

Cootamundra-Gundagai Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018



**COOTAMUNDRA -
GUNDAGAI REGIONAL
COUNCIL**

Cootamundra-Gundagai Regional Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

Cootamundra-Gundagai Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

81 Wallendoon Street
Cootamundra NSW 2590

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

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

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

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

Cootamundra-Gundagai Regional Council

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 September 2018.



Abb McAlister
Mayor



Dennis Palmer
Councillor



Allen Dwyer
General Manager



Tim Swan
Responsible Accounting Officer

Cootamundra-Gundagai Regional Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Income from continuing operations				
Revenue:				
12,332	Rates and annual charges	3a	12,298	12,875
5,548	User charges and fees	3b	6,090	6,576
690	Interest and investment revenue	3c	1,015	1,350
358	Other revenues	3d	1,012	867
5,694	Grants and contributions provided for operating purposes	3e,f	8,561	16,787
715	Grants and contributions provided for capital purposes	3e,f	2,297	9,939
Other income:				
50	Net gains from the disposal of assets	5	504	241
25,387	Total income from continuing operations		31,777	48,635
Expenses from continuing operations				
11,657	Employee benefits and on-costs	4a	12,516	12,093
161	Borrowing costs	4b	144	185
5,864	Materials and contracts	4c	13,382	9,575
8,104	Depreciation and amortisation	4d	8,072	9,322
4,348	Other expenses	4e	3,443	5,469
–	Revaluation decrement / impairment of IPP&E	4d	1,299	6,934
30,134	Total expenses from continuing operations		38,856	43,578
(4,747)	Operating result from continuing operations		(7,079)	5,057
(4,747)	Net operating result for the year		(7,079)	5,057
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	400,288
(4,747)	Net result for the year		(7,079)	405,345
(4,747)	Net result attributable to Council		(7,079)	405,345
(5,462)	Net operating result for the year before grants and contributions provided for capital purposes		(9,376)	(4,882)

Cootamundra-Gundagai Regional Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		(7,079)	405,345
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	1,334	1,667
Total items which will not be reclassified subsequently to the operating result		1,334	1,667
Total other comprehensive income for the year		1,334	1,667
Total comprehensive income for the year		(5,745)	407,012
Total comprehensive income attributable to Council		(5,745)	407,012

Cootamundra-Gundagai Regional Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	6,088	7,555
Investments	6b	27,383	33,826
Receivables	7	2,440	3,148
Inventories	8	642	1,163
Other	8	–	1
Total current assets		36,553	45,693
Non-current assets			
Investments	6b	1,000	–
Inventories	8	1,282	826
Infrastructure, property, plant and equipment	9	372,225	369,324
Intangible assets	10	257	299
Total non-current assets		374,764	370,449
TOTAL ASSETS		411,317	416,142
LIABILITIES			
Current liabilities			
Payables	11	2,434	2,374
Income received in advance	11	445	–
Borrowings	11	428	410
Provisions	12	3,307	3,026
Total current liabilities		6,614	5,810
Non-current liabilities			
Borrowings	11	2,621	3,049
Provisions	12	815	271
Total non-current liabilities		3,436	3,320
TOTAL LIABILITIES		10,050	9,130
Net assets		401,267	407,012
EQUITY			
Accumulated surplus	13	398,266	405,345
Revaluation reserves	13	3,001	1,667
Council equity interest		401,267	407,012
Total equity		401,267	407,012

Cootamundra-Gundagai Regional Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018 Accumulated surplus	IPP&E revaluation reserve	Total equity	13/5/16 to 30/6/17 Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		405,345	1,667	407,012	–	–	–
Net result for the year		(7,079)	–	(7,079)	405,345	–	405,345
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	1,334	1,334	–	1,667	1,667
Other comprehensive income		–	1,334	1,334	–	1,667	1,667
Total comprehensive income (c&d)		(7,079)	1,334	(5,745)	405,345	1,667	407,012
Equity – balance at end of the reporting period		398,266	3,001	401,267	405,345	1,667	407,012

Cootamundra-Gundagai Regional Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
12,332	Rates and annual charges		11,996	14,359
5,548	User charges and fees		7,212	6,074
690	Investment and interest revenue received		1,103	1,165
6,409	Grants and contributions		11,354	28,019
358	Other		2,556	2,635
Payments:				
(11,657)	Employee benefits and on-costs		(12,469)	(12,201)
(5,864)	Materials and contracts		(14,615)	(10,393)
(161)	Borrowing costs		(148)	(148)
–	Bonds, deposits and retention amounts refunded		–	(245)
(4,348)	Other		(3,793)	(6,985)
3,307	Net cash provided (or used in) operating activities	14b	3,196	22,280
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		33,826	25,638
–	Sale of real estate assets		186	195
713	Sale of infrastructure, property, plant and equipment		663	363
–	Deferred debtors receipts		4	10
Payments:				
–	Purchase of investment securities		(28,383)	(35,470)
(11,020)	Purchase of infrastructure, property, plant and equipment		(10,539)	(8,661)
–	Purchase of real estate assets		(10)	(107)
(10,307)	Net cash provided (or used in) investing activities		(4,253)	(18,032)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(450)	Repayment of borrowings and advances		(410)	(392)
(450)	Net cash flow provided (used in) financing activities		(410)	(392)
(7,450)	Net increase/(decrease) in cash and cash equivalents		(1,467)	3,856
41,382	Plus: cash and cash equivalents – beginning of year	14a	7,555	–
–	Plus: cash transferred on amalgamation of councils		–	3,699
33,932	Cash and cash equivalents – end of the year	14a	6,088	7,555
Additional Information:				
	plus: Investments on hand – end of year	6b	28,383	33,826
	Total cash, cash equivalents and investments		34,471	41,381

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25/09/2018.

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

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

Basis of preparation

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

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

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

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

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

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

and are clearly marked .

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 11 (c).

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

Instead it is expected that for Not-for-profit entities holding non-cash-generating the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

- AASB 124 Related Party Disclosures was adopted for the first time in the financial statements.

The adoption of this standard has had no impact on the reporting of Council's financial position or performance.

Note 20 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

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

- AASB 9 *Financial Instruments*

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

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

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

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

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

- AASB 16 Leases

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

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

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

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

Apart from those listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Vibrant & supportive community	1,778	1,782	4,723	5,118	(2,945)	(3,336)	783	888	13,986	28,652
Prosperous & resilient economy	525	778	458	1,036	67	(258)	11	171	1,362	6,951
Sustainable natural & built environments	14,978	12,954	20,477	27,835	(5,499)	(14,881)	4,790	2,381	329,567	332,369
Good governance	14,496	33,121	13,198	9,589	1,298	23,532	3,711	22,085	66,402	48,170
Total functions and activities	31,777	48,635	38,856	43,578	(7,079)	5,057	9,295	25,525	411,317	416,142

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Vibrant & supportive community

1. Our community is inclusive and connected
2. Public spaces provide for a diversity of activity and strengthen our social connections
3. Our community members are healthy and safe

Prosperous & resilient economy

1. The local economy is strong and diverse
2. Strategic land-use planning is co-ordinated and needs based
3. Tourism opportunities are actively promoted
4. Our local workforce is skilled and workplace ready

Sustainable natural & built environments

1. The natural environment is valued and protected
2. Our built environments support and enhance liveability

Good governance

1. Decision making is based on collaborative, transparent and accountable leadership
2. Active participation and engagement in local decision making
3. Cootamundra-Gundagai Regional Council is a premier local government council

Cootamundra-Gundagai Regional Council

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

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	2,526	2,498
Farmland	3,492	3,460
Business	724	715
Total ordinary rates	6,742	6,673
Special rates		
Town improvement	263	254
Total special rates	263	254
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,626	1,870
Stormwater management services	103	116
Water supply services	1,387	1,498
Sewerage services	1,903	2,248
Waste management services (non-domestic)	274	216
Total annual charges	5,293	5,948
TOTAL RATES AND ANNUAL CHARGES	12,298	12,875

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

Accounting policy for rates and annual charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	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	2,119	1,965
Sewerage services	468	290
Total specific user charges	2,587	2,255
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	276	263
Private works – section 67	119	153
Section 149 certificates (EPA Act)	28	23
Section 603 certificates	24	26
Total fees and charges – statutory/regulatory	447	465
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	10	11
Caravan park	56	50
Cemeteries	239	312
Leaseback fees – Council vehicles	49	43
Library and art gallery	17	21
RMS (formerly RTA) charges (state roads not controlled by Council)	2,007	2,581
Saleyards	144	211
Sewer connection fees	8	7
Sports stadium	22	15
Swimming centres	108	134
Tourism	68	14
Waste disposal tipping fees	227	342
Water connection fees	23	14
Other	78	101
Total fees and charges – other	3,056	3,856
TOTAL USER CHARGES AND FEES	6,090	6,576

Accounting policy for 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 year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	68	70
– Cash and investments	928	1,245
Dividend income	19	35
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,015</u>	<u>1,350</u>

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	68	70
General Council cash and investments	679	1,036

Restricted investments/funds – external:

Water fund operations	141	123
Sewerage fund operations	127	121

Total interest and investment revenue recognised	<u>1,015</u>	<u>1,350</u>
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Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	211	187
Legal fees recovery – rates and charges (extra charges)	11	10
Commissions and agency fees	7	13
Diesel rebate	97	106
Insurance claim recoveries	–	12
RFS reimbursement	376	304
Sales – miscellaneous	84	67
Workers comp incentive payments	81	136
Insurance rebates	136	–
Other	9	32
<u>TOTAL OTHER REVENUE</u>	<u>1,012</u>	<u>867</u>

Accounting policy for other revenue

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

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

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,713	3,239	–	–
Financial assistance – local roads component	761	1,459	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,759	1,674	–	–
Financial assistance – local roads component	783	749	–	–
Other				
Pensioners' rates subsidies – general component	114	114	–	–
Total general purpose	5,130	7,235	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	55	48	–	–
– Sewerage	52	47	–	–
– Domestic waste management	69	77	–	–
Animal control	–	15	–	–
Community centres	–	–	–	253
Economic development	11	35	–	35
Employment and training programs	9	5	–	–
Environmental protection	43	270	–	–
FESL implementation	2	78	–	–
Flood restoration	533	519	–	–
Library – per capita	69	64	–	–
LIRS subsidy	110	123	–	–
Noxious weeds	64	58	–	–
New council implementation fund	–	5,000	–	–
Recreation and culture	–	4	672	276
Stronger communities fund	–	1,000	–	9,000
Street lighting	42	45	–	–
Transport (roads to recovery)	1,384	1,016	–	–
Transport (other roads and bridges funding)	–	–	1,046	218
Waste management – landfills	–	–	–	14
Waste management – green waste	–	85	–	–
Youth services	–	2	–	–
Other	4	3	–	–
Total specific purpose	2,447	8,494	1,718	9,796
Total grants	7,577	15,729	1,718	9,796
Grant revenue is attributable to:				
– Commonwealth funding	6,410	8,230	548	4
– State funding	1,103	7,461	1,170	9,792
– Other funding	64	38	–	–
	7,577	15,729	1,718	9,796

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies		59	139	71	48
Total developer contributions – cash		59	139	71	48
Total developer contributions	21	59	139	71	48
Other contributions:					
Cash contributions					
Recreation and culture		–	3	82	59
Roads and bridges		–	2	–	–
RMS contributions (regional roads, block grant)		918	914	426	36
Other		7	–	–	–
Total other contributions – cash		925	919	508	95
Total other contributions		925	919	508	95
Total contributions		984	1,058	579	143
TOTAL GRANTS AND CONTRIBUTIONS		8,561	16,787	2,297	9,939

Accounting policy for grants & contributions

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

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	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	1,030	1,305
Add: operating grants recognised in the current period but not yet spent	397	680
Less: operating grants recognised in a previous reporting period now spent	(945)	(955)
Unexpended and held as restricted assets (operating grants)	<u>482</u>	<u>1,030</u>
Capital grants		
Unexpended at the close of the previous reporting period	555	–
Add: capital grants recognised in the current period but not yet spent	538	555
Less: capital grants recognised in a previous reporting period now spent	(401)	–
Unexpended and held as restricted assets (capital grants)	<u>692</u>	<u>555</u>
Contributions		
Unexpended at the close of the previous reporting period	–	–
Add: contributions recognised in the current period but not yet spent	228	–
Unexpended and held as restricted assets (contributions)	<u>228</u>	<u>–</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	10,758	10,389
Employee leave entitlements (ELE)	942	1,095
Superannuation	1,117	1,183
Workers' compensation insurance	475	372
Fringe benefit tax (FBT)	116	78
Training costs (other than salaries and wages)	215	171
Other	32	72
Total employee costs	13,655	13,360
Less: capitalised costs	(1,139)	(1,267)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>12,516</u>	<u>12,093</u>

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs	2018	13/5/16 to 30/6/17
(i) Interest bearing liability costs		
Interest on loans	144	185
Total interest bearing liability costs expensed	144	185
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>144</u>	<u>185</u>

Accounting policy for borrowing costs

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

Other borrowing costs are expensed.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	9,997	7,830
Contractor and consultancy costs	3,164	1,634
Auditors remuneration ⁽¹⁾	67	89
Legal expenses:		
– Legal expenses: planning and development	47	1
– Legal expenses: debt recovery	10	16
– Legal expenses: other	97	5
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>13,382</u>	<u>9,575</u>

1. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	67	72
Remuneration for audit and other assurance services	67	72
Total Auditor-General remuneration	67	72

Non NSW Auditor-General audit firms:**(i) Audit and other assurance services**

Audit and review of financial statements	–	17
Remuneration for audit and other assurance services	–	17
Total remuneration of non NSW Auditor-General audit firms	–	17
Total Auditor remuneration	67	89

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,386	1,522
Office equipment		74	155
Furniture and fittings		46	53
Land improvements (depreciable)		14	14
Infrastructure:			
– Buildings – non-specialised		86	96
– Buildings – specialised		497	527
– Other structures		397	401
– Roads		3,672	4,130
– Bridges		473	444
– Footpaths		112	84
– Stormwater drainage		172	173
– Water supply network		459	577
– Sewerage network		522	936
– Swimming pools		85	93
– Other open space/recreational assets		34	25
Other assets:			
– Heritage collections		1	1
– Other		–	43
Intangible assets	10	42	48
Total depreciation and amortisation costs		<u>8,072</u>	<u>9,322</u>
Impairment / revaluation decrement of IPP&E			
Operational Land		1,299	–
Infrastructure:			
– Sewerage network		–	6,934
Total IPP&E impairment / revaluation decrement costs / (reversals)		<u>1,299</u>	<u>6,934</u>
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		<u>9,371</u>	<u>16,256</u>

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	97	61
Bad and doubtful debts	1	1
Bank charges	35	39
Computer software charges	258	157
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	444	483
– Waste levy	293	384
– REROC	40	–
– Other contributions/levies	94	30
Mayoral fee	45	157
Amalgamation expenses (excluding employee costs)	–	794
Councillor fees	77	204
Councillor expenses – other (excluding fees above)	49	7
Donations, contributions and assistance to other organisations (Section 356)	33	116
– Contribution regional library service	190	126
Election expenses	77	–
Electricity and heating	398	541
Fire and emergency services levy (FESL) implementation costs	–	8
Insurance	577	668
Postage	76	55
Printing and stationery	112	60
Stronger community grants paid	–	1,080
Street lighting	156	137
Subscriptions and publications	119	62
Telephone and communications	80	89
Tourism expenses (excluding employee costs)	140	84
Valuation fees	52	52
Other	–	74
<u>TOTAL OTHER EXPENSES</u>	<u>3,443</u>	<u>5,469</u>

Accounting policy for other expenses

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Plant and equipment	9		
Proceeds from disposal – plant and equipment		663	296
Less: carrying amount of plant and equipment assets sold/written off		(312)	(218)
Net gain/(loss) on disposal		351	78
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		186	195
Less: carrying amount of real estate assets sold/written off		(33)	(32)
Net gain/(loss) on disposal		153	163
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		33,826	25,638
Less: carrying amount of financial assets sold/redeemed/matured		(33,826)	(25,638)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>504</u>	<u>241</u>

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	1,199	283
Cash-equivalent assets		
– Deposits at call	389	7,272
– Short-term deposits	4,500	–
Total cash and cash equivalents	6,088	7,555

Accounting policy for cash and cash equivalents

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	27,383	1,000	33,826	–
Total investments	27,383	1,000	33,826	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>33,471</u>	<u>1,000</u>	<u>41,381</u>	<u>–</u>
Held to maturity investments				
Long term deposits	27,383	1,000	33,826	–
Total	27,383	1,000	33,826	–

Accounting policy for investments

Classification

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

(a) Held to maturity investments

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

Recognition and de-recognition

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	33,471	1,000	41,381	–
attributable to:				
External restrictions (refer below)	15,800	1,000	14,154	–
Internal restrictions (refer below)	16,755	–	21,744	–
Unrestricted	916	–	5,483	–
	33,471	1,000	41,381	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	–	399
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External restrictions – included in liabilities

	–	399
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External restrictions – other

RMS contributions	228	–
Specific purpose unexpended grants	1,174	1,585
Water supplies	5,872	4,635
Sewerage services	5,307	4,422
Domestic waste management	2,620	1,670
Stormwater management	190	246
Town improvement district	1,409	1,197

External restrictions – other	16,800	13,755
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Total external restrictions	16,800	14,154
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Internal restrictions

Plant and vehicle replacement	615	2,466
Employees leave entitlement	1,587	1,396
Incomplete works	1,000	1,058
Aerodrome bitumen resurfacing	239	234
Bradman's birthplace	43	23
Coolac bypass	103	104
Cootamundra caravan park	72	65
Development	768	579
Heritage centre	9	6
Merger implementation fund	509	3,698
Prepaid financial assistance grant	2,542	2,423
Quarries and pit restoration	49	79
Special projects	438	422
Saleyards	163	265
Stronger communities fund	8,609	8,920
Swimming pool pump and equipment	9	6

Total internal restrictions	16,755	21,744
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TOTAL RESTRICTIONS	33,555	35,898
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Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	896	–	594	–
Interest and extra charges	101	–	13	–
User charges and fees	907	–	1,290	–
Private works	17	–	13	–
Accrued revenues				
– Interest on investments	212	–	388	–
Deferred debtors	1	–	5	–
Government grants and subsidies	26	–	522	–
Net GST receivable	273	–	323	–
Other debtors	15	–	7	–
Total	2,448	–	3,155	–
Less: provision for impairment				
User charges and fees	(8)	–	(7)	–
Total provision for impairment – receivables	(8)	–	(7)	–
<u>TOTAL NET RECEIVABLES</u>	<u>2,440</u>	<u>–</u>	<u>3,148</u>	<u>–</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	16	–	52	–
– Other	529	–	653	–
Sewerage services				
– Rates and availability charges	343	–	339	–
Domestic waste management	134	–	107	–
Town improvement	28	–	27	–
Total external restrictions	1,050	–	1,478	–
Unrestricted receivables	1,390	–	1,670	–
<u>TOTAL NET RECEIVABLES</u>	<u>2,440</u>	<u>–</u>	<u>3,148</u>	<u>–</u>
Movement in provision for impairment of receivables			2018	13/5/16 to 30/6/17
Balance at the beginning of the year			7	34
+ new provisions recognised during the year			1	–
– amounts already provided for and written off this year			–	(1)
– previous impairment losses reversed			–	(26)
Balance at the end of the year			8	7

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	41	1,282	520	826
Stores and materials	562	–	604	–
Trading stock	39	–	39	–
Total inventories at cost	642	1,282	1,163	826
TOTAL INVENTORIES	642	1,282	1,163	826
(b) Other assets				
Prepayments	–	–	1	–
TOTAL OTHER ASSETS	–	–	1	–
Externally restricted assets				
Water				
Stores and materials	31	–	17	–
Total water	31	–	17	–
Total externally restricted assets	31	–	17	–
Total unrestricted assets	611	1,282	1,147	826
TOTAL INVENTORIES AND OTHER ASSETS	642	1,282	1,164	826

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		41	1,282	520	826
Total real estate for resale		41	1,282	520	826
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		41	1,282	520	826
Total costs		41	1,282	520	826
Total real estate for resale		41	1,282	520	826
Movements:					
Real estate assets at beginning of the year		520	826	445	826
– Purchases and other costs		–	10	107	–
– WDV of sales (expense)	5	(33)	–	(32)	–
– Transfer between current/non-current		(446)	446	–	–
Total real estate for resale		41	1,282	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;

	2018	2017
Real estate for resale	–	171
	–	171

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	1,149	–	1,149	–	–	–	–	–	(1,149)	–	–	–	–	–
Plant and equipment	14,323	8,607	5,716	3,050	–	(312)	(1,386)	–	2	(332)	–	15,048	8,310	6,738
Office equipment	1,503	1,240	263	159	–	–	(74)	–	–	–	–	1,341	993	348
Furniture and fittings	653	378	275	–	–	–	(46)	–	–	–	–	653	424	229
Land:														
– Operational land	8,967	–	8,967	–	–	–	–	(1,299)	–	(1,402)	–	6,266	–	6,266
– Community land	3,646	–	3,646	–	–	–	–	–	–	1,402	–	5,048	–	5,048
– Land under roads (post 30/6/08)	136	–	136	–	–	–	–	–	–	–	–	136	–	136
Land improvements – non-depreciable	30	–	30	–	–	–	–	–	–	–	–	30	–	30
Land improvements – depreciable	479	196	283	–	–	–	(14)	–	–	–	–	479	210	269
Infrastructure:														
– Buildings – non-specialised	7,736	5,223	2,513	152	–	–	(86)	–	–	(1,563)	–	2,229	1,213	1,016
– Buildings – specialised	49,066	31,436	17,630	1,434	–	–	(497)	–	–	(236)	588	39,918	20,999	18,919
– Other structures	16,098	7,950	8,148	203	–	–	(397)	–	98	(3,136)	–	8,406	3,490	4,916
– Roads	227,845	92,114	135,731	2,998	–	–	(3,672)	–	1,027	–	–	231,870	95,786	136,084
– Bridges	43,766	20,959	22,807	241	–	–	(473)	–	–	–	–	44,006	21,431	22,575
– Footpaths	5,807	2,032	3,775	366	–	–	(112)	–	–	–	–	6,173	2,144	4,029
– Bulk earthworks (non-depreciable)	105,070	–	105,070	–	–	–	–	–	–	–	–	105,070	–	105,070
– Stormwater drainage	17,133	5,977	11,156	105	–	–	(172)	–	–	–	–	17,238	6,149	11,089
– Water supply network	30,569	15,986	14,583	348	–	–	(459)	–	22	–	297	31,580	16,789	14,791
– Sewerage network	47,789	25,893	21,896	1,335	–	–	(522)	–	–	–	449	50,127	26,969	23,158
– Swimming pools	7,332	3,800	3,532	87	–	–	(85)	–	–	53	–	6,156	2,569	3,587
– Other open space/recreational assets	1,229	289	940	60	–	–	(34)	–	–	6,262	–	13,189	5,961	7,228
Other assets:														
– Heritage collections	40	10	30	–	–	–	(1)	–	–	–	–	40	11	29
– Other	1,730	682	1,048	–	–	–	–	–	–	(1,048)	–	–	–	–
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	–	–	–	–	670	–	–	–	–	–	–	670	–	670
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	592,096	222,772	369,324	10,538	670	(312)	(8,030)	(1,299)	–	–	1,334	585,673	213,448	372,225

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Reservoirs	80 to 100	Drains	70 to 200
Treatment work	30 to 100	Culverts	100
Reticulation pipes: PVC	70 to 80	Flood control structures	100 to 200
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 40	Bulk earthworks	Infinte
Sealed roads: structure	75 to 125	Swimming pools	60 to 100
Unsealed roads	20	Other open space/recreational assets	5 to 60
Bridge: concrete	80 to 130		
Bridge: other	70 to 100		
Road pavements	100		
Kerb, gutter and footpaths	30 to 60		

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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Land under roads

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

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

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

Crown reserves

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

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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	420	331
Accumulated amortisation (1/7)	(121)	(61)
Net book value – opening balance	299	270
Movements for the year		
– Net transfers from I,PP&E	–	77
– Amortisation charges	(42)	(48)
Closing values:		
Gross book value (30/6)	420	420
Accumulated amortisation (30/6)	(163)	(121)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>257</u>	<u>299</u>

¹ The net book value of intangible assets represent:

– Software	257	299
	257	299

Accounting policy for intangible assets

IT development and software

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,615	–	1,486	–
Goods and services – capital expenditure	419	–	420	–
Accrued expenses:				
– Borrowings	34	–	38	–
– Salaries and wages	364	–	425	–
Advances	–	–	5	–
Other	2	–	–	–
Total payables	2,434	–	2,374	–
Income received in advance				
Payments received in advance	445	–	–	–
Total income received in advance	445	–	–	–
Borrowings				
Loans – secured ¹	428	2,621	410	3,049
Total borrowings	428	2,621	410	3,049
TOTAL PAYABLES AND BORROWINGS	3,307	2,621	2,784	3,049

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	244	–	214	–
Sewer	234	–	39	–
Payables and borrowings relating to externally restricted assets	478	–	253	–
Total payables and borrowings relating to restricted assets	478	–	253	–
Total payables and borrowings relating to unrestricted assets	2,829	2,621	2,531	3,049
TOTAL PAYABLES AND BORROWINGS	3,307	2,621	2,784	3,049

¹ Loans are secured over the general rating income of Council

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	3,459	(554)	–	–	144	3,049
TOTAL	3,459	(554)	–	–	144	3,049

\$ '000

2018

2017

(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	84	71
Total financing arrangements	84	71
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	84	71
Total undrawn financing arrangements	84	71

Accounting policy for payables and borrowings**Payables**

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

Borrowings

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

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,170	–	1,211	–
Long service leave	2,137	145	1,815	271
Sub-total – aggregate employee benefits	3,307	145	3,026	271
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	670	–	–
Sub-total – asset remediation/restoration	–	670	–	–
<u>TOTAL PROVISIONS</u>	<u>3,307</u>	<u>815</u>	<u>3,026</u>	<u>271</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	–	670	–	–
Provisions relating to externally restricted assets	–	670	–	–
Total provisions relating to restricted assets	–	670	–	–
Total provisions relating to unrestricted assets	3,307	145	3,026	271
<u>TOTAL PROVISIONS</u>	<u>3,307</u>	<u>815</u>	<u>3,026</u>	<u>271</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000	2018	2017
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,496	2,025
	<u>2,496</u>	<u>2,025</u>

(c) Description of and movements in provisions

2018	Other provisions	
	Asset remediation	Total
At beginning of year	–	–
Changes to provision:		
Additional provisions	670	670
Total other provisions at end of year	<u>670</u>	<u>670</u>

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Other long-term employee benefit obligations

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

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

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Revaluation reserves

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	6,088	7,555
Balance as per the Statement of Cash Flows		6,088	7,555
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(7,079)	5,057
Adjust for non-cash items:			
Depreciation and amortisation		8,072	9,322
Net losses/(gains) on disposal of assets		(504)	(241)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		1,299	–
– 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		703	2,995
Increase/(decrease) in provision for doubtful debts		1	(27)
Decrease/(increase) in inventories		42	(16)
Decrease/(increase) in other assets		1	168
Increase/(decrease) in payables		129	550
Increase/(decrease) in accrued interest payable		(4)	37
Increase/(decrease) in other accrued expenses payable		(61)	(1,108)
Increase/(decrease) in other liabilities		442	(1,057)
Increase/(decrease) in employee leave entitlements		155	(334)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		3,196	22,280

Cootamundra-Gundagai Regional Council

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

Note 15. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

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

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

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

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

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

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

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees

(i) Defined benefit superannuation contribution plans (continued)

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

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$ 195,619.62.

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

Council's expected contributions to the Fund for the next annual reporting period is \$ 172,876.16.

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

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

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

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

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

* Plus promotional increases

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

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

Council's additional lump sum contribution is around 0.20% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities (continued)

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

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

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

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

(iii) Repayment of Grant Funding

Council received funding of \$5 million to assist with the merger of the two councils and to facilitate community infrastructure projects. After balance date, Council was contacted by the Office of Local Government (OLG) who advised they were investigating the expenditure by the council to ensure that it was not inconsistent with the approved purposes. At the date of this report, Council is not aware of the outcome of that investigation and believes that it has materially complied with the terms of the funding. However, in the event that the OLG investigation is adverse, council is unaware of the consequences, but believes that in the extreme circumstance it may be required to replenish or repay any funding that was not spent in accordance with the grant agreement.

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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	284	284	(284)	(284)
13/5/16to 30/6/17				
Possible impact of a 1% movement in interest rates	338	338	(338)	(338)

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	83%	78%	78%	86%
Overdue	17%	22%	22%	14%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	659	462
< 1 year overdue	122	102
1 – 2 years overdue	50	24
2 – 5 years overdue	43	6
> 5 years overdue	22	–
	896	594

Other receivables

	2018	2017
Current	1,328	2,199
0 – 30 days overdue	155	125
31 – 60 days overdue	69	107
61 – 90 days overdue	–	103
> 91 days overdue	–	27
	1,552	2,561

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables		–	2,434	–	–	2,434	2,434
Loans and advances	4.73%	–	559	2,234	736	3,529	3,049
Total financial liabilities		–	2,993	2,234	736	5,963	5,483
2017							
Trade/other payables		–	2,374	–	–	2,374	2,374
Loans and advances	4.73%	–	559	2,236	1,110	3,905	3,459
Total financial liabilities		–	2,933	2,236	1,110	6,279	5,833

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	12,332	12,298	(34)	(0%)	U
User charges and fees	5,548	6,090	542	10%	F
Increased water & sewer usage charges due to drought conditions across the shire area. Higher than expected RMS ordered works income.					
Interest and investment revenue	690	1,015	325	47%	F
Higher cash holdings throughout the year has resulted in higher than expected investment earnings.					
Other revenues	358	1,012	654	183%	F
Insurance rebates and incentive payments received higher than expected. RFS reimbursements not included in original budget. Higher than expected income from Council rents and leases.					
Operating grants and contributions	5,694	8,561	2,867	50%	F
50% of the 2019 Federal Assistance Grant was prepaid in June 2018.					
Capital grants and contributions	715	2,297	1,582	221%	F
Higher than expected developer contributions were received throughout the year. Other capital grants for infrastructure renewal and upgrade were applied for and received throughout the year and not included in the original budget.					
Net gains from disposal of assets	50	504	454	908%	F
Sale of real estate assets generated higher than expected profit. No allowance for profit on the sale of plant was included in the original budget.					

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance* -----		
EXPENSES					
Employee benefits and on-costs	11,657	12,516	(859)	(7%)	U
Borrowing costs	161	144	17	11%	F
Planned borrowings for upgrade to Council depot did not proceed due to deferral of project.					
Materials and contracts	5,864	13,382	(7,518)	(128%)	U
Increased Council wide spending as a continuation of the consolidation of the two former Council areas due to amalgamation. Funded primarily by unspent amalgamation funding received in the prior year.					
Depreciation and amortisation	8,104	8,072	32	0%	F
Other expenses	4,348	3,443	905	21%	F
An amount was allocated in the budget for "other amalgamation expenses". Some of the actual expenditure has either been classified within Material & Contracts or used for the purchase of plant & equipment and therefore capitalised.					
Revaluation decrement / impairment of IPP&E	–	1,299	(1,299)	0%	U
Revaluation of Council land classified as for operating purposes has resulted in a decreased total value. On amalgamation, only net assets from the former Councils were taken up by the new Council. Therefore all former asset revaluation reserves were lost. Any revaluation decrements are therefore posted as losses to the Income Statement.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	3,307	3,196	(111)	(3.4%)	U
Cash flows from investing activities	(10,307)	(4,253)	6,054	(58.7%)	F
Capital projects included in the budget have been deferred to future years.					
Cash flows from financing activities	(450)	(410)	40	(8.9%)	F

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	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					
Plant & equipment	30/06/18	–	6,738	–	6,738
Office equipment	30/06/18	–	348	–	348
Furniture & fittings	30/06/18	–	229	–	229
Operational land	30/06/18	–	6,266	–	6,266
Community land	12/05/16	–	–	5,048	5,048
Land under roads (post 30/6/08)	30/06/14	–	–	136	136
Land improvements - non-depreciable	12/05/16	–	–	30	30
Land improvements - depreciable	12/05/16	–	–	269	269
Non-specialised buildings	30/06/18	–	–	1,016	1,016
Specialised buildings	30/06/18	–	–	15,748	15,748
Other structures	30/06/18	–	–	4,916	4,916
Roads	30/06/15	–	–	136,084	136,084
Bridges	30/06/15	–	–	22,575	22,575
Footpaths	30/06/15	–	–	4,029	4,029
Bulk earthworks	30/06/15	–	–	105,070	105,070
Stormwater drainage	30/06/15	–	–	11,089	11,089
Water supply network	30/06/18	–	–	14,791	14,791
Sewerage network	30/06/18	–	–	23,158	23,158
Swimming pools	30/06/18	–	–	5,967	5,967
Other open space/recreational assets	30/06/18	–	–	8,019	8,019
Heritage collections	12/05/16	–	–	29	29
Tip restoration asset	30/06/18	–	–	670	670
Total infrastructure, property, plant and equipment		–	13,581	358,644	372,225

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

2017	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 year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (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 as at 30 June 2018 by an external valuer, Australis, 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.

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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.

Buildings & Other structures

Buildings and other structures were valued as at 30 June 2018 by external valuers, Australis. 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 Crown Lands and Water's (CLAW) reference rates, useful lives, dimension, specification and asset condition. In between full valuations, these assets are indexed annually in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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 year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)**a. The following tables present the changes in level 3 fair value asset classes.**

	Capital Work in Progress	Community Land	Land Under Roads	Land Improv'mt Non-deprec	Total
Opening balance – 13/5/16	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
Transfers from/(to) another asset class	(1,149)	1,402	–	–	253
Closing balance – 30/6/18	–	5,048	136	30	5,214

	Land Improv'mt Deprec	Buildings Non Specialised	Buildings Specialised	Other Structures	Total
Opening balance – 13/5/16	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
Transfers from/(to) another asset class	–	(1,563)	(3,407)	(3,038)	(8,008)
Purchases (GBV)	–	152	1,434	203	1,789
Depreciation and impairment	(14)	(86)	(497)	(397)	(994)
FV gains – other comprehensive income	–	–	588	–	588
Closing balance – 30/6/18	269	1,016	15,748	4,916	21,949

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

	Roads	Bridges	Footpaths	Bulk Earthworks	Total
Opening balance – 13/5/16	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
Transfers from/(to) another asset class	1,027	–	–	–	1,027
Purchases (GBV)	2,998	241	366	–	3,605
Depreciation and impairment	(3,672)	(473)	(112)	–	(4,257)
Closing balance – 30/6/18	136,084	22,575	4,029	105,070	267,758

	Stormwater Drainage	Water Supply Network	Sewerage Network	All Other I,PP&E	Total
Opening balance – 13/5/16	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 gains – Income Statement ¹	–	–	(6,934)	–	(6,934)
Closing balance – 30/6/17	11,156	14,583	21,896	5,550	53,185
Transfers from/(to) another asset class	–	–	–	8,438	8,438
Purchases (GBV)	105	370	1,335	817	2,627
Depreciation and impairment	(172)	(459)	(522)	(120)	(1,273)
FV gains – other comprehensive income	–	297	449	–	746
Closing balance – 30/6/18	11,089	14,791	23,158	14,685	63,723

Cootamundra-Gundagai Regional Council

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

Note 19. Fair value measurement (continued)

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

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 (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Capital works in progress	0	Cost of construction	Cost of materials, wages, plant
Community land	5,048	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	299	Depreciated replacement cost used to approximate fair value	Purchase price, useful life
Buildings & other structure	35,666	Combination of market value and depreciated replacement cost used to approximate fair value	Cost, unit rates, useful life, asset condition
Roads assets	278,847	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Water & sewer	37,949	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Heritage collection	29	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 year ended 30 June 2018

Note 20. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018
Short-term benefits	1,030
Post-employment benefits	84
Termination benefits	64
Total	<u>1,178</u>

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Actual \$	Actual \$		Actual \$	Actual \$
2018					
Supply of new motor vehicles and motor vehicle servicing	208,679	–	30 day terms on invoice	–	–
Supply of stationery, office supplies and newspapers	10,957	–	30 day terms on invoice	–	–

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 levies – under a plan	–	130	–	–	(130)	–	–	–
Total S7.11 and S7.12 revenue under plans	–	130	–	–	(130)	–	–	–
Total contributions	–	130	–	–	(130)	–	–	–

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN FOR OTHER DEVELOPMENTS (former Cootamundra)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	–	71	–	–	(71)	–	–	–
Total	–	71	–	–	(71)	–	–	–

CONTRIBUTION PLAN NUMBER 2006 (former Gundagai)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	–	59	–	–	(59)	–	–	–
Total	–	59	–	–	(59)	–	–	–

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,409	1,919	9,008
User charges and fees	2,213	482	3,471
Interest and investment revenue	141	127	747
Other revenues	2	–	1,010
Grants and contributions provided for operating purposes	55	52	8,454
Grants and contributions provided for capital purposes	–	–	2,297
Other income			
Net gains from disposal of assets	–	–	504
Total income from continuing operations	3,820	2,580	25,491
Expenses from continuing operations			
Employee benefits and on-costs	379	385	11,752
Borrowing costs	–	–	144
Materials and contracts	672	489	12,335
Depreciation and amortisation	479	536	7,057
Other expenses	1,470	430	1,543
Revaluation decrement / impairment of IPPE	–	–	1,299
Total expenses from continuing operations	3,000	1,840	34,130
Operating result from continuing operations	820	740	(8,639)
Net operating result for the year	820	740	(8,639)
Net result for the year	820	740	(8,639)
Net result attributable to each council fund	820	740	(8,639)
Net operating result for the year before grants and contributions provided for capital purposes	820	740	(10,936)

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 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	6,088
Investments	5,872	5,307	16,204
Receivables	545	343	1,552
Inventories	31	–	611
Total current assets	6,448	5,650	24,455
Non-current assets			
Investments	–	–	1,000
Inventories	–	–	1,282
Infrastructure, property, plant and equipment	15,115	23,661	333,449
Intangible assets	–	–	257
Total non-current assets	15,115	23,661	335,988
TOTAL ASSETS	21,563	29,311	360,443
LIABILITIES			
Current liabilities			
Payables	106	234	2,094
Income received in advance	138	–	307
Borrowings	–	–	428
Provisions	–	–	3,307
Total current liabilities	244	234	6,136
Non-current liabilities			
Borrowings	–	–	2,621
Provisions	–	–	815
Total non-current liabilities	–	–	3,436
TOTAL LIABILITIES	244	234	9,572
Net assets	21,319	29,077	350,871
EQUITY			
Accumulated surplus	19,355	28,628	350,283
Revaluation reserves	1,964	449	588
Council equity interest	21,319	29,077	350,871
Total equity	21,319	29,077	350,871

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 year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	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>(8,581)</u>	-29.61%	4.71%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>28,976</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>20,415</u>	65.28%	44.77%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>31,273</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>19,672</u>	5.40x	8.46x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>3,640</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>(365)</u>	-0.66x	19.62x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>554</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>997</u>	7.68%	4.04%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>12,984</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>34,471</u>	13.16 mths	16.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,620</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	-44.92%	3.05%	21.47%	8.06%	28.68%	19.36%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	56.78%	36.36%	98.56%	98.74%	97.98%	98.29%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	5.40x	8.46x	26.43x	25.03x	24.15x	129.77x	> 1.5x

Notes

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

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

Cootamundra-Gundagai Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	-5.31x	27.49x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.61%	1.92%	1.14%	3.40%	17.87%	14.92%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.09	14.80	29.11	19.24	48.83	41.98	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

Cootamundra-Gundagai Regional Council

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

Note 24. 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

Tim Swan

Other information

ABN: 46 211 642 339

Elected members

MAYOR

Abb McAlister

COUNCILLORS

Dennis Palmer (Deputy Mayor)

Leigh Bowden

David Graham

Gil Kelly

Penny Nicholson

Doug Phillips

Charlie Sheahan

Craig Stewart



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Cootamundra-Gundagai Regional Council

To the Councillors of the Cootamundra-Gundagai Regional Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in blue ink, appearing to read 'Karen Taylor', is positioned above the printed name.

Karen Taylor
Director, Financial Audit Services

30 November 2018
SYDNEY

Councillor Abb McAlister
Mayor
Cootamundra Gundagai Regional Council
Private Bag 420
COOTAMUNDRA NSW 2590

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref:

30 November 2018

Dear Mr Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Cootamundra Gundagai Regional Council**

I have audited the general purpose financial statements of the Cootamundra Gundagai Regional Council (the Council) for the year ended 30 June 2018 as required by s415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2018	2017¹	Variance
	\$m	\$m	%
Rates and annual charges revenue	12.3	12.9	4.7
Grants and contributions revenue	10.9	26.7	59.2
Materials and contract expenses	13.4	10.0	34.0
Employee benefits & on-costs	12.5	12.1	3.3
Revaluation decrement	1.3	6.9	81.2
Operating result for the year	(7.1)	5.1	239.2
Net operating result before capital amounts	(9.4)	(4.9)	91.8

¹ The 2017 Period was > 12 Months (13 May 2016 to 30 June 2017)

The rates income was consistent with the rate-pegging limit of 1.5 per cent. The apparent decrease was in annual charges for water, sewer and domestic waste which reflect a twelve-month 2018 charge compared to a longer period in 2017.

Grants and contributions revenue declined as a number of one-off payments impacted the 2017 financial year. These included the advance payment of 2018 instalments of the Federal Financial Assistance Grant (\$2.4 million). A state government merger implementation fund (\$5.0 million) and the state government stronger communities grant (\$10.0 million). No such amounts were received in the current year.

The operating result was also impacted by higher materials and contract expenses compared to 2017 with a heavier reliance on contractors and consultants to oversee projects.

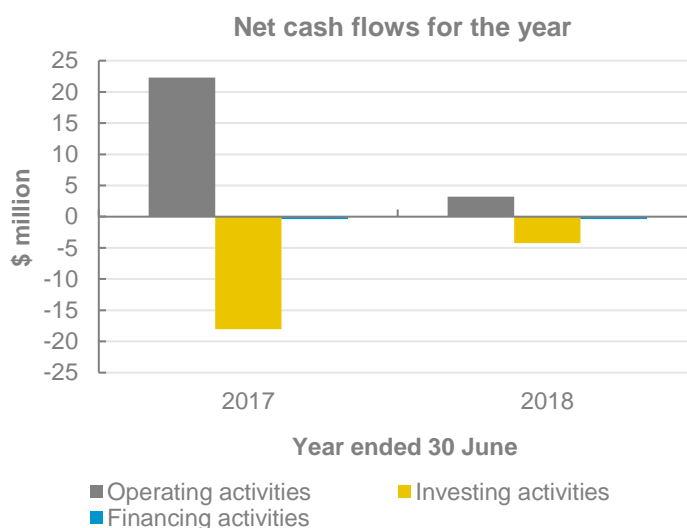
The revaluation of council's operational land resulted in a decrement of \$1.3 million, recognised as an expense given there was no previous revaluation increment to offset the decline.

The net operating result was mainly influenced by the General fund. Note 22 reported a deficit in the General fund of \$8.6 million, a surplus in Sewer Fund of \$0.7 million and a \$0.8 million surplus in the Water Fund.

STATEMENT OF CASH FLOWS

The Statement of Cashflows shows that in 2017-18 council experienced a net cash outflow of \$1.5 million. When investments are also included, council's cash, cash equivalents and investments balance decreased by \$6.9 million.

Over the two-year period graphed, Council has generated operating cash flow surpluses allowing it to maintain and renew community infrastructure.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	16.8	14.2	Externally restricted balances include unexpended loans, grants, developer contributions water, sewer and domestic waste management charges.
Internal restrictions	16.8	21.7	
Unrestricted	0.9	5.5	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	34.5	41.4	

Debt

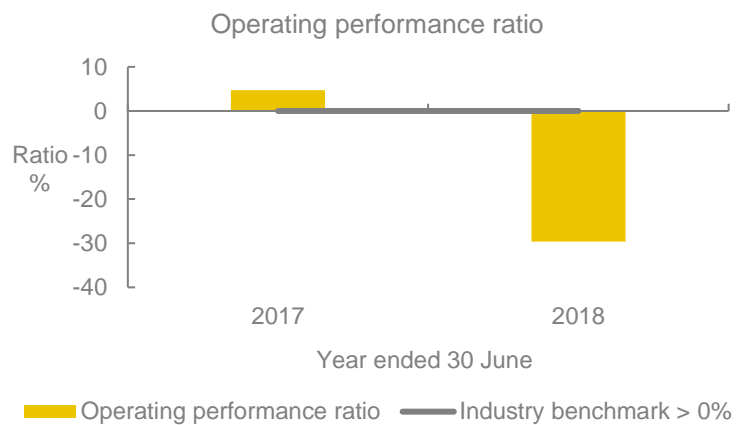
At 30 June 2018, Council had external borrowings of \$3.0 million (\$3.5 million at 30 June 2017) and access to a \$0.1 million (\$0.1 million at 30 June 2017:) credit card facility. This facility was unused at year-end.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

Operating performance ratio

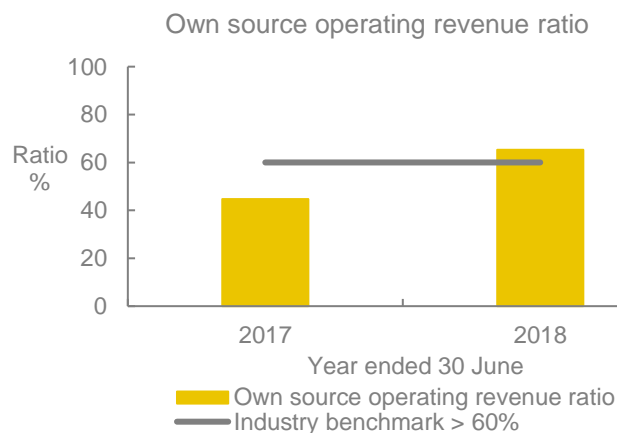
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

The Council exceeded the benchmark this year as grant income reduced.

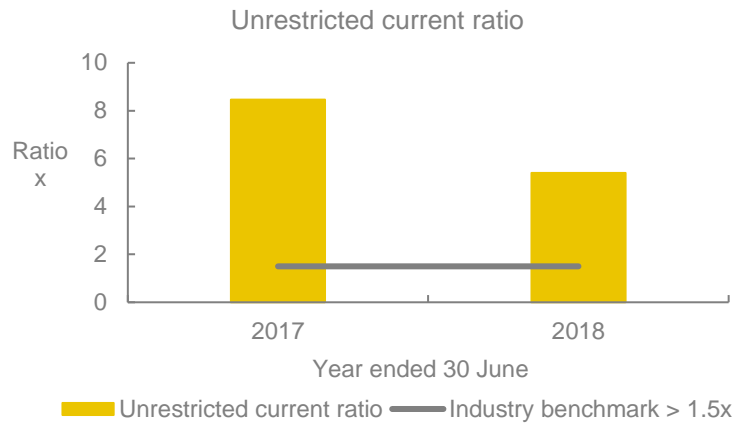
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past two years.

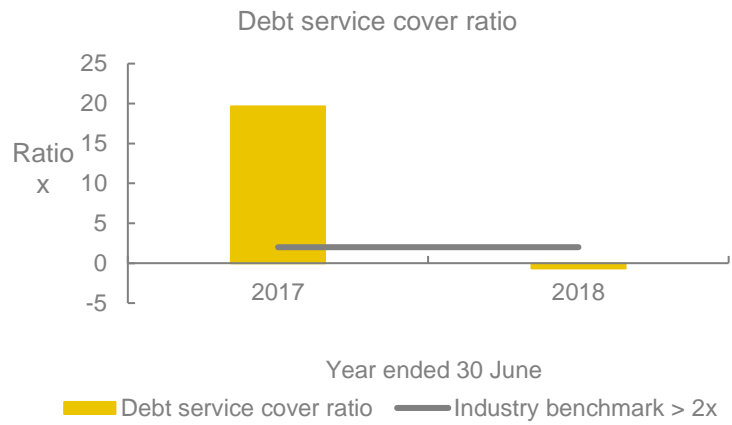
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio has dropped below the benchmark.

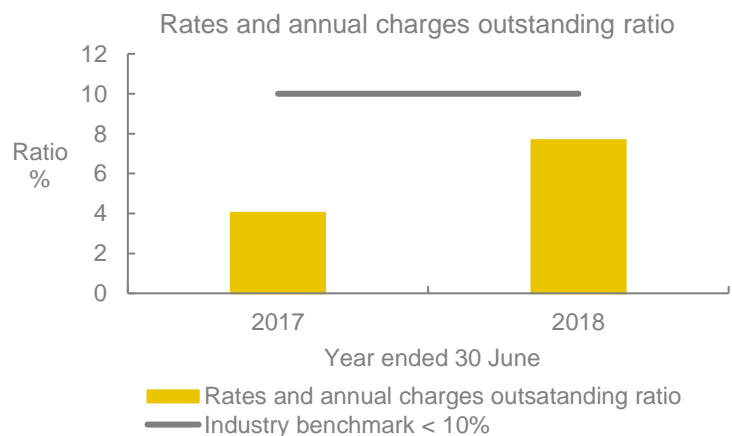
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past two years.

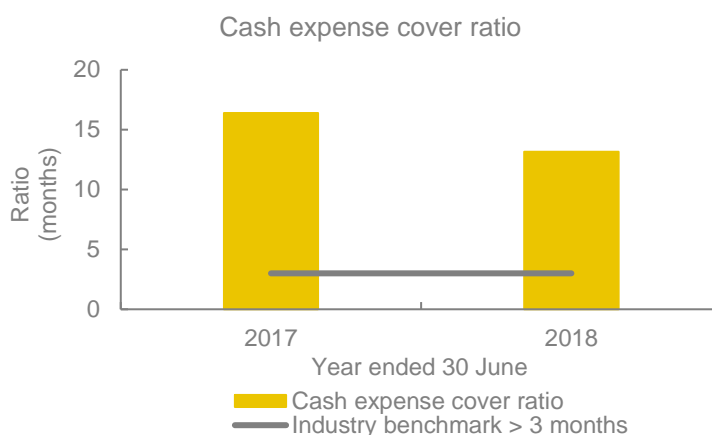
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council's high levels of liquidity means it is well over the benchmark for the cash expense cover ratio over the past three years.

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.

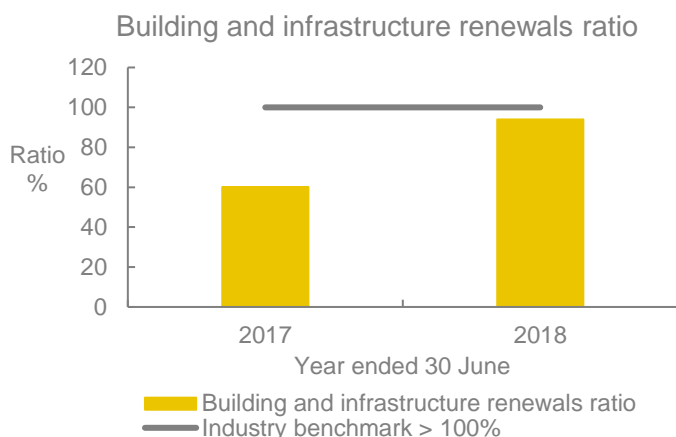


Building and infrastructure renewals ratio

Council has not met the benchmark for the building and infrastructure renewals ratio over the past two years. Council continues 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

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or after 1 July 2016

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

- compensation paid to their key management personnel
- nature of their related party relationships

-
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).
-

Legislative compliance

My audit procedures 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.



Karen Taylor
Director, Financial Audit Services

Cootamundra-Gundagai Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018



**COOTAMUNDRA -
GUNDAGAI REGIONAL
COUNCIL**

Cootamundra-Gundagai Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
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Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
3. Notes to the Special Purpose Financial Statements	7
4. Auditor’s Report	17

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 year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 September 2018.




Abb McAlister
Mayor



Dennis Palmer
Councillor



Allen Dwyer
General manager



Tim Swan
Responsible accounting officer

Cootamundra-Gundagai Regional Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	1,409	1,530
User charges	2,191	2,072
Fees	22	13
Interest	141	123
Grants and contributions provided for non-capital purposes	55	48
Other income	2	11
Total income from continuing operations	3,820	3,797
Expenses from continuing operations		
Employee benefits and on-costs	379	509
Materials and contracts	672	1,142
Depreciation, amortisation and impairment	479	600
Water purchase charges	1,241	1,115
Other expenses	229	125
Total expenses from continuing operations	3,000	3,491
Surplus (deficit) from continuing operations before capital amounts	820	306
Surplus (deficit) from continuing operations after capital amounts	820	306
Surplus (deficit) from all operations before tax	820	306
Less: corporate taxation equivalent (30%) [based on result before capital]	(246)	(92)
SURPLUS (DEFICIT) AFTER TAX	574	214
Plus opening retained profits	18,535	–
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:		
– Corporate taxation equivalent	246	92
Closing retained profits	19,355	18,535
Return on capital %	5.4%	2.0%
Subsidy from Council	–	52
Calculation of dividend payable:		
Surplus (deficit) after tax	574	214
Surplus for dividend calculation purposes	574	214
Potential dividend calculated from surplus	287	107

Cootamundra-Gundagai Regional Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	1,919	2,272
User charges	473	298
Fees	9	10
Interest	127	121
Grants and contributions provided for non-capital purposes	52	47
Total income from continuing operations	2,580	2,748
Expenses from continuing operations		
Employee benefits and on-costs	385	447
Materials and contracts	489	649
Depreciation, amortisation and impairment	536	953
Other expenses	430	7,101
Total expenses from continuing operations	1,840	9,150
Surplus (deficit) from continuing operations before capital amounts	740	(6,402)
Surplus (deficit) from continuing operations after capital amounts	740	(6,402)
Surplus (deficit) from all operations before tax	740	(6,402)
Less: corporate taxation equivalent (30%) [based on result before capital]	(222)	-
SURPLUS (DEFICIT) AFTER TAX	518	(6,402)
Plus opening retained profits	27,888	-
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:		
- Corporate taxation equivalent	222	-
Closing retained profits	28,628	27,888
Return on capital %	3.1%	-28.0%
Subsidy from Council	-	6,946
Calculation of dividend payable:		
Surplus (deficit) after tax	518	(6,402)
Surplus for dividend calculation purposes	518	-
Potential dividend calculated from surplus	259	-

Cootamundra-Gundagai Regional Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	5,872	4,635
Receivables	545	705
Inventories	31	17
Total current assets	6,448	5,357
Non-current assets		
Infrastructure, property, plant and equipment	15,115	15,059
Total non-current assets	15,115	15,059
TOTAL ASSETS	21,563	20,416
LIABILITIES		
Current liabilities		
Payables	106	214
Income received in advance	138	–
Total current liabilities	244	214
Non-current liabilities		
Nil		
TOTAL LIABILITIES	244	214
NET ASSETS	21,319	20,202
EQUITY		
Accumulated surplus	19,355	18,535
Revaluation reserves	1,964	1,667
Council equity interest	21,319	20,202
TOTAL EQUITY	21,319	20,202

Cootamundra-Gundagai Regional Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	5,307	4,422
Receivables	343	639
Total current Assets	5,650	5,061
Non-current assets		
Infrastructure, property, plant and equipment	23,661	22,866
Total non-current assets	23,661	22,866
TOTAL ASSETS	29,311	27,927
LIABILITIES		
Current liabilities		
Payables	234	39
Total current liabilities	234	39
Non-current liabilities		
Nil		
TOTAL LIABILITIES	234	39
NET ASSETS	29,077	27,888
EQUITY		
Accumulated surplus	28,628	27,888
Revaluation reserves	449	–
Council equity interest	29,077	27,888
TOTAL EQUITY	29,077	27,888

Cootamundra-Gundagai Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

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

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

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

Cootamundra-Gundagai Regional Council

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

Note 1. Significant accounting policies (continued)

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 Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

Cootamundra-Gundagai Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(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.

Cootamundra-Gundagai Regional Council

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

Note 1. Significant accounting policies (continued)

The rate of return is calculated as follows:

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

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

(iv) Dividends

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

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

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

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

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Cootamundra-Gundagai Regional Council

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

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	13,266
(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]	287,000
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	132,660
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	909,300

2018 Surplus	574,000	2017 Surplus	214,200	2016 Surplus	121,100
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	132,660
(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	<input type="checkbox"/>

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 year ended 30 June 2018

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

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,679
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)]	%	58.43%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	15,021
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,411
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	370
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)]	%	5.22%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Cootamundra-Gundagai Regional Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	12,084
(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]	259,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	120,840
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	(5,538,900)

2018 Surplus	518,000	2017 Surplus	(6,402,000)	2016 Surplus	345,100
		2017 Dividend	-	2016 Dividend	-

(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 year ended 30 June 2018

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

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

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,453
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	23,583
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,004
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,335
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)]	%	3.86%
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	6,132
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.74%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,705
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)]	%	4.39%
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 year ended 30 June 2018

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

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-22.18%
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	1,560
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	107

- 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 report

Cootamundra-Gundagai Regional Council

To the Councillors of the Cootamundra-Gundagai Regional Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in blue ink, appearing to read 'Karen Taylor', written in a cursive style.

Karen Taylor
Director, Financial Audit Services

30 November 2018
SYDNEY

Cootamundra-Gundagai Regional Council

SPECIAL SCHEDULES

for the year ended 30 June 2018



**COOTAMUNDRA -
GUNDAGAI REGIONAL
COUNCIL**

Cootamundra-Gundagai Regional Council

Special Schedules

for the year ended 30 June 2018

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

Background

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

Cootamundra-Gundagai Regional Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	779	–	–	(779)
Administration	12,819	1,782	–	(11,037)
Public order and safety				
Fire service levy, fire protection, emergency services	715	376	–	(339)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	221	26	–	(195)
Other	–	–	–	–
Total public order and safety	936	402	–	(534)
Health	38	20	–	(18)
Environment				
Noxious plants and insect/vermin control	91	64	–	(27)
Other environmental protection	–	–	–	–
Solid waste management	1,375	2,233	–	858
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	226	103	–	(123)
Total environment	1,692	2,400	–	708
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	24	–	–	(24)
Total community services and education	24	–	–	(24)
Housing and community amenities				
Public cemeteries	299	239	–	(60)
Public conveniences	134	–	–	(134)
Street lighting	–	–	–	–
Town planning	1,039	367	71	(601)
Other community amenities	–	–	–	–
Total housing and community amenities	1,472	606	71	(795)
Water supplies	3,000	3,820	–	820
Sewerage services	1,841	2,580	–	739

Cootamundra-Gundagai Regional Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	707	88	–	(619)
Museums	97	8	–	(89)
Art galleries	–	–	–	–
Community centres and halls	–	–	–	–
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	905	17	672	(216)
Swimming pools	777	118	82	(577)
Parks and gardens (lakes)	407	50	–	(357)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,893	281	754	(1,858)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	9	–	–	(9)
Total mining, manufacturing and const.	9	–	–	(9)
Transport and communication				
Urban roads (UR) – local	2,408	827	–	(1,581)
Urban roads – regional	1,332	776	346	(210)
Sealed rural roads (SRR) – local	4,045	898	–	(3,147)
Sealed rural roads (SRR) – regional	364	–	–	(364)
Unsealed rural roads (URR) – local	1,096	–	–	(1,096)
Unsealed rural roads (URR) – regional	16	–	–	(16)
Bridges on UR – local	10	–	–	(10)
Bridges on SRR – local	337	–	–	(337)
Bridges on URR – local	66	–	–	(66)
Bridges on regional roads	60	–	178	118
Parking areas	–	–	–	–
Footpaths	112	–	–	(112)
Aerodromes	68	10	–	(58)
Other transport and communication	2,981	1,934	948	(99)
Total transport and communication	12,895	4,445	1,472	(6,978)
Economic affairs				
Camping areas and caravan parks	38	56	–	18
Other economic affairs	420	469	–	49
Total economic affairs	458	525	–	67
Totals – functions	38,856	16,861	2,297	(19,698)
General purpose revenues ⁽¹⁾		12,619		12,619
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	38,856	29,480	2,297	(7,079)

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

\$'000		2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
		Former Cootamundra Shire Council	Former Gundagai Shire Council	Cootamundra- Gundagai Regional Council	Former Cootamundra Shire Council	Former Gundagai Shire Council	Cootamundra- Gundagai Regional Council
Notional general income calculation ⁽¹⁾							
Last year notional general income yield	a	4,186	3,175	7,361	4,118	3,151	7,269
Plus or minus adjustments ⁽²⁾	b	9	(4)	5	8	(30)	(22)
Notional general income	c = (a + b)	4,195	3,171	7,366	4,126	3,121	7,247
Permissible income calculation							
Special variation percentage ⁽³⁾	d	0.00%	0.00%		0.00%	0.00%	
Or rate peg percentage	e	2.30%	2.30%		1.50%	1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%		0.00%	0.00%	
Less expiring special variation amount	g	–	(264)	(264)	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–	–	–	–
Or plus rate peg amount	i = c x e	96	67	163	62	47	109
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–	–
Sub-total	k = (c + g + h + i + j)	4,291	2,974	7,265	4,188	3,168	7,356
Plus (or minus) last year's carry forward total	l	(3)	(4)	(7)	(5)	3	(2)
Less valuation objections claimed in the previous year	m	–	–	–	–	–	–
Sub-total	n = (l + m)	(3)	(4)	(7)	(5)	3	(2)
Total permissible income	o = k + n	4,288	2,970	7,258	4,183	3,171	7,354
Less notional general income yield	p	4,281	2,981	7,262	4,186	3,175	7,361
Catch-up or (excess) result	q = o – p	7	(11)	(4)	(3)	(4)	(7)
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	7	(11)	(4)	(3)	(4)	(7)

Cootamundra-Gundagai Regional Council

Special Schedule 2 – Permissible income for general rates (continued) for the year ended 30 June 2019

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 return (FDR) to administer this process.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Karen Taylor
Director, Financial Audit Services

30 November 2018
SYDNEY

Cootamundra-Gundagai Regional Council

Special Schedule 3 – Water Supply Income Statement

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

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	53	152
b. Engineering and supervision	46	405
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	56	25
d. Maintenance expenses	18	322
– Reservoirs		
e. Operation expenses	3	8
f. Maintenance expenses	–	24
– Pumping stations		
g. Operation expenses (excluding energy costs)	1	1
h. Energy costs	84	78
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	121	85
k. Chemical costs	29	22
l. Maintenance expenses	62	58
– Other		
m. Operation expenses	623	13
n. Maintenance expenses	74	104
o. Purchase of water	1,241	1,594
3. Depreciation expenses		
a. System assets	459	578
b. Plant and equipment	20	22
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	110	–
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	3,000	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 year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges		
a. Access (including rates)	1,353	1,193
b. Usage charges	1,902	1,388
7. Non-residential charges		
a. Access (including rates)	56	337
b. Usage charges	289	684
8. Extra charges	–	–
9. Interest income	141	123
10. Other income	24	24
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	55	48
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	3,820	3,797
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	820	306
15a. Operating result (less grants for acquisition of assets)	820	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 year ended 30 June 2018

\$'000	2018	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	370	281
d. Plant and equipment	–	22
17. Repayment of debt	–	–
18. Totals	370	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)	3,650	3,642
b. Residential (unoccupied, ie. vacant lot)	105	142
c. Non-residential (occupied)	605	501
d. Non-residential (unoccupied, ie. vacant lot)	62	35
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 98,494	\$ 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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,872	–	5,872
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	16	–	16
c. User charges	529	–	529
d. Other	–	–	–
27. Inventories	31	–	31
28. Property, plant and equipment			
a. System assets	–	15,021	15,021
b. Plant and equipment	–	94	94
29. Other assets	–	–	–
30. Total assets	6,448	15,115	21,563
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	244	–	244
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	244	–	244
36. NET ASSETS COMMITTED	6,204	15,115	21,319
EQUITY			
37. Accumulated surplus			19,355
38. Asset revaluation reserve			1,964
39. Other reserves			–
40. TOTAL EQUITY			21,319
Note to system assets:			
41. Current replacement cost of system assets			31,810
42. Accumulated current cost depreciation of system assets			(16,789)
43. Written down current cost of system assets			15,021

Cootamundra-Gundagai Regional Council

Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	34	139
b. Engineering and supervision	119	276
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	36	–
b. Maintenance expenses	101	193
– Pumping stations		
c. Operation expenses (excluding energy costs)	127	–
d. Energy costs	116	73
e. Maintenance expenses	19	163
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	80	101
g. Chemical costs	1	54
h. Energy costs	–	–
i. Effluent management	3	44
j. Biosolids management	–	15
k. Maintenance expenses	27	199
– Other		
l. Operation expenses	204	–
m. Maintenance expenses	137	1
3. Depreciation expenses		
a. System assets	522	940
b. Plant and equipment	14	13
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	300	6,939
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,840	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 year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges (including rates)	1,668	2,028
7. Non-residential charges		
a. Access (including rates)	251	244
b. Usage charges	473	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	127	121
11. Other income	9	10
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	52	47
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>2,580</u>	<u>2,748</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>740</u>	<u>(6,402)</u>
16a. Operating result (less grants for acquisition of assets)	740	(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 year ended 30 June 2018

\$'000	2018	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	1,335	855
d. Plant and equipment	–	3
18. Repayment of debt	–	–
19. Totals	1,335	858
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	3,380	3,361
b. Residential (unoccupied, ie. vacant lot)	112	154
c. Non-residential (occupied)	458	445
d. Non-residential (unoccupied, ie. vacant lot)	78	45
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 94,378	\$ 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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,307	–	5,307
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	343	–	343
c. User charges	–	–	–
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	23,583	23,583
b. Plant and equipment	–	78	78
30. Other assets	–	–	–
31. Total assets	<u>5,650</u>	<u>23,661</u>	<u>29,311</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	234	–	234
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>234</u>	<u>–</u>	<u>234</u>
37. NET ASSETS COMMITTED	<u>5,416</u>	<u>23,661</u>	<u>29,077</u>
EQUITY			
38. Accumulated surplus			28,628
39. Asset revaluation reserve			449
40. Other reserves			–
41. TOTAL EQUITY			<u>29,077</u>
Note to system assets:			
42. Current replacement cost of system assets			50,553
43. Accumulated current cost depreciation of system assets			(26,970)
44. Written down current cost of system assets			<u>23,583</u>

Cootamundra-Gundagai Regional Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Cootamundra-Gundagai Regional Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	146	146		28	1,016	2,229	12%	29%	23%	34%	2%
	Buildings – specialised				341	15,748	34,569	15%	10%	30%	35%	10%
	Sub-total	146	146	–	369	19,935	36,798	14.8%	11.2%	29.6%	34.9%	9.5%
Other structures	Other structures				104	4,916	8,406	29%	20%	41%	9%	1%
	Sub-total	–	–	–	104	4,916	8,406	29.0%	20.0%	41.0%	9.0%	1.0%
Roads	Sealed roads	5,227	5,227		2,181	100,010	177,763	16%	45%	35%	3%	1%
	Unsealed roads	800	800		489	22,424	30,006	81%	8%	7%	4%	0%
	Bridges				492	22,575	44,006	22%	51%	24%	3%	0%
	Footpaths	185	185		88	4,029	6,173	34%	46%	15%	5%	0%
	Bulk earthworks				2,291	105,070	105,070	100%	0%	0%	0%	0%
	Kerb & gutter	2,839	2,839		298	13,650	24,101	27%	35%	25%	14%	-1%
	Sub-total	9,051	9,051	–	5,839	267,758	387,119	45.5%	30.0%	21.1%	3.0%	0.4%
Water supply network	Water supply network	6,452	6,452		155	14,791	31,580	19%	23%	17%	30%	11%
	Sub-total	6,452	6,452	–	155	14,791	31,580	19.0%	23.0%	17.0%	30.0%	11.0%
Sewerage network	Sewerage network	8,853	8,853		284	23,158	50,127	20%	24%	14%	17%	25%
	Sub-total	8,853	8,853	–	284	23,158	50,127	20.0%	24.0%	14.0%	17.0%	25.0%

Cootamundra-Gundagai Regional Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage				23	11,089	17,238	38%	15%	47%	0%	0%
	Sub-total	–	–	–	23	11,089	17,238	38.0%	15.0%	47.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools				160	2,796	9,546	24%	25%	31%	18%	3%
	Other				502	8,019	15,149	24%	25%	31%	18%	2%
	Sub-total	–	–	–	662	10,815	24,695	24.0%	25.0%	31.0%	18.0%	2.4%
	TOTAL – ALL ASSETS	24,502	24,502	–	7,436	352,462	555,963	38.2%	27.0%	22.4%	8.6%	3.9%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Cootamundra-Gundagai Regional Council

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

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>7,329</u>	93.87%	60.03%	>= 100%
Depreciation, amortisation and impairment	<u>7,808</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>24,502</u>	6.95%	10.85%	< 2.00%
Net carrying amount of infrastructure assets	<u>352,731</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>7,436</u>	0.00%	0.00%	> 100%
Required asset maintenance	<u>-</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>24,502</u>	4.41%	0.00%	
Gross replacement cost	<u>555,963</u>			

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

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

Cootamundra-Gundagai Regional Council

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

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	82.38%	-354.32%	80.61%	45.23%	255.75%	10.52%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	2.92%	5.27%	43.62%	40.64%	38.23%	43.67%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.94%	0.00%	20.43%	0.00%	17.66%	0.00%	
Gross replacement cost							

Notes

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