowing costs		
Nil		
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>185</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		8,214
Contractor and consultancy costs		
– Elouera association (waste depot supervision)		226
– Road asphaltting contract		1,188
– Planning consultancy		117
– Contractor and consultancy costs – other		103
Auditors remuneration ⁽¹⁾		89
Legal expenses:		
– Legal expenses: planning and development		1
– Legal expenses: debt recovery		16
– Legal expenses: other		5
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>9,959</u>
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		72
Remuneration for audit and other assurance services		72
Total Auditor-General remuneration		72
a. During the year, the following fees were incurred for services provided by the other Council's Auditors:		
(i) Audit and other assurance services		
– Audit and review of financial statements: Council's Auditor		17
Remuneration for audit and other assurance services		17
Total remuneration of other Council's Auditors		17
Total Auditor remuneration		89

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		1,522
Office equipment		155
Furniture and fittings		53
Land improvements (depreciable)		14
Infrastructure:		
– Buildings – non-specialised		96
– Buildings – specialised		527
– Other structures		401
– Roads		4,130
– Bridges		444
– Footpaths		84
– Stormwater drainage		173
– Water supply network		577
– Sewerage network		936
– Swimming pools		93
– Other open space/recreational assets		25
Other assets		
– Heritage collections		1
– Other		43
Intangible assets	25	48
Total gross depreciation and amortisation costs		9,322
Less: capitalised costs		–
Total depreciation and amortisation costs		9,322
Impairment		
Nil		
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>9,322</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		61
Bad and doubtful debts		1
Bank charges		39
Cleaning		68
Computer software charges		157
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)		483
– Other contributions/levies		30
Administrator fee		157
Amalgamation expenses (excluding employee costs)		794
Committee fees		204
Committee expenses – other (excluding fees above)		7
Donations, contributions and assistance to other organisations (Section 356)		116
– Contribution regional library service		126
Electricity and heating		541
Fair value decrements – I,PP&E	9(a)	6,934
Fire and emergency services levy (FESL) implementation costs		8
Insurance		668
Postage		55
Printing and stationery		60
Street lighting		137
Stronger community grants paid		1,080
Subscriptions and publications		62
Telephone and communications		89
Tourism expenses (excluding employee costs)		84
Valuation fees		52
Other		6
<u>TOTAL OTHER EXPENSES</u>		<u>12,019</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Plant and equipment		
Proceeds from disposal – plant and equipment		296
Less: carrying amount of plant and equipment assets sold/written off		(218)
Net gain/(loss) on disposal		78
Real estate assets held for sale		
Proceeds from disposal – real estate assets		195
Less: carrying amount of real estate assets sold/written off		(32)
Net gain/(loss) on disposal		163
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets		25,638
Less: carrying amount of financial assets sold/redeemed/matured		(25,638)
Net gain/(loss) on disposal		–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>241</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		283	–
Cash-equivalent assets ¹			
– Deposits at call		7,272	–
Total cash and cash equivalents		7,555	–
Investments (Note 6b)			
– Long term deposits		33,826	–
Total investments		33,826	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		41,381	–

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'

7,555	–
-------	---

Investments

a. 'Held to maturity'

33,826	–
--------	---

Investments

33,826	–
--------	---

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	2017	
	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	41,381	–
attributable to:		
External restrictions (refer below)	14,154	–
Internal restrictions (refer below)	21,744	–
Unrestricted	5,483	–
	41,381	–

13/5/16 to 30/6/17	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
\$ '000				

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	1,515	–	(1,116)	399
External restrictions – included in liabilities	1,515	–	(1,116)	399

External restrictions – other

Developer contributions – general (B)	70	187	(257)	–
Specific purpose unexpended grants (C)	1,235	350	–	1,585
Water supplies (D)	3,722	913	–	4,635
Sewerage services (D)	3,803	619	–	4,422
Domestic waste management (D)	476	1,194	–	1,670
Stormwater management (D)	161	85	–	246
Town improvement district	1,414	–	(217)	1,197
External restrictions – other	10,881	3,348	(474)	13,755
Total external restrictions	12,396	3,348	(1,590)	14,154

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D 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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Actual Closing balance
Internal restrictions				
Plant and vehicle replacement	640	1,826	–	2,466
Infrastructure replacement	2,190	–	(2,190)	–
Employees leave entitlement	1,561	–	(165)	1,396
Incomplete works	1,065	579	(586)	1,058
Deposits, bonds & retentions	144	–	(144)	–
Depot consolidation	552	–	(552)	–
Merger implementation fund	–	3,698	–	3,698
Stronger communities fund	–	8,920	–	8,920
Prepaid financial assistance grant	–	2,423	–	2,423
Bradman's birthplace	–	23	–	23
Coolac bypass	–	104	–	104
Heritage centre	–	6	–	6
Swimming pool pump & equipment	–	6	–	6
Waste management	1,706	–	(1,706)	–
Tree management	132	–	(132)	–
Special projects	387	35	–	422
Saleyards	267	–	(2)	265
Office equipment	164	–	(164)	–
Gravel pit restorations	63	–	(63)	–
Future roads and bridges works	369	–	(369)	–
Development	460	119	–	579
Cootamundra caravan park	57	8	–	65
Aerodrome bitumen resurfacing	308	–	(74)	234
Quarries & pit restoration	17	62	–	79
Other	492	–	(492)	–
Total internal restrictions	10,574	17,809	(6,639)	21,744
TOTAL RESTRICTIONS	22,970	21,157	(8,229)	35,898

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
Purpose			
Rates and annual charges		594	–
Interest and extra charges		13	–
User charges and fees		1,154	–
Private works		13	–
Accrued revenues			
– Interest on investments		388	–
Deferred debtors		5	–
Government grants and subsidies		522	–
Net GST receivable		323	–
Other debtors		143	–
Total		3,155	–
Less: provision for impairment			
Other debtors		(7)	–
Total provision for impairment – receivables		(7)	–
<u>TOTAL NET RECEIVABLES</u>		<u>3,148</u>	<u>–</u>
Externally restricted receivables			
Water supply			
– Rates and availability charges		52	–
– Other		653	–
Sewerage services			
– Rates and availability charges		339	–
– Other		300	–
Domestic waste management		107	–
Town improvement		27	–
Total external restrictions		1,478	–
Internally restricted receivables			
Nil			
Unrestricted receivables		1,670	–
<u>TOTAL NET RECEIVABLES</u>		<u>3,148</u>	<u>–</u>

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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
(a) Inventories			
Inventories at cost			
Real estate for resale (refer below)		520	826
Stores and materials		604	–
Trading stock		39	–
Total inventories at cost		1,163	826
<u>TOTAL INVENTORIES</u>		<u>1,163</u>	<u>826</u>
(b) Other assets			
Prepayments		1	–
<u>TOTAL OTHER ASSETS</u>		<u>1</u>	<u>–</u>
Externally restricted assets			
Water			
Stores and materials		17	–
Total water		17	–
Total externally restricted assets		17	–
Total unrestricted assets		1,147	826
TOTAL INVENTORIES AND OTHER ASSETS		<u>1,164</u>	<u>826</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017	
	Actual Current	Actual Non-current
Other disclosures		
(a) Details for real estate development		
Residential	520	826
Total real estate for resale	520	826
Represented by:		
Acquisition costs	520	826
Total real estate for resale	520	826
Movements:		
Real estate assets at beginning of the year (former Councils)	445	826
– Purchases and other costs	107	–
– WDV of sales (expense)	(32)	–
Total real estate for resale	520	826

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

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

	2017
Real estate for resale	171
	171

(c) Inventories recognised as an expense for the year included:

– Stores and materials	265
– Trading stock	3

(d) 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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	620	–	620	857	98	–	–	(426)	–	–	–	1,149	–	1,149
Plant and equipment	13,654	7,631	6,023	1,431	–	(218)	(1,522)	2	–	–	–	14,323	8,607	5,716
Office equipment	1,477	1,096	381	114	–	–	(155)	–	(77)	–	–	1,503	1,240	263
Furniture and fittings	604	324	280	26	22	–	(53)	–	–	–	–	653	378	275
Land:														
– Operational land	8,963	–	8,963	–	4	–	–	–	–	–	–	8,967	–	8,967
– Community land	3,646	–	3,646	–	–	–	–	–	–	–	–	3,646	–	3,646
– Land under roads (post 30/6/08)	136	–	136	–	–	–	–	–	–	–	–	136	–	136
Land improvements – non-depreciable	30	–	30	–	–	–	–	–	–	–	–	30	–	30
Land improvements – depreciable	395	182	213	84	–	–	(14)	–	–	–	–	479	196	283
Infrastructure:														
– Buildings – non-specialised	7,691	5,127	2,564	45	–	–	(96)	–	–	–	–	7,736	5,223	2,513
– Buildings – specialised	47,509	30,910	16,599	241	1,199	–	(527)	118	–	–	–	49,066	31,436	17,630
– Other structures	15,828	7,549	8,279	206	13	–	(401)	51	–	–	–	16,098	7,950	8,148
– Roads	296,467	87,984	208,483	1,559	–	–	(4,130)	171	(70,352)	–	–	227,845	92,114	135,731
– Bridges	43,640	20,515	23,125	126	–	–	(444)	–	–	–	–	43,766	20,959	22,807
– Footpaths	5,077	1,948	3,129	710	20	–	(84)	–	–	–	–	5,807	2,032	3,775
– Bulk earthworks (non-depreciable)	34,444	–	34,444	274	–	–	–	–	70,352	–	–	105,070	–	105,070
– Stormwater drainage	16,940	5,804	11,136	145	31	–	(173)	17	–	–	–	17,133	5,977	11,156
– Water supply network	33,923	20,728	13,195	261	–	–	(577)	37	–	–	1,667	30,569	15,986	14,583
– Sewerage network	53,702	24,792	28,910	828	–	–	(936)	28	–	(6,934)	–	47,789	25,893	21,896
– Swimming pools	7,300	3,707	3,593	30	–	–	(93)	2	–	–	–	7,332	3,800	3,532
– Other open space/recreational assets	855	264	591	–	374	–	(25)	–	–	–	–	1,229	289	940
Other assets:														
– Heritage collections	40	9	31	–	–	–	(1)	–	–	–	–	40	10	30
– Other	1,721	639	1,082	9	–	–	(43)	–	–	–	–	1,730	682	1,048
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	594,662	219,209	375,453	6,946	1,761	(218)	(9,274)	–	(77)	(6,934)	1,667	592,096	222,772	369,324

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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000 Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply			
WIP	22	–	22
Plant and equipment	277	163	114
Land			
– Operational land	340	–	340
Infrastructure	30,569	15,986	14,583
Total water supply	31,208	16,149	15,059
Sewerage services			
Plant and equipment	176	87	89
Land			
– Operational land	726	–	726
Buildings	220	65	155
Infrastructure	47,789	25,893	21,896
Total sewerage services	48,911	26,045	22,866
Domestic waste management			
Plant and equipment	2,082	1,389	693
Total DWM	2,082	1,389	693
TOTAL RESTRICTED I,PP&E	82,201	43,583	38,618

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
Payables			
Goods and services – operating expenditure		1,486	–
Goods and services – capital expenditure		420	–
Accrued expenses:			
– Borrowings		38	–
– Salaries and wages		425	–
Advances		5	–
Total payables		2,374	–
Income received in advance			
Nil			
Borrowings			
Loans – secured ¹		410	3,049
Total borrowings		410	3,049
Provisions			
Employee benefits:			
Annual leave		1,211	–
Long service leave		1,815	271
Sub-total – aggregate employee benefits		3,026	271
Total provisions		3,026	271
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,810	3,320
(i) Liabilities relating to restricted assets			
		2017	
		Current	Non-current
Externally restricted assets			
Water		214	–
Sewer		39	–
Liabilities relating to externally restricted assets		253	–
Internally restricted assets			
Nil			
Total liabilities relating to restricted assets		253	–
Total liabilities relating to unrestricted assets		5,557	3,320
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,810	3,320

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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Actual 2017
(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	2,025
	<u>2,025</u>

- 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.

Note 11. Statement of cash flows – additional information

(a) Reconciliation of cash assets

Total cash and cash equivalent assets	6a	7,555
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		<u>7,555</u>

(b) Reconciliation of net operating result to cash provided from operating activities

Net result from Income Statement	5,057
Adjust for non-cash items:	
Depreciation and amortisation	9,322
Net losses/(gains) on disposal of assets	(241)
Losses/(gains) recognised on fair value re-measurements through the P&L:	
– Write offs relating to the fair valuation of I,PP&E	6,934
+/- Movement in operating assets and liabilities and other cash items:	
Decrease/(increase) in receivables	2,995
Increase/(decrease) in provision for doubtful debts	(27)
Decrease/(increase) in inventories	(16)
Decrease/(increase) in other assets	168
Increase/(decrease) in payables	550
Increase/(decrease) in accrued interest payable	37
Increase/(decrease) in other accrued expenses payable	(1,108)
Increase/(decrease) in other liabilities	(1,057)
Increase/(decrease) in employee leave entitlements	(334)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	<u>22,280</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(c) Non-cash investing and financing activities		
Nil		
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards		71
Total financing arrangements		71

(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)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Road paving	97
Total commitments	97

These expenditures are payable as follows:

Within the next year	97
Total payable	97

Sources for funding of capital commitments:

Unrestricted general funds	97
Total sources of funding	97

Details of capital commitments

Council has committed to laying stone paving tiles in Sheridan Street, Gundagai and the project is 50% complete as at 30 June 2017.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,811</u>	4.71%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>38,455</u>		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>21,668</u>	44.77%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>48,394</u>		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	<u>29,873</u>	8.46x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>3,532</u>		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>11,318</u>	19.62x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>577</u>		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	<u>607</u>	4.04%	<10% Rural
Rates, annual and extra charges collectible	<u>15,039</u>		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	<u>41,381</u>	16.35 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,530</u>		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to 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).

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	General ⁵ 2017	Water 2017	Sewer 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3.05%	8.06%	19.36%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions				
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	36.36%	98.74%	98.29%	>60.00%
Total continuing operating revenue ⁽¹⁾				
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	8.46x	25.03x	129.77x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)				
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	15.47x	0.00	0.00	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)				
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	1.92%	3.40%	14.92%	<10%
Rates, annual and extra charges collectible				Rural
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	14.80	19.24	41.98	> 3 mths
Payments from cash flow of operating and financing activities	mths	mths	mths	
	x12			

Notes

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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 its 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.

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	338	338	(338)	(338)

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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.

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

Council makes suitable provision for doubtful receivables as required.

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	2017
		Rates and annual charges	Other receivables
(i) Ageing of receivables – %			
Current (not yet overdue)		78%	86%
Overdue		22%	14%
		100%	100%
(ii) Ageing of receivables – value			
Rates and annual charges	Other receivables		
Current	Current	462	2,199
< 1 year overdue	0 – 30 days overdue	102	125
1 – 2 years overdue	31 – 60 days overdue	24	107
2 – 5 years overdue	61 – 90 days overdue	6	103
> 5 years overdue	> 91 days overdue	–	27
		594	2,561
(iii) Movement in provision for impairment of receivables			2017
Balance at the beginning of the year (former Councils)			34
– amounts already provided for and written off this year			(1)
– previous impairment losses reversed			(26)
Balance at the end of the year			7

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	–	2,341	–	–	–	–	–	2,341	2,374
Loans and advances	–	559	559	559	559	559	1,110	3,905	3,459
Total financial liabilities	–	2,900	559	559	559	559	1,110	6,246	5,833

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	Average interest rate
Trade/other payables	2,374	0.00%
Loans and advances – fixed interest rate	3,459	4.73%
	<u>5,833</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3	–	–	–	(3)	–	–	–
S94 contributions – under a plan	3	–	–	–	(3)	–	–	–
S94A levies – under a plan	67	187	–	–	(254)	–	–	–
Total S94 revenue under plans	70	187	–	–	(257)	–	–	–
Total contributions	70	187	–	–	(257)	–	–	–

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2014 (former Cootamundra)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3	–	–	–	(3)	–	–	–
Total	3	–	–	–	(3)	–	–	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN FOR OTHER DEVELOPMENTS (former Cootamundra)

PURPOSE	S94 Funds transferred from former Councils	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					
Community facilities	67	48	–	–	(115)	–	–	–
Total	67	48	–	–	(115)	–	–	–

CONTRIBUTION PLAN NUMBER 2006 (former Gundagai)

PURPOSE	S94 Funds transferred from former Councils	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					
Community facilities	–	139	–	–	(139)	–	–	–
Total	–	139	–	–	(139)	–	–	–

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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 its defined benefit scheme obligations in accordance with AASB 119.

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

(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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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.

Note 19. Interests in other entities

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
a. Net result for the year		405,345
Balance at end of the reporting period		<u>405,345</u>
(b) Revaluation reserves		
(i) Reserves are represented by:		
– Infrastructure, property, plant and equipment revaluation reserve		1,667
Total		<u>1,667</u>
(ii) Reconciliation of movements in reserves:		
Infrastructure, property, plant and equipment revaluation reserve		
– Revaluations for the year	9(a)	1,667
– Balance at end of year		<u>1,667</u>
TOTAL VALUE OF RESERVES		<u>1,667</u>
(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.		

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,530	2,272	9,073
User charges and fees	2,085	308	4,183
Interest and investment revenue	123	121	1,106
Other revenues	11	–	856
Grants and contributions provided for operating purposes	48	47	16,692
Grants and contributions provided for capital purposes	–	–	9,939
Other income			
Net gains from disposal of assets	–	–	241
Total income from continuing operations	3,797	2,748	42,090
Expenses from continuing operations			
Employee benefits and on-costs	509	447	11,137
Borrowing costs	–	–	185
Materials and contracts	1,142	649	8,168
Depreciation and amortisation	600	953	7,769
Impairment	–	–	–
Other expenses	1,240	7,101	3,678
Net losses from the disposal of assets	–	–	–
Total expenses from continuing operations	3,491	9,150	30,937
Operating result from continuing operations	306	(6,402)	11,153
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	306	(6,402)	11,153
Gain on local government amalgamation			
Assets and liabilities transferred from former councils	7,474	8,054	384,760
Net result for the year	7,780	1,652	395,913
Net result attributable to each council fund	7,780	1,652	395,913
Net operating result for the year before grants and contributions provided for capital purposes	306	(6,402)	1,214

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	7,555
Investments	4,635	4,422	24,769
Receivables	705	639	1,804
Inventories	17	–	1,146
Other	–	–	1
Total current assets	5,357	5,061	35,275
Non-current assets			
Inventories	–	–	826
Infrastructure, property, plant and equipment	15,059	22,866	331,399
Investments accounted for using the equity method	–	–	–
Intangible assets	–	–	299
Other	–	–	–
Total non-current assets	15,059	22,866	332,524
TOTAL ASSETS	20,416	27,927	367,799
LIABILITIES			
Current liabilities			
Payables	214	39	2,121
Income received in advance	–	–	–
Borrowings	–	–	410
Provisions	–	–	3,026
Total current liabilities	214	39	5,557
Non-current liabilities			
Payables	–	–	–
Income received in advance	–	–	–
Borrowings	–	–	3,049
Provisions	–	–	271
Total non-current liabilities	–	–	3,320
TOTAL LIABILITIES	214	39	8,877
Net assets	20,202	27,888	358,922
EQUITY			
Retained earnings	18,535	27,888	358,922
Revaluation reserves	1,667	–	–
Other reserves	–	–	–
Total equity	20,202	27,888	358,922

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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'.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017
Intangible assets represent identifiable non-monetary assets without physical substance.	
Intangible assets are as follows:	
Opening values (former Councils):	
Gross book value	331
Accumulated amortisation	(61)
Accumulated impairment	–
Net book value – opening balance (former Councils)	270
Movements for the year	
– Net transfers from I,PP&E	77
– Amortisation charges	(48)
Closing values:	
Gross book value (30/6)	420
Accumulated amortisation (30/6)	(121)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>299</u>
¹ The net book value of intangible assets represent:	
– Software	299
	<u>299</u>

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has various garbage centres, transfer stations and gravel pits situated around the community. These all have useful lives, which on being reached will result in Council having to reinstate these areas through restoration and remediation works.

These future liabilities have however, not been brought to account due to;

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values makes the measurement unreliable,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's financial results or financial position as at 30/6/17.

Accordingly, no provision amounts have been brought to account in these financial statements for such future reinstatement and restoration costs.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 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:

13/5/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital work in progress	30/06/17	–	–	1,149	1,149
Plant & equipment	30/06/13	–	5,716	–	5,716
Office equipment	30/06/13	–	263	–	263
Furniture & fittings	30/06/13	–	275	–	275
Operational land	30/06/13	–	8,967	–	8,967
Community land	12/05/16	–	–	3,646	3,646
Land under roads (post 30/6/08)	30/06/14	–	–	136	136
Land improvements - non-depreciable	30/06/08	–	–	30	30
Land improvements - depreciable	30/06/08	–	–	283	283
Non-specialised buildings	30/06/13	–	–	2,513	2,513
Specialised buildings	30/06/13	–	–	17,630	17,630
Other structures	30/06/13	–	–	8,148	8,148
Roads	30/06/15	–	–	135,731	135,731
Bridges	30/06/15	–	–	22,807	22,807
Footpaths	30/06/15	–	–	3,775	3,775
Bulk earthworks	30/06/15	–	–	105,070	105,070
Stormwater drainage	30/06/15	–	–	11,156	11,156
Water supply network	30/06/17	–	–	14,583	14,583
Sewerage network	30/06/17	–	–	21,896	21,896
Swimming pools	30/06/13	–	–	3,532	3,532
Other open space/recreational assets	30/06/13	–	–	940	940
Heritage collections	12/05/16	–	–	30	30
Other assets	30/06/13	–	–	1,048	1,048
Total infrastructure, property, plant and equipment		–	15,221	354,103	369,324

(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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

Infrastructure, property, plant and equipment

Level 2 Inputs

Plant & equipment

It is considered that there is a liquid second hand market for Council's plant & equipment, however, there is subjectivity of prices in this market dependant on the age and condition of the equipment being sold. Plant & equipment are valued at written down value and disclosed at fair value.

Office equipment & Furniture & fittings

There is a liquid second hand market for these type of assets, but the market is not liquid enough to qualify the assets as valued at level 1. These assets typically have very short useful lives, are held to the end of their economic life and have no residual value. The written down value reflects their value in use rather than their market value and are therefore valued at written down value and disclosed at fair value.

Operational land

There is an active liquid market for most of Council's operational land, however, the subjectivity of pricing has resulted in this land to be classified as level 2. Operational land has been valued by an external valuer, taking into consideration the land characteristics, location, zoning, proximity to services and comparable sales.

Level 3 Inputs

Capital works in progress

These assets are valued at the cost of construction of the asset. As there is no active market for any of the infrastructure assets that are partially constructed, the only valuation is costs, or inputs to the construction work.

Community land

Community land was valued using the NSW Valuer General's valuations as at 30 June 2014. This method has no market observable inputs and may or may not align with the market value of the land.

Land under roads

Council has elected to only recognise land under roads which was acquired after 30 June 2008. There is no market for land that is currently used for road or road reserve purposes. The NSW Valuer General's valuations of neighbouring land was used to calculate the value of land under roads.

Land improvements

There is no active market for sale of land improvements, therefore land improvements are valued at written down value and disclosed at fair value.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

Buildings & Other structures

Buildings and other structures were valued using a combination of external valuers and internal professional Council staff. Non-specialised building are valued using a market based approach where an active market could be identified. Other buildings and structures are valued using depreciated replacement cost taking into account the useful lives and condition of the asset.

Roads, Bridges, Footpaths, Bulk earthworks & Stormwater drainage

Roads assets were valued using a combination of external valuers and internal professional Council staff. The assets were componentised and valued at the depreciated replacement cost method, taking into account unit rates, useful lives and asset condition.

Water supply network & Sewerage network

Council's water and sewer assets were valued by external valuers as at 30 June 2017. The value represents the depreciated replacement cost, taking into account the NSW Office of Water's reference rates, useful lives, dimension, specification and asset condition.

Heritage collection

These assets include memorabilia and collectibles and are valued at written down value based upon cost and are disclosed at fair value.

There were no changes in valuation techniques from prior years.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Capital Work in Progress	Community Land	Land Under Roads	Land Improv'mt Non-deprec	Total
Balance on transfer from former Councils	620	3,646	136	30	4,432
Transfers from/(to) another asset class	(426)	–	–	–	(426)
Purchases (GBV)	955	–	–	–	955
Closing balance – 30/6/17	1,149	3,646	136	30	4,961

	Land Improv'mt Deprec	Buildings Non Specialised	Buildings Specialised	Other Structures	Total
Balance on transfer from former Councils	213	2,564	16,599	8,279	27,655
Transfers from/(to) another asset class	–	–	118	51	169
Purchases (GBV)	84	45	1,440	219	1,788
Depreciation and impairment	(14)	(96)	(527)	(401)	(1,038)
Closing balance – 30/6/17	283	2,513	17,630	8,148	28,574

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Roads	Bridges	Footpaths	Bulk Earthworks	Total
Balance on transfer from former Councils	208,483	23,125	3,129	34,444	269,181
Transfers from/(to) another asset class	(70,181)	–	–	70,352	171
Purchases (GBV)	1,559	126	730	274	2,689
Depreciation and impairment	(4,130)	(444)	(84)	–	(4,658)
Closing balance – 30/6/17	135,731	22,807	3,775	105,070	267,383

	Stormwater Drainage	Water Supply Network	Sewerage Network	All Other I,PP&E	Total
Balance on transfer from former Councils	11,136	13,195	28,910	5,297	58,538
Transfers from/(to) another asset class	17	37	28	2	84
Purchases (GBV)	176	261	828	413	1,678
Depreciation and impairment	(173)	(577)	(936)	(162)	(1,848)
FV gains – other comprehensive income	–	1,667	–	–	1,667
FV loss – Income Statement	–	–	(6,934)	–	(6,934)
Closing balance – 30/6/17	11,156	14,583	21,896	5,550	53,185

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

I,PP&E

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Capital works in progress	1,149	Cost of construction	Cost of materials, wages, plant
Community land	3,646	Land values obtained by the NSW Valuer General	VG land value, land area, rate per sq metre
Land under roads	136	Land values obtained by the NSW Valuer General	Adjoining land values based upon VG value, rate per sq metre
Land improvements	313	Depreciated replacement cost used to approximate fair value	Purchase price, useful life
Buildings & other structure	33,811	Combination of market value and depreciated replacement cost used to approximate fair value	Cost, unit rates, useful life, asset condition
Roads assets	278,539	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Water & sewer	36,479	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Heritage collection	30	Depreciated replacement cost used to approximate fair value	Cost, useful life

(5). Highest and best use

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 28. Related party disclosures

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Note 29. Local Government amalgamation

\$ '000	Notes	
<p>The local government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Cootamundra Shire Council and Gundagai Shire Council to Cootamundra-Gundagai Regional Council as at 12 May 2016.</p>		
		Actual
		13/5/16
		to 30/6/17
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	a	402,167
Accounting policy adjustments	b	(1,879)
		<u>400,288</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Cootamundra Shire Council
- Gundagai Shire Council

have been recognised by the Council at the carrying amount recorded by the former council.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Cootamundra Shire Council	Gundagai Shire Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	1,264	2,435	3,699
Investments	16,094	7,900	23,994
Receivables	3,072	3,116	6,188
Inventories	437	635	1,072
Other	4	53	57
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	20,871	14,139	35,010
Non-current assets			
Investments	–	–	–
Receivables	5	–	5
Inventories	826	–	826
Infrastructure, property, plant and equipment	200,417	175,036	375,453
Investments accounted for using the equity method	–	–	–
Intangible assets	270	–	270
Other	–	–	–
Total non-current assets	201,518	175,036	376,554
TOTAL ASSETS	222,389	189,175	411,564
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	2,455	1,339	3,794
Bank overdraft	–	–	–
Income received in advance	–	–	–
Borrowings	133	259	392
Provisions	2,015	1,543	3,558
Total current liabilities	4,603	3,141	7,744
Non-current liabilities			
Payables	–	–	–
Income received in advance	–	–	–
Borrowings	966	2,493	3,459
Provisions	28	45	73
Total non-current liabilities	994	2,538	3,532
TOTAL LIABILITIES	5,597	5,679	11,276
Net assets transferred	216,792	183,496	400,288

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

(ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 2017
Adjustments made to recognise net assets at fair value	
Derecognition of joint venture - Riverina Regional Library	(212)
Review of restoration provision - Gravel pits Gundagai	185
Derecognition of RFS assets	(1,740)
Derecognition of Statecover shares - noted as contingent asset	(112)
Total adjustments	(1,879)

(iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 13 May 2016 to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 30. Council information and contact details

Principal place of business:

81 Wallendoon Street
Cootamundra NSW 2590

Contact details**Mailing address:**

PO Box 420
Cootamundra NSW 2590

Opening hours:

9am - 5pm Monday to Friday

Telephone: 02 6940 2100

Facsimile: 02 6940 2127

Internet: www.cgrc.nsw.gov.au

Email: mail@cgrc.nsw.gov.au

Officers**GENERAL MANAGER**

Allen Dwyer

RESPONSIBLE ACCOUNTING OFFICER

Kate Monaghan

PUBLIC OFFICER

Kate Monaghan

AUDITORS

Audit Office of New South Wales
GPO Box 12
Sydney NSW 2001

Elected members**MAYOR**

Abb McAlister

COUNCILLORS

Charlie Sheahan
Craig Stewart
David Graham
Dennis Palmer
Doug Phillips
Gil Kelly
Leigh Bowden
Penny Nicholson

Other information

ABN: 46 211 642 339



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

Opinion

I have audited the accompanying financial statements of Cootamundra-Gundagai Regional 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 period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink, appearing to read 'C. Clayton', with a large, stylized flourish at the end.

Chris Clayton
Director, Financial Audit Services

30 October 2017
SYDNEY

Councillor Abb McAlister
Mayor
Cootamundra-Gundagai Regional Council
PO Box 420
COOTAMUNDRA NSW 2590

Contact: Chris Clayton
Phone no: 02 9275 7248
Our ref: D1728514/1734

30 October 2017

Dear Mayor

Report on the Conduct of the Audit for the period 13 May 2016 – 30 June 2017 Cootamundra-Gundagai Regional Council





I have audited the general purpose financial statements of the Cootamundra Gundagai Regional Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the period ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017	Adjusted Original Budget[^]	Variance
	\$m	\$m	%
Rates and annual charges revenue	12.9	12.6	2.5 
User Charges and fees	6.6	5.7	14.7 
Grants and contributions revenue	26.7	24.9	7.2 
Materials and Contract expenses	10.0	8.8	13.7 

	2017	Adjusted Original Budget [^]	Variance
	\$m	\$m	%
Operating result for the period	5.1	11.9	(57.4) ↓
Net operating result before capital amounts	(4.9)	0.2	(>1,000.0) ↓

[^] The adjusted original budget reflects the original approved budget (for a 12-month reporting period) plus the approved budget variation for additional 7 weeks to reflect the extended reporting period. The budget figures are unaudited. These have been included as a comparison tool because the Council has no prior year figures.

Commentary on variances against Council's adjusted original budget include:

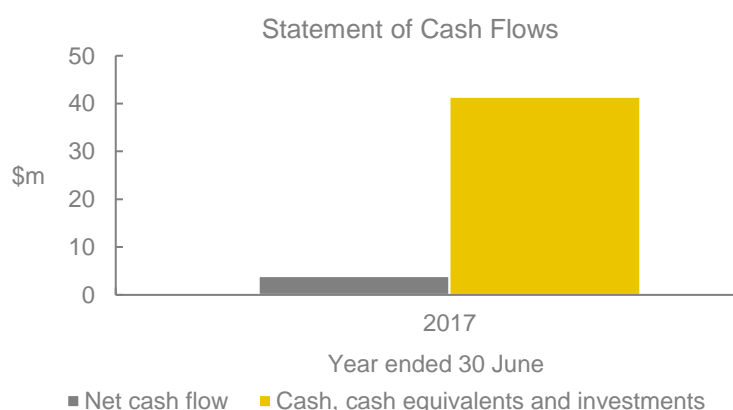
- Rates and annual charges revenue showed minimal variation from the adjusted original budget.
- User charges and fees revenue was higher than adjusted original budget due to Council performing more work on State-owned roads that were damaged by heavy rain and flooding. That work was funded by Roads and Maritime Services (RMS). Income for the 2016-17 financial period of \$2.6 million was \$1.8 million more than the combined 2015-16 income of the former councils.
- Grants and contributions revenue was higher than adjusted original budget due to Council receiving \$2.4 million of 2017-18 financial assistance grants from the Commonwealth Government in 2016-17.
- Materials and contract expenses was higher than adjusted original budget due to the additional RMS works mentioned above.

The net operating result was generated mainly within General fund. Note 21 reported surpluses in the General fund of \$11.2 million and the Water Fund of \$0.3 million, offset by a \$6.4 million deficit in the Sewer Fund. The Sewer Fund deficit was due to the asset revaluation of the sewer network that resulted in a \$6.9 million write down in the value of sewer infrastructure.

STATEMENT OF CASH FLOWS

The 2016-17 financial period saw a net cash inflow of \$3.9 million generated. Council also received \$3.7 million of cash transferred in on amalgamation resulting in a closing balance of cash and cash equivalents of \$7.6 million.

At 30 June 2017 Council also held investments of \$33.8 million for a combined cash, cash equivalents and investments total of \$41.4 million.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Adjusted Original Budget	Commentary
	\$m	\$m	
External restrictions	14.2	10.6	Externally restricted balances include unexpended loans, grants, developer contributions water, sewer and domestic waste management charges.
Internal restrictions	21.7	8.3	
Unrestricted	5.5	3.7	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Major variances to the adjusted original budget include: <ul style="list-style-type: none"> restricting \$12.6 million of unexpended merger implementation and 'stronger communities' funds received from the State Government restricting \$2.4 million advanced receipt of 2017-18 financial assistance grants from the Commonwealth Government in 2016-17. Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	41.4	22.6	

Debt

At 30 June 2017, Council had external borrowings of \$3.5 million. Loans are secured over the general rating income of Council.

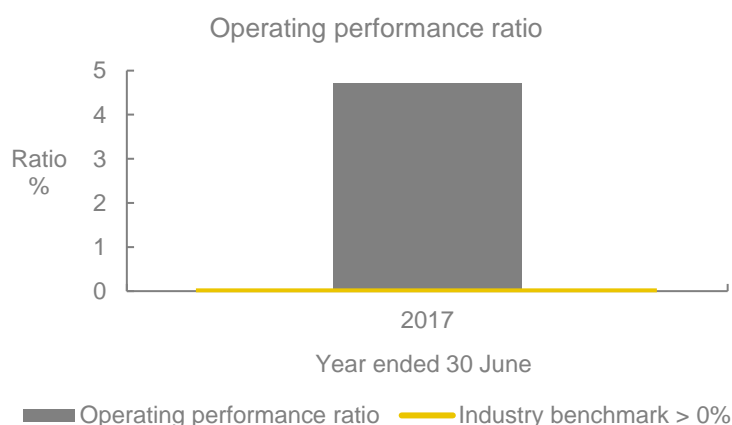
PERFORMANCE RATIOS

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

Operating performance ratio

Council's operating performance ratio exceeded the industry benchmark. Advanced receipt of 2017-18 financial assistance grant instalments and additional amalgamation grants contributed to this result.

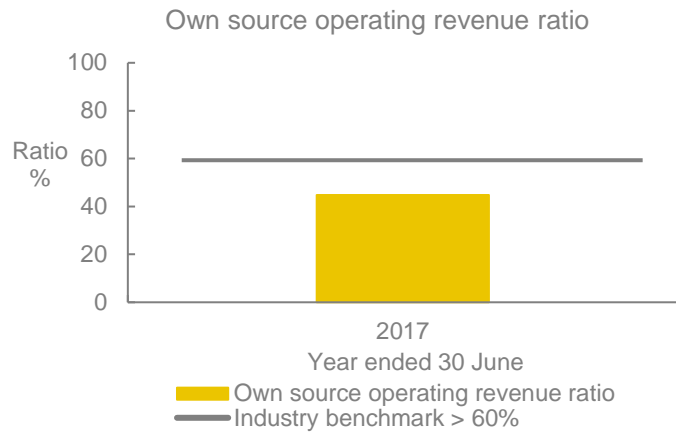
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

The increased level of grants and contributions decreases Council's own source operating revenue ratio. This has contributed to Council's ratio being below the benchmark level.

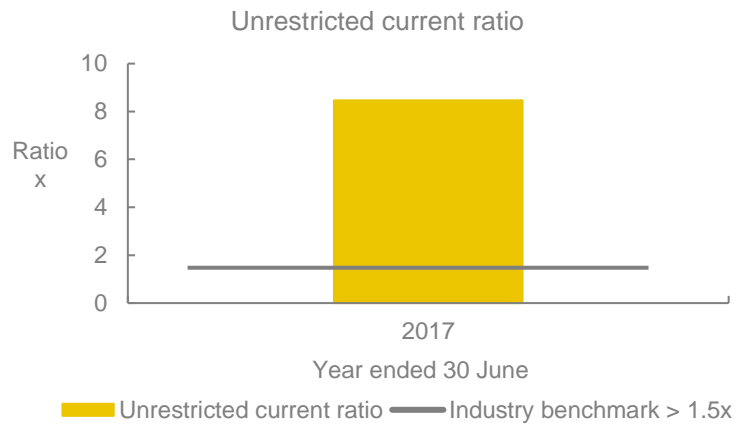
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark by a large margin.

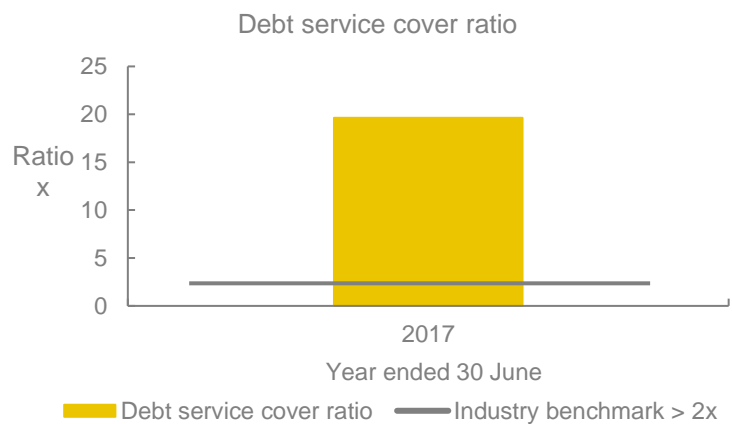
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio also exceeded the industry benchmark by a large margin.

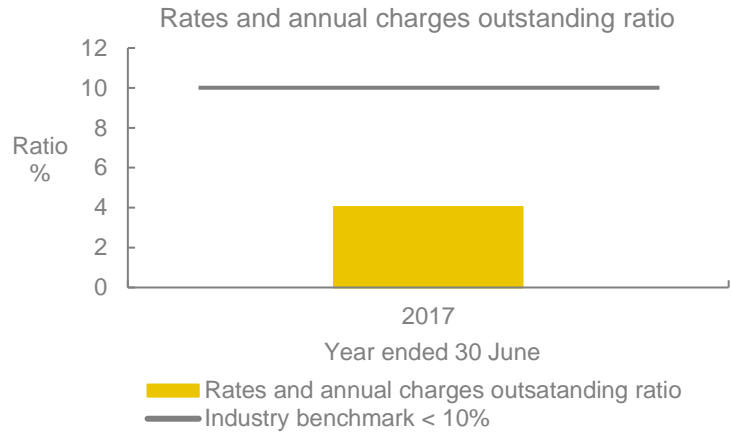
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils. The ratio reflects Council's effort to effectively manage rates and charges recovery.

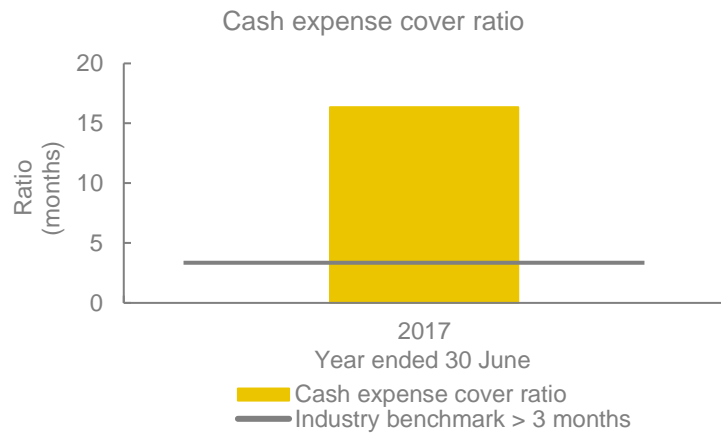
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council's high levels of liquidity results in being well over the benchmark for the cash expense cover ratio.

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

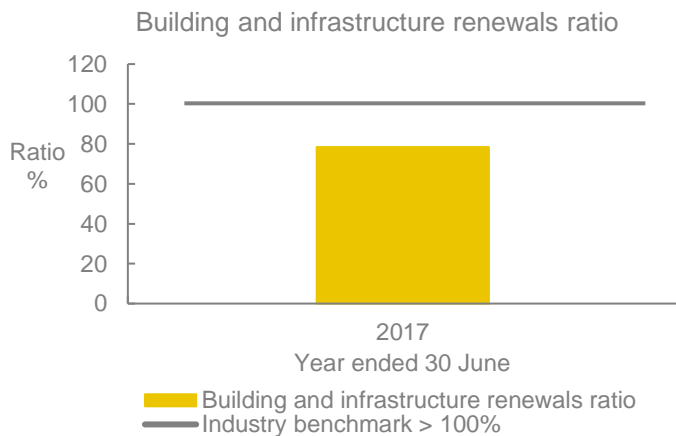


Building and infrastructure renewals ratio

Council has not met the benchmark for the building and infrastructure renewals ratio. Council has identified, as an amalgamation priority, the need to focus on renewing its assets to maintain a standard acceptable to the community.

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

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



OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Chris Clayton
Director, Financial Audit Services

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

Cootamundra-Gundagai Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the period 13 May 2016 to 30 June 2017



**COOTAMUNDRA-
GUNDAGAI** REGIONAL
COUNCIL

Cootamundra-Gundagai Regional Council

Special Purpose Financial Statements

for the period 13 May 2016 to 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).
-

Cootamundra-Gundagai Regional Council

Special Purpose Financial Statements

for the period 13 May 2016 to 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 period 13 May 2016 to 30 June 2017, 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 19 October 2017.



Abb McAlister
Mayor



Dennis Palmer
Councillor



Allen Dwyer
General Manager



Kate Monaghan
Responsible accounting officer

Cootamundra-Gundagai Regional Council

Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	1,530
User charges	2,072
Fees	13
Interest	123
Grants and contributions provided for non-capital purposes	48
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	11
Total income from continuing operations	3,797
Expenses from continuing operations	
Employee benefits and on-costs	509
Borrowing costs	–
Materials and contracts	1,142
Depreciation, amortisation and impairment	600
Water purchase charges	1,115
Loss on sale of assets	–
Calculated taxation equivalents	–
Other expenses	125
Total expenses from continuing operations	3,491
Surplus (deficit) from continuing operations before capital amounts	306
Grants and contributions provided for capital purposes	–
Surplus (deficit) from continuing operations after capital amounts	306
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	306
Less: corporate taxation equivalent (30%) [based on result before capital]	(92)
SURPLUS (DEFICIT) AFTER TAX	214
Plus Assets and liabilities transferred from former councils	7,474
Plus Asset revaluation reserves transferred from former councils	10,755
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	–
– Debt guarantee fees	–
– Corporate taxation equivalent	92
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	18,535
Return on capital %	2.0%
Subsidy from Council	52
Calculation of dividend payable:	
Surplus (deficit) after tax	214
Less: capital grants and contributions (excluding developer contributions)	–
Surplus for dividend calculation purposes	214
Potential dividend calculated from surplus	107

Cootamundra-Gundagai Regional Council

Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	2,272
User charges	298
Liquid trade waste charges	–
Fees	10
Interest	121
Grants and contributions provided for non-capital purposes	47
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	–
Total income from continuing operations	2,748
Expenses from continuing operations	
Employee benefits and on-costs	447
Borrowing costs	–
Materials and contracts	649
Depreciation, amortisation and impairment	953
Loss on sale of assets	–
Calculated taxation equivalents	–
Other expenses	7,101
Total expenses from continuing operations	9,150
Surplus (deficit) from continuing operations before capital amounts	(6,402)
Grants and contributions provided for capital purposes	–
Surplus (deficit) from continuing operations after capital amounts	(6,402)
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	(6,402)
Less: corporate taxation equivalent (30%) [based on result before capital]	–
SURPLUS (DEFICIT) AFTER TAX	(6,402)
Plus Assets and liabilities transferred from former councils	8,054
Plus Asset revaluation reserves transferred from former councils	26,236
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	–
– Debt guarantee fees	–
– Corporate taxation equivalent	–
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	27,888
Return on capital %	-28.0%
Subsidy from Council	6,946
Calculation of dividend payable:	
Surplus (deficit) after tax	(6,402)
Less: capital grants and contributions (excluding developer contributions)	–
Surplus for dividend calculation purposes	–
Potential dividend calculated from surplus	–

Cootamundra-Gundagai Regional Council

Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	–
Investments	4,635
Receivables	705
Inventories	17
Other	–
Non-current assets classified as held for sale	–
Total current assets	5,357
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	15,059
Investment property	–
Other	–
Total non-current assets	15,059
TOTAL ASSETS	20,416
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	214
Income received in advance	–
Borrowings	–
Provisions	–
Total current liabilities	214
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	–
Provisions	–
Total non-current liabilities	–
TOTAL LIABILITIES	214
NET ASSETS	20,202
EQUITY	
Retained earnings	18,535
Revaluation reserves	1,667
Other reserves	–
Council equity interest	20,202
Non-controlling equity interest	–
TOTAL EQUITY	20,202

Cootamundra-Gundagai Regional Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	–
Investments	4,422
Receivables	639
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total current Assets	5,061
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	22,866
Investment property	–
Intangible assets	–
Other	–
Total non-current assets	22,866
TOTAL ASSETS	27,927
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	39
Income received in advance	–
Borrowings	–
Provisions	–
Total current liabilities	39
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	–
Provisions	–
Total non-current liabilities	–
TOTAL LIABILITIES	39
NET ASSETS	27,888
EQUITY	
Retained earnings	27,888
Revaluation reserves	–
Other reserves	–
Council equity interest	27,888
Non-controlling equity interest	–
TOTAL EQUITY	27,888

Cootamundra-Gundagai Regional Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
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2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 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 have been prepared for the period 13 May 2016 to 30 June 2017. On 12 May 2016, the former Cootamundra Shire Council and Gundagai Shire Council were amalgamated to form Cootamundra-Gundagai Regional Council. Therefore no prior year comparatives are shown.

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)

a. Water Supplies

The supply of potable water to the residents of Cootamundra and Gundagai townships.

b. Sewerage Treatment

The provision of sewerage facilities and services to the residents of the Cootamundra and Gundagai townships.

Category 2

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

Council has no category 2 business activities.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 30% is 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.

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

(ii) Subsidies

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

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

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

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

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	12,960
(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]	107,100
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	129,600
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	279,400

2017 Surplus 214,200

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	107,100
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

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

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,674
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	53.78%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	14,945
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,891
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	303
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.22%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 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	12,015
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	120,150
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	(5,674,200)

2017 Surplus (6,402,000)

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

3. Required outcomes for 4 criteria

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

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

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 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	2,627
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	22,777
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,258
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	858
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.82%
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	6,301
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.51%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,161
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.58%
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%

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 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) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-18.83%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(6,096)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	95

- 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 statement
Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cootamundra-Gundagai Regional 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 period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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 period 13 May 2016 to 30 June 2017, 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 the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Basis of Accounting

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read "C. Clayton". The signature is fluid and cursive, with a large loop at the end.

Chris Clayton
Director, Financial Audit Services

30 October 2017
SYDNEY

Cootamundra-Gundagai Regional Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017



**COOTAMUNDRA -
GUNDAGAI REGIONAL
COUNCIL**

Cootamundra-Gundagai Regional Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

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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.

Cootamundra-Gundagai Regional Council

Special Schedule 1 – Net Cost of Services
for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,972	6,004	9,000	11,032
Administration	5,617	3,103	–	(2,514)
Public order and safety				
Fire service levy, fire protection, emergency services	1,097	383	–	(714)
Beach control	–	–	–	–
Enforcement of local government regulations	–	10	–	10
Animal control	267	175	–	(92)
Other	–	–	–	–
Total public order and safety	1,364	568	–	(796)
Health	141	6	–	(135)
Environment				
Noxious plants and insect/vermin control	185	59	–	(126)
Other environmental protection	84	270	–	186
Solid waste management	1,955	2,594	14	653
Street cleaning	64	–	–	(64)
Drainage	–	–	–	–
Stormwater management	216	92	–	(124)
Total environment	2,504	3,015	14	525
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	50	2	–	(48)
Total community services and education	50	2	–	(48)
Housing and community amenities				
Public cemeteries	308	313	–	5
Public conveniences	199	–	–	(199)
Street lighting	137	45	–	(92)
Town planning	681	471	–	(210)
Other community amenities	10	9	–	(1)
Total housing and community amenities	1,335	838	–	(497)
Water supplies	3,491	3,797	–	306
Sewerage services	9,150	2,748	–	(6,402)

Cootamundra-Gundagai Regional Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 13 May 2016 to 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	710	82	–	(628)
Museums	34	1	–	(33)
Art galleries	–	–	–	–
Community centres and halls	70	–	253	183
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	193	24	–	(169)
Swimming pools	823	176	190	(457)
Parks and gardens (lakes)	1,159	13	86	(1,060)
Other sport and recreation	57	–	59	2
Total recreation and culture	3,046	296	588	(2,162)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	30	–	–	(30)
Total mining, manufacturing and const.	30	–	–	(30)
Transport and communication				
Urban roads (UR) – local	1,825	–	218	(1,607)
Urban roads – regional	7	–	–	(7)
Sealed rural roads (SRR) – local	2,626	1,839	–	(787)
Sealed rural roads (SRR) – regional	1,754	707	–	(1,047)
Unsealed rural roads (URR) – local	4,123	2	–	(4,121)
Unsealed rural roads (URR) – regional	40	–	–	(40)
Bridges on UR – local	444	–	–	(444)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	151	3	–	(148)
Aerodromes	150	11	–	(139)
Other transport and communication	722	–	84	(638)
Total transport and communication	11,842	2,562	302	(8,978)
Economic affairs				
Camping areas and caravan parks	78	63	–	(15)
Other economic affairs	958	680	35	(243)
Total economic affairs	1,036	743	35	(258)
Totals – functions	43,578	23,682	9,939	(9,957)
General purpose revenues ⁽¹⁾	–	15,014	–	15,014
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	43,578	38,696	9,939	5,057

(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

Cootamundra-Gundagai Regional Council

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

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			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	392	3,459	3,851	–	392	–	–	185	410	3,049	3,459
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	392	3,459	3,851	–	392	–	–	185	410	3,049	3,459
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	392	3,459	3,851	–	392	–	–	185	410	3,049	3,459

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).

Cootamundra-Gundagai Regional Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	152
b. Engineering and supervision	405
2. Operation and maintenance expenses	
– dams and weirs	
a. Operation expenses	–
b. Maintenance expenses	–
– Mains	
c. Operation expenses	25
d. Maintenance expenses	322
– Reservoirs	
e. Operation expenses	8
f. Maintenance expenses	24
– Pumping stations	
g. Operation expenses (excluding energy costs)	1
h. Energy costs	78
i. Maintenance expenses	–
– Treatment	
j. Operation expenses (excluding chemical costs)	85
k. Chemical costs	22
l. Maintenance expenses	58
– Other	
m. Operation expenses	13
n. Maintenance expenses	104
o. Purchase of water	1,594
3. Depreciation expenses	
a. System assets	578
b. Plant and equipment	22
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	–
5. Total expenses	3,491

Cootamundra-Gundagai Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges	
a. Access (including rates)	1,193
b. Usage charges	1,388
7. Non-residential charges	
a. Access (including rates)	337
b. Usage charges	684
8. Extra charges	–
9. Interest income	123
10. Other income	24
10a. Aboriginal Communities Water and Sewerage Program	–
11. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	48
c. Other grants	–
12. Contributions	
a. Developer charges	–
b. Developer provided assets	–
c. Other contributions	–
13. Total income	3,797
14. Gain (or loss) on disposal of assets	
15. Operating result	306
15a. Operating result (less grants for acquisition of assets)	306

Cootamundra-Gundagai Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
16. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	–
c. Renewals	281
d. Plant and equipment	22
17. Repayment of debt	–
18. Totals	303
Non-operating funds employed	
19. Proceeds from disposal of assets	–
20. Borrowing utilised	–
21. Totals	–
C Rates and charges	
22. Number of assessments	
a. Residential (occupied)	3,642
b. Residential (unoccupied, ie. vacant lot)	142
c. Non-residential (occupied)	501
d. Non-residential (unoccupied, ie. vacant lot)	35
23. Number of ETs for which developer charges were received	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 47,965

Cootamundra-Gundagai Regional Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,635	–	4,635
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	52	–	52
c. User charges	653	–	653
d. Other	–	–	–
27. Inventories	17	–	17
28. Property, plant and equipment			
a. System assets	–	14,945	14,945
b. Plant and equipment	–	114	114
29. Other assets	–	–	–
30. Total assets	<u>5,357</u>	<u>15,059</u>	<u>20,416</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	214	–	214
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>214</u>	<u>–</u>	<u>214</u>
36. NET ASSETS COMMITTED	<u>5,143</u>	<u>15,059</u>	<u>20,202</u>
EQUITY			
37. Accumulated surplus			18,535
38. Asset revaluation reserve			1,667
39. Other reserves			–
40. TOTAL EQUITY			<u>20,202</u>
Note to system assets:			
41. Current replacement cost of system assets			30,931
42. Accumulated current cost depreciation of system assets			(15,986)
43. Written down current cost of system assets			<u>14,945</u>

Cootamundra-Gundagai Regional Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	139
b. Engineering and supervision	276
2. Operation and maintenance expenses	
– mains	
a. Operation expenses	–
b. Maintenance expenses	193
– Pumping stations	
c. Operation expenses (excluding energy costs)	–
d. Energy costs	73
e. Maintenance expenses	163
– Treatment	
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	101
g. Chemical costs	54
h. Energy costs	–
i. Effluent management	44
j. Biosolids management	15
k. Maintenance expenses	199
– Other	
l. Operation expenses	–
m. Maintenance expenses	1
3. Depreciation expenses	
a. System assets	940
b. Plant and equipment	13
4. Miscellaneous expenses	
a. Interest expenses	–
b. Revaluation decrements	6,934
c. Other expenses	5
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	9,150

Cootamundra-Gundagai Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges (including rates)	2,028
7. Non-residential charges	
a. Access (including rates)	244
b. Usage charges	298
8. Trade waste charges	
a. Annual fees	–
b. Usage charges	–
c. Excess mass charges	–
d. Re-inspection fees	–
9. Extra charges	–
10. Interest income	121
11. Other income	10
11a. Aboriginal Communities Water and Sewerage Program	–
12. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	47
c. Other grants	–
13. Contributions	
a. Developer charges	–
b. Developer provided assets	–
c. Other contributions	–
14. Total income	<u>2,748</u>
15. Gain (or loss) on disposal of assets	–
16. Operating result	<u>(6,402)</u>
16a. Operating result (less grants for acquisition of assets)	(6,402)

Cootamundra-Gundagai Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
17. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	–
c. Renewals	855
d. Plant and equipment	3
18. Repayment of debt	–
19. Totals	<u>858</u>
Non-operating funds employed	
20. Proceeds from disposal of assets	–
21. Borrowing utilised	–
22. Totals	<u>–</u>
C Rates and charges	
23. Number of assessments	
a. Residential (occupied)	3,361
b. Residential (unoccupied, ie. vacant lot)	154
c. Non-residential (occupied)	445
d. Non-residential (unoccupied, ie. vacant lot)	45
24. Number of ETs for which developer charges were received	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 47,031

Cootamundra-Gundagai Regional 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	4,422	–	4,422
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	339	–	339
c. User charges	300	–	300
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	22,777	22,777
b. Plant and equipment	–	89	89
30. Other assets	–	–	–
31. Total assets	<u>5,061</u>	<u>22,866</u>	<u>27,927</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	39	–	39
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>39</u>	<u>–</u>	<u>39</u>
37. NET ASSETS COMMITTED	<u>5,022</u>	<u>22,866</u>	<u>27,888</u>
EQUITY			
38. Accumulated surplus			27,888
39. Asset revaluation reserve			–
40. Other reserves			–
41. TOTAL EQUITY			<u>27,888</u>
Note to system assets:			
42. Current replacement cost of system assets			48,735
43. Accumulated current cost depreciation of system assets			(25,958)
44. Written down current cost of system assets			<u>22,777</u>

Cootamundra-Gundagai Regional Council

Notes to Special Schedules 3 and 5 for the period 13 May 2016 to 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Cootamundra-Gundagai Regional 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	Buildings – non-specialised	–	–	–	120	2,513	7,736						
	Buildings – specialised	2,952	2,952	–	–	17,630	49,066						
	Sub-total	2,952	2,952	–	120	20,143	56,802	29.0%	56.0%	7.0%	8.0%	0.0%	
Other	Other structures	–	–	–	–	8,148	16,098	29%	56%	7%	8%	0%	
	Sub-total	–	–	–	–	8,148	16,098	29.0%	56.0%	7.0%	8.0%	0.0%	
Roads	Sealed roads	5,433	5,433	–	3,263	121,053	208,178	29%	37%	31%	3%	0%	
	Unsealed roads	773	773	–	1,244	14,678	18,667	98%	1%	0%	1%	0%	
	Bridges	316	316	–	–	22,807	43,766	95%	3%	1%	1%	0%	
	Footpaths	42	42	–	66	3,775	5,809	91%	7%	1%	1%	0%	
	Bulk earthworks	–	–	–	–	105,070	105,070	100%	0%	0%	0%	0%	
	Kerb & gutter	813	813	–	–	–	–	17%	51%	23%	9%	0%	
	Sub-total	7,377	7,377	–	4,573	267,383	381,490	60.4%	20.7%	17.0%	1.8%	0.0%	
Water supply network	Water supply network	5,926	5,926	–	508	14,583	30,569	19%	25%	24%	22%	10%	
	Sub-total	5,926	5,926	–	508	14,583	30,569	19.4%	25.0%	23.5%	21.9%	10.2%	
Sewerage network	Sewerage network	9,561	9,561	–	556	21,896	47,789	20%	24%	14%	17%	25%	
	Sub-total	9,561	9,561	–	556	21,896	47,789	19.7%	23.6%	14.4%	17.1%	25.2%	

Cootamundra-Gundagai Regional 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
Stormwater drainage	Stormwater drainage	12	12	–	34	11,156	17,133	27%	48%	25%	0%	0%
	Sub-total	12	12	–	34	11,156	17,133	27.0%	48.0%	25.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	541	541	–	104	3,532	7,331					
	Other	–	–	–	505	940	1,229					
	Sub-total	541	541	–	609	4,472	8,560	20.0%	51.0%	21.0%	5.0%	3.0%
	TOTAL – ALL ASSETS	26,369	26,369	–	6,400	347,781	558,441	49.0%	27.1%	16.2%	5.0%	2.8%

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

Cootamundra-Gundagai Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	4,494	60.03%
Depreciation, amortisation and impairment	7,486	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	26,369	10.85%
Net carrying amount of infrastructure assets	242,994	
3. Asset maintenance ratio		
Actual asset maintenance	6,400	0.00
Required asset maintenance	-	

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.

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	45.23%	88.46%	57.01%
Depreciation, amortisation and impairment			
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	40.64%	43.67%	5.27%
Net carrying amount of infrastructure assets			
3. Asset maintenance ratio			
Actual asset maintenance	0.00	0.00	0.00
Required asset maintenance			

Notes

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

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

Cootamundra-Gundagai Regional Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18
		Total
Notional general income calculation ⁽¹⁾		
Last year notional general income yield	a	7,269
Plus or minus adjustments ⁽²⁾	b	(22)
Notional general income	$c = (a + b)$	<u>7,247</u>
Permissible income calculation		
Special variation percentage ⁽³⁾	d	
Or rate peg percentage	e	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	
Less expiring special variation amount	g	–
Plus special variation amount	$h = d \times (c - g)$	–
Or plus rate peg amount	$i = c \times e$	109
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	–
Sub-total	$k = (c + g + h + i + j)$	<u>7,356</u>
Plus (or minus) last year's carry forward total	l	(1)
Less valuation objections claimed in the previous year	m	–
Sub-total	$n = (l + m)$	<u>(1)</u>
Total permissible income	$o = k + n$	<u><u>7,355</u></u>
Less notional general income yield	p	7,362
Catch-up or (excess) result	$q = o - p$	<u>(7)</u>
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–
Less unused catch-up ⁽⁵⁾	s	–
Carry forward to next year	$t = q + r - s$	<u><u>(7)</u></u>

Cootamundra-Gundagai Regional Council

Special Schedule 8 – Permissible Income Calculation (continued)

for the year ended 30 June 2018

\$'000

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

Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

Opinion

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

In my opinion, Special Schedule No. 8 of Cootamundra-Gundagai Regional 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.

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.



Chris Clayton
Director, Financial Audit Services

30 October 2017
SYDNEY