

The former Cootamundra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016

*"To provide leadership and quality services
and to promote sustainable growth"*



The former Cootamundra Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Overview

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

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

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

(iv) These financial statements were authorised for issue by Cootamundra-Gundagai Regional Council on 21/12/16. Council has the power to amend and reissue these financial statements.

The former Cootamundra Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Understanding Council's Financial Statements

Introduction

All councils have a legal requirement to produce audited financial statements each financial year. These statements show how council performed financially during the past 12 months through an income statement, and also on the overall financial position at the end of that period through a balance sheet. Council operates as a "Not for profit" organisation providing services and replacing assets for the community on a balanced budget approach each year.

Council is committed to accountability. This "Understanding the Annual Financial Reports" guide has been developed to help readers understand and analyse the financial reports as part of that accountability.

From midnight on 12 May 2016, operations of the former Cootamundra Shire Council were amalgamated with Gundagai Shire Council to form Cootamundra-Gundagai Regional Council.

These financial statements have been drawn up to reflect the closing financial position at 12 May 2016 of the former Cootamundra Shire Council and its financial performance for the period 1 July 2015 to 12 May 2016.

What is in the Annual Financial Report?

Council's financial report is presented in the following sections:

- Principal Financial Statements
- Notes to, and forming part of, the Principal Financial Statements
- Special Purpose Financial Reports
- Special Schedules

All sections are prepared by council staff. The first three sections are audited by council's appointed external auditor. We also adopt the reports as a true and fair representation of council's financial position and performance.

Principal Financial Statements

These are the four statements included in the first few pages of the financial report. They are the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement.

Individual line items within these statements will be referenced to a Note to provide more detailed information.

Income Statement

The Income Statement is sometimes referred to as a Profit and Loss Statement or Operating Statement in many business sectors. In local government it shows:

- The sources of council's revenue, including capital grants and contributions, received or accrued within the financial period.
- The expenses incurred in council delivering services to the community during the period.

The key figure to look at is the Operating Result from Continuing Operations. This can be a surplus, or deficit, for the period that is the equivalent to the profit or loss of council for that period. A surplus means that the revenue was greater than the expenses.

For the period ended 12 May 2016 this is a surplus of **\$1,856,000**.

This has improved by **\$2,271,000** compared to the 2014/15 deficit result, and is mainly attributed to increases in revenue from grants and contributions, a reduction in depreciation charges as a result of the revaluation of the road infrastructure and timing of the amalgamation.

Balance Sheet

This one-page summary is a snapshot of the financial situation as at 12 May. It shows what council owns as assets and what it owes as liabilities. The bottom line of this statement is Net Assets. This is the net worth of council, which has been built up since council's inception.

The assets and liabilities are separated into current and non-current. Current means those assets or liabilities that will fall due in the next 12 months whilst non-current is greater than the 12 months.

The total of current and non-current assets is the Total Assets held by council. For the period ended 12 May 2016 the total is **\$223.7M**. For the period ended 12 May 2016 total liabilities is **\$5.6M**.

The former Cootamundra Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Understanding Council's Financial Statements (continued)

Net Assets is the term used to describe the difference between the value of Total Assets and the value of Total Liabilities. It represents the net worth, or equity, of council as at the end of the reported financial period. For the period ended 12 May 2016 this is **\$218.1M**.

Total Equity is the net worth of council and is always equal to Net Assets. Council's total equity has increased by **\$2.2M** since last financial year and this is attributable to the movements outlined in the next section.

Statement of Changes in Equity

During the course of the period the value of Total Equity as set out in the Balance Sheet will move according to financial activity. The Changes in Equity Statement shows the values of such changes and how these changes arose.

The main reasons for a change in equity stem from:

- The surplus or deficit from operations as described in the Income Statement as Result from Continuing Operations for the period. For the period to 12 May 2016 this amount was a surplus of \$1,856,000. This surplus has been impacted positively by the timing of the amalgamation, with grants recognised as income prior to expenditure being incurred.
- The revaluation of assets that takes place on a regular basis to ensure the most up-to-date value is included in council's books. The indexation of the water and sewer infrastructure added \$360,000 to equity in this period.

Cash Flow Statement

The Cash Flow Statement summarises council's cash payments and cash receipts for the period. The values usually differ from those shown in the Income Statement because that statement is prepared on an accrual accounting basis, whilst the Cash Flow Statement shows pure cash movements during the period. Essentially it is the movement of cash in and out of council's bank account during the period.

Council's cash arises from, and is used in, three main areas:

Operating Activities

- Receipts – all cash received into council's bank account except the costs associated with the sale of assets, or capital.
- Payments – all cash paid by council from its bank account except costs associated with the creation of assets, or capital.

Investing Activities

- Cash invested in infrastructure, property, plant and equipment assets and the cash received from the sale of these assets.

Financing Activities

- Receipt and repayment of borrowed funds and advances.

The bottom line of the Cash Flow Statement is the cash and investments held at the end of the financial period. For the period ended 12 May 2016 this is **\$17.4M**.

Notes to, and Forming Part of, The Principal Financial Statements

There are 29 specific notes detailing council's accounting policies and the detailed makeup of the amounts shown in the Principal Financial Statements, along with additional information to assist users of the financial statements. The Notes are numbered 1 to 29 and are specifically referenced to individual line items on the Principal Financial Statements, where applicable.

Note 1 is very important as it outlines the details of council's accounting policies to complement the treatment of Australian equivalents to International Financial Reporting Standards (AIFRS.) Some AIFRS are not prescriptive, therefore it is necessary to establish local government prescribed codes and regulations and also council accounting policies to follow and also convey to the reader.

The former Cootamundra Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

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

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

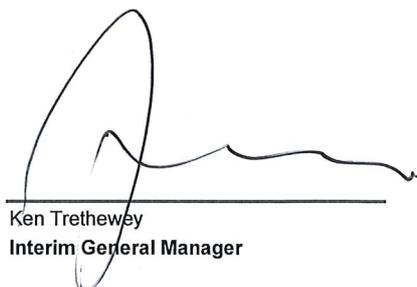
- present fairly the Council's operating result and financial position for the period, and
- accord with Council's accounting and other records.

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 Cootamundra-Gundagai Regional Council made on 10 October 2016.



Christine Ferguson
Administrator



Ken Trethewey
Interim General Manager



Rebecca Martin
Responsible Accounting Officer

The former Cootamundra Shire Council

Income Statement

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations			
<i>Revenue:</i>			
Rates and annual charges ²	3a	6,928	7,182
User charges and fees	3b	3,225	3,785
Interest and investment revenue	3c	481	515
Other revenues	3d	439	315
Grants and contributions provided for operating purposes ³	3e,f	4,541	4,058
Grants and contributions provided for capital purposes ³	3e,f	863	318
<i>Other income:</i>			
Net gains from the disposal of assets	5	74	167
Total income from continuing operations		16,551	16,340
Expenses from continuing operations			
Employee benefits and on-costs	4a	4,965	5,658
Borrowing costs	4b	54	68
Materials and contracts	4c	4,299	4,866
Depreciation and amortisation	4d	3,706	4,354
Impairment	4d	–	–
Other expenses	4e	1,671	1,794
Net share of interests in joint ventures and associates using the equity method	19	–	15
Total expenses from continuing operations		14,695	16,755
Operating result from continuing operations		1,856	(415)
Discontinued operations			
Net profit/(loss) from discontinued operations	24	–	–
Net operating result for the period		1,856	(415)
Net operating result attributable to Council		1,856	(415)
Net operating result attributable to non-controlling interests		–	–
Net operating result for the period before grants and contributions provided for capital purposes		993	(733)

¹ Original budget as approved by Council is not required for these financial statements

² Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

³ Federal Assistance Grants (FAGs) and other grants are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured.

The former Cootamundra Shire Council

Statement of Comprehensive Income

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Net operating result for the period (as per Income Statement)		1,856	(415)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	360	48,099
Other comprehensive income – joint ventures and associates	19b	–	–
Total items which will not be reclassified subsequently to the operating result		360	48,099
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the period		360	48,099
Total comprehensive income for the period		2,216	47,684
Total comprehensive income attributable to Council		2,216	47,684
Total comprehensive income attributable to non-controlling interests		–	–

The former Cootamundra Shire Council

Statement of Financial Position

as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,264	1,301
Investments	6b	16,094	15,011
Receivables	7	3,072	866
Inventories	8	437	546
Other	8	4	17
Total current assets		20,871	17,741
Non-current assets			
Investments	6b	–	–
Receivables	7	5	14
Inventories	8	826	813
Infrastructure, property, plant and equipment	9	201,396	201,243
Investments accounted for using the equity method	19	212	212
Investment property	14	–	–
Intangible assets	25	270	300
Other	8	112	112
Total non-current assets		202,821	202,694
TOTAL ASSETS		223,692	220,435
LIABILITIES			
Current liabilities			
Payables	10	2,455	1,351
Borrowings	10	133	125
Provisions	10	2,015	1,922
Liabilities associated with assets classified as 'held for sale'	22	–	–
Total current liabilities		4,603	3,398
Non-current liabilities			
Payables	10	–	–
Borrowings	10	966	1,099
Provisions	10	28	59
Total non-current liabilities		994	1,158
TOTAL LIABILITIES		5,597	4,556
Net assets		218,095	215,879
EQUITY			
Retained earnings	20	85,718	83,862
Revaluation reserves	20	132,377	132,017
Council equity interest		218,095	215,879
Total equity		218,095	215,879

The former Cootamundra Shire Council

Statement of Changes in Equity

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
1/7/15 to 12/5/16						
Opening balance (as per last year's audited accounts)		83,862	132,017	215,879	–	215,879
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		83,862	132,017	215,879	–	215,879
c. Net operating result for the period		1,856	–	1,856	–	1,856
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	360	360	–	360
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	360	360	–	360
Total comprehensive income (c&d)		1,856	360	2,216	–	2,216
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		85,718	132,377	218,095	–	218,095

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
1/7/14 to 30/6/15						
Opening balance (as per last year's audited accounts)		84,277	83,918	168,195	–	168,195
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		84,277	83,918	168,195	–	168,195
c. Net operating result for the year		(415)	–	(415)	–	(415)
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	48,099	48,099	–	48,099
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	48,099	48,099	–	48,099
Total comprehensive income (c&d)		(415)	48,099	47,684	–	47,684
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the year		83,862	132,017	215,879	–	215,879

The former Cootamundra Shire Council

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Cash flows from operating activities			
Receipts:			
Rates and annual charges		6,853	7,026
User charges and fees		1,622	4,529
Investment and interest revenue received		452	534
Grants and contributions		5,590	4,767
Bonds, deposits and retention amounts received		9	14
Other		812	752
Payments:			
Employee benefits and on-costs		(4,762)	(5,550)
Materials and contracts		(4,495)	(5,640)
Borrowing costs		(35)	(68)
Other		(1,786)	(2,022)
Net cash provided (or used in) operating activities	11b	4,260	4,342
Cash flows from investing activities			
Receipts:			
Sale of investment securities		30,892	25,527
Sale of infrastructure, property, plant and equipment		233	305
Deferred debtors receipts		6	–
Payments:			
Purchase of investment securities		(31,975)	(27,690)
Purchase of infrastructure, property, plant and equipment		(3,240)	(2,650)
Purchase of real estate assets		(88)	(165)
Deferred debtors and advances made		–	(2)
Net cash provided (or used in) investing activities		(4,172)	(4,675)
Cash flows from financing activities			
Receipts:			
Nil			
Payments:			
Repayment of borrowings and advances		(125)	(119)
Net cash flow provided (used in) financing activities		(125)	(119)
Net increase/(decrease) in cash and cash equivalents		(37)	(452)
Plus: cash and cash equivalents – beginning of reporting period	11a	1,301	1,753
Cash and cash equivalents – end of reporting period	11a	1,264	1,301
Additional Information:			
plus: Investments on hand – end of reporting period	6b	16,094	15,011
Total cash, cash equivalents and investments		17,358	16,312

The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

(i) Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Cootamundra Shire Council has been amalgamated into the Cootamundra-Gundagai Regional Council from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Cootamundra-Gundagai Regional Council

- The Local Government (Council Amalgamations) Proclamation 2016 ensures:

- all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils
- new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties
- any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.

- The former Cootamundra Shire Council has not been liquidated nor has trading ceased.

- (ii) Estimated fair values of infrastructure, property, plant and equipment,

(b) Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues 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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

rateable property or, where earlier, upon receipt of the rates.

Rates are recognised as revenue for the period 1 July 2015 to 30 June 2016. No adjustment has been made for rates not earned during the period 13 May 2016 to 30 June 2016.

Annual charges are recognised as revenue for the period 1 July 2015 to 12 May 2016.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial period were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current period.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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.

A detailed note relating to developer contributions can be found at Note 17.

User charges, fees and other Income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

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

Other Income

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements. Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

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

Associates

Council has no interest in any associates.

County councils

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

The County Council provides water services within its area of operation. There are eight constituent councils.

The governing body of each county council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above county council. Information relating to Council's interest in the county council can be found at Note 19 (e).

Unconsolidated structured entities

Unconsolidated structured entities represent 'special vehicles' that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities.

Detailed information relating to Council's interest in unconsolidated structured entities can be found at Note 19 (d).

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(d) Leases

All leases entered into by Council are classified as Operating Leases.

Operating leases are those in which a significant portion of the risks and rewards of ownership are retained by the lessor.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and

- available-for-sale financial assets.

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the

reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

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

(ii) Subsequent measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

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

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

(g) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

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

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

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

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

(ii) 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.

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Water and Sewerage Networks**
(External Valuation)
- **Buildings – Specialised/Non Specialised**
(External & Internal Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Land – Operational** (External Valuation)
- **Land – Community** (NSW Valuer General's Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Swimming Pools** (Internal Valuation)

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Due to the proclamation date of 12 May 2016, the Council had not completed revaluations for the 2015 / 2016 reporting period and therefore the following assets have not been revalued for these financial statements:

- Land Improvements
- Other Structures
- Other Assets

Council has assessed the current carrying values of the above Asset Classes and does not believe that (at balance date) it is materially different from their fair value.

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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.

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

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

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Plant and Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant and Equipment	> \$1,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
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Building

- construction/extensions	> \$10,000
- renovations	> \$10,000

Other Structures	> \$2,000
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Water and Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs:	> \$10,000
Bridge construction and reconstruction	> \$10,000

Other Infrastructure Assets

Swimming Pools	> \$10,000
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Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PPandE include:

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

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

Buildings

- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

Stormwater Drainage

- Drains	100 to 200 years
- Culverts	100 years
- Flood Control Structures	100 to 200 years

Transportation Assets

- Sealed Roads: Surface	15 to 40 years
- Sealed Roads: Structure	75 to 400 years
- Unsealed roads	20 years

- Bridge: Concrete	100 years
- Bridge: Other	100 years

- Footpaths	60 to 80 years
- Kerb and Gutter	80 years

Swimming Pools

- Buildings and Other Structures	60 to 100 years
- Swimming Pools	100 years
- Plant and Equipment	8 to 50 years

Water and Sewer Assets

- Reservoirs	80 to 100 years
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- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (q) on asset impairment.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

(l) 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 acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible assets

IT development and software

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 services.

Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

(n) 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.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997*, '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'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Council has not made provision relating to close down, restoration and remediation costs for landfill and quarries and information and reasons can be found at Note 26.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(q) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(r) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of reporting period that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(t) Borrowing costs

Borrowing costs are expensed.

(u) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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.

(v) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined benefit plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The position is monitored annually and the actuary has estimated that as at 12 May 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$ 92,391.

The amount of additional contributions included in the total employer contribution advised above is \$41,746.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined contribution plans

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

(iv) Employee benefit on-costs

Council has recognised at period end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

(w) Self-insurance

Council does not self-insure.

(x) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

(y) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(z) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11, and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

(aa) Rounding of amounts

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

(ab) Comparative figures

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

(ac) Disclaimer

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 & non-current)	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Governance	2	20	802	722	(800)	(702)	–	–	–	–
Administration	385	482	1,770	1,829	(1,385)	(1,347)	3	13	22,155	19,696
Public order and safety	248	265	443	528	(195)	(263)	209	226	1,112	1,092
Health	6	8	13	11	(7)	(3)	–	–	–	–
Environment	1,392	1,538	1,278	1,429	114	109	66	73	7,519	7,065
Community services and education	–	–	–	7	–	(7)	–	–	533	539
Housing and community amenities	133	174	258	277	(125)	(103)	–	–	1,044	1,062
Water supplies	2,245	2,270	2,240	2,363	5	(93)	37	25	6,485	6,245
Sewerage services	1,278	1,389	1,038	1,106	240	283	36	30	24,384	23,738
Recreation and culture	244	371	2,077	2,397	(1,833)	(2,026)	84	112	18,535	18,866
Mining, manufacturing and construction	198	214	283	326	(85)	(112)	–	15	–	–
Transport and communication	2,099	980	3,063	3,888	(964)	(2,908)	1,651	382	136,798	136,867
Economic affairs	1,208	1,559	1,430	1,857	(222)	(298)	–	–	4,915	5,053
Total functions and activities	9,438	9,270	14,695	16,740	(5,257)	(7,470)	2,086	876	223,480	220,223
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	15	–	(15)	–	–	212	212
General purpose income ¹	7,113	7,070	–	–	7,113	7,070	2,780	2,804	–	–
Operating result from continuing operations	16,551	16,340	14,695	16,755	1,856	(415)	4,866	3,680	223,692	220,435

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

Original Budget disclosures are not required for these financial statements.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER AND SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES AND EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING AND COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING AND CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT AND COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
(a) Rates and annual charges ^{1,2}			
Ordinary rates			
Residential		1,967	1,929
Farmland		1,270	1,220
Business		627	617
Total ordinary rates		3,864	3,766
Special rates			
Nil			
<hr/>			
\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		896	988
Water supply services		922	1,031
Sewerage services		1,024	1,144
Drainage		69	79
Waste management services (non-domestic)		153	174
Total annual charges		3,064	3,416
TOTAL RATES AND ANNUAL CHARGES		6,928	7,182

¹ Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

² Rates are recognised as revenue at the commencement of the rating year for the period 1 July 2015 to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016. Annual charges levied for the 15/16 rating year have been recognised as revenue on a pro rata basis in these financial statements for the period 1/7/15 to 12/5/16.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		1,248	1,186
Sewerage services		203	191
Total user charges		1,451	1,377
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		96	105
Private works – section 67		127	123
Section 149 certificates (EPA Act)		16	17
Section 603 certificates		13	15
Total fees and charges – statutory/regulatory		252	260
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		8	7
Caravan park		35	44
Cemeteries		133	174
Community centres		5	10
Leaseback fees – Council vehicles		30	36
Library and art gallery		14	14
Park rents		9	10
RMS (formerly RTA) charges (state roads not controlled by Council)		744	1,235
Saleyards		178	197
Sports stadium		12	23
Swimming centres		95	114
Waste disposal tipping fees		202	216
Water connection fees		9	13
Other		48	55
Total fees and charges – other		1,522	2,148
TOTAL USER CHARGES AND FEES		3,225	3,785

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		18	23
– Interest earned on investments (interest and coupon payment income)		463	492
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>481</u>	<u>515</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		18	11
General Council cash and investments		451	489
Restricted investments/funds – external:			
Development contributions			
– Section 94		2	3
Water fund operations		7	9
Sewerage fund operations		3	3
<u>Total interest and investment revenue recognised</u>		<u>481</u>	<u>515</u>
(d) Other revenues			
Rental income – other council properties		240	64
Fines – other		1	–
Legal fees recovery – rates and charges (extra charges)		10	15
Commissions and agency fees		1	1
Diesel rebate		48	56
Insurance claim recoveries		2	3
RFS reimbursement		24	55
Sales – miscellaneous		10	20
Southern phone dividend received		42	40
Workers comp incentive payments		18	32
Other		43	29
<u>TOTAL OTHER REVENUE</u>		<u>439</u>	<u>315</u>

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Actual 1/7/15 to 12/5/16 Operating	Actual 1/7/14 to 30/6/15 Operating	Actual 1/7/15 to 12/5/16 Capital	Actual 1/7/14 to 30/6/15 Capital
(e) Grants ¹				
General purpose (untied)				
Financial assistance – general component	2,002	2,017	–	–
Financial assistance – local roads component	689	692	–	–
Pensioners' rates subsidies – general component	89	95	–	–
Total general purpose	2,780	2,804	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	37	25	–	–
– Sewerage	36	30	–	–
– Domestic waste management	40	46	–	–
Bushfire and emergency services	179	177	30	–
Employment and training programs	3	13	–	–
Library – per capita	34	37	–	–
Library – special projects	–	–	–	16
LIRS subsidy	48	53	–	–
Noxious weeds	26	27	–	–
Planning	–	15	–	–
Recreation and culture	2	6	–	–
Street lighting	19	22	–	–
Transport (roads to recovery)	932	326	–	–
Transport (other roads and bridges funding)	–	–	700	34
Other	–	49	–	–
Total specific purpose	1,356	826	730	50
Total grants	4,136	3,630	730	50
Grant revenue is attributable to:				
– Commonwealth funding	3,626	3,244	350	34
– State funding	510	359	380	16
– Other funding	–	27	–	–
	4,136	3,630	730	50

¹ Federal Assistance Grants (FAGs) and other grants are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Actual 1/7/15 to 12/5/16 Operating	Actual 1/7/14 to 30/6/15 Operating	Actual 1/7/15 to 12/5/16 Capital	Actual 1/7/14 to 30/6/15 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	–	3
S 94A – fixed development consent levies	–	–	80	66
Total developer contributions	–	–	80	69
Other contributions:				
Recreation and culture	2	33	–	–
Roads and bridges	3	2	–	77
RMS contributions (regional roads, block grant)	399	392	41	118
Sewerage (excl. section 64 contributions)	–	–	–	4
Water supplies (excl. section 64 contributions)	–	–	12	–
Other	1	1	–	–
Total other contributions	405	428	53	199
Total contributions	405	428	133	268
TOTAL GRANTS AND CONTRIBUTIONS	4,541	4,058	863	318

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(g) Restrictions relating to 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	144	220
Add: grants and contributions recognised in the current period but not yet spent:	478	144
Less: grants and contributions recognised in a previous reporting period now spent:	(89)	(220)
Net increase (decrease) in restricted assets during the period	389	(76)
Unexpended and held as restricted assets	533	144
Comprising:		
– Specific purpose unexpended grants	463	106
– Developer contributions	70	38
	533	144

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(a) Employee benefits and on-costs			
Salaries and wages		3,837	4,385
Travel expenses		7	5
Employee leave entitlements (ELE)		835	862
Superannuation – defined contribution plans		396	453
Superannuation – defined benefit plans		93	101
Workers' compensation insurance		159	113
Fringe benefit tax (FBT)		46	69
Training costs (other than salaries and wages)		101	115
Protective clothing		27	31
Staff recruitment		14	11
Other		16	17
Total employee costs		5,531	6,162
Less: capitalised costs		(566)	(504)
TOTAL EMPLOYEE COSTS EXPENSED		4,965	5,658
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		90	85
Number of 'full-time equivalent' employees (FTE) at 12/5/2016 (incl. vacancies)		91	88
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		54	68
Total interest bearing liability costs expensed		54	68
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		54	68
(c) Materials and contracts			
Raw materials and consumables		3,312	3,850
Contractor and consultancy costs			
– Elouera association (waste depot supervision)		195	195
– Road asphaltting contract		752	752
– Contractor and consultancy costs – other		3	12
Auditors remuneration ⁽¹⁾		25	36
Legal expenses:			
– Legal expenses: planning and development		1	7
– Legal expenses: debt recovery		10	13
– Legal expenses: other		1	1
TOTAL MATERIALS AND CONTRACTS		4,299	4,866

continued on next page...

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15

(c) Materials and contracts (continued)

Auditor remuneration

During the period, the following fees were incurred for services provided by the Council's Auditor:

(i) Audit and other assurance services

– Audit and review of financial statements: Council's Auditor

		25	36
Remuneration for audit and other assurance services		25	36
Total Auditor remuneration		25	36

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15

(d) Depreciation, amortisation and impairment

Plant and equipment		–	–	632	690
Office equipment		–	–	70	75
Furniture and fittings		–	–	41	47
Land improvements (depreciable)		–	–	10	5
Infrastructure:					
– Buildings – non-specialised		–	–	7	8
– Buildings – specialised		–	–	354	457
– Other structures		–	–	308	361
– Roads		–	–	1,498	1,610
– Bridges		–	–	43	188
– Footpaths		–	–	23	78
– Stormwater drainage		–	–	67	82
– Water supply network		–	–	175	198
– Sewerage network		–	–	382	436
– Swimming pools		–	–	66	87
Other assets					
– Heritage collections		–	–	1	1
Intangible assets	25	–	–	29	31
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	3,706	4,354

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(e) Other expenses			
Other expenses for the period include the following:			
Advertising		31	27
Bad and doubtful debts		20	1
Bank charges		18	23
Cleaning		38	50
Computer software charges		133	134
Contributions/levies to other levels of government			
– Emergency Services levy		13	11
– NSW Fire Brigade levy		27	26
– NSW Rural Fire Service levy		142	179
– Other contributions/levies		–	15
Councillor expenses – mayoral fee		30	14
Councillor expenses – councillors' fees		76	106
Councillors' expenses (incl. mayor) – other (excluding fees above)		9	18
Donations, contributions and assistance to other organisations (Section 356)			
– Contribution regional library service		121	118
– Donations, contributions and assistance		133	32
– Donations, contributions and assistance other		1	29
Electricity and heating		187	260
Insurance		396	419
Postage		23	22
Printing and stationery		35	39
Street lighting		84	111
Telephone and communications		38	42
Tourism expenses (excluding employee costs)		83	80
Valuation fees		30	33
Other		3	5
<u>TOTAL OTHER EXPENSES</u>		<u>1,671</u>	<u>1,794</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		233	305
Less: carrying amount of plant and equipment assets sold/written off		(159)	(138)
Net gain/(loss) on disposal		<u>74</u>	<u>167</u>
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		30,892	25,527
Less: carrying amount of financial assets sold/redeemed/matured		(30,892)	(25,527)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>74</u>	<u>167</u>

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		681	–	119	–
Cash-equivalent assets ¹					
– Deposits at call		583	–	575	–
– Short-term deposits		–	–	607	–
Total cash and cash equivalents		1,264	–	1,301	–
Investments (Note 6b)					
– Long term deposits		16,094	–	15,011	–
Total investments		16,094	–	15,011	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		17,358	–	16,312	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		1,264	–	1,301	–
--	--	-------	---	-------	---

Investments

a. 'Loans and receivables'	6(b-iii)	16,094	–	15,011	–
Investments		16,094	–	15,011	–

Note 6(b-i)**Reconciliation of investments classified as 'loans and receivables'**

Balance at beginning of period		15,011	–	12,848	–
Additions		31,975	–	27,690	–
Disposals (sales and redemptions)		(30,892)	–	(25,527)	–
Balance at end of period		16,094	–	15,011	–

Comprising:

– Long term deposits		5,572	–	15,011	–
– Other long term financial assets		10,522	–	–	–
Total		16,094	–	15,011	–

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	17,358	–	16,312	–
attributable to:				
External restrictions (refer below)	4,956	–	5,132	–
Internal restrictions (refer below)	7,948	–	6,647	–
Unrestricted	4,454	–	4,533	–
	17,358	–	16,312	–

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
------------------------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	38	82	(50)	70
Specific purpose unexpended grants	(F)	106	357	–	463
Water supplies	(G)	980	–	(171)	809
Water supplies – other	(G)	661	–	–	661
Sewerage services	(G)	1,954	–	(437)	1,517
Sewerage services – other	(G)	1,275	–	–	1,275
Stormwater management	(G)	118	43	–	161
External restrictions – other		5,132	482	(658)	4,956
Total external restrictions		5,132	482	(658)	4,956

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

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

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	942	–	(302)	640
Infrastructure replacement	91	–	–	91
Employees leave entitlement	1,064	–	(13)	1,051
Carry over works	186	879	–	1,065
Deposits, retentions and bonds	137	7	–	144
Aerodrome capital works	298	10	–	308
Caravan park	41	16	–	57
Depot consolidation reserve	345	207	–	552
Future land development	553	–	(93)	460
Future roads and bridges works	454	–	(85)	369
Gravel pit restorations	63	–	–	63
Office equipment	205	–	(41)	164
Saleyard development	245	22	–	267
Special projects	406	–	(19)	387
Tree management	132	–	–	132
Waste management	1,428	278	–	1,706
Other	57	435	–	492
Total internal restrictions	6,647	1,854	(553)	7,948
TOTAL RESTRICTIONS	11,779	2,336	(1,211)	12,904

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Purpose					
Rates and annual charges		916	–	261	–
Interest and extra charges		9	–	10	–
User charges and fees		184	–	128	–
Private works		3	–	4	–
Accrued revenues					
– Interest on investments		120	–	210	–
– Other income accruals		835	–	22	–
Deferred debtors		10	5	7	14
Government grants and subsidies		887	–	195	–
Other debtors		131	–	60	–
Total		3,095	5	897	14
Less: provision for impairment					
User charges and fees		(3)	–	(3)	–
Other debtors		(20)	–	(28)	–
Total provision for impairment – receivables		(23)	–	(31)	–
<u>TOTAL NET RECEIVABLES</u>		<u>3,072</u>	<u>5</u>	<u>866</u>	<u>14</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		26	–	63	–
– Other		569	–	109	–
Sewerage services					
– Rates and availability charges		26	–	62	–
– Other		287	–	12	–
Domestic waste management		189	–	33	–
Total external restrictions		1,097	–	279	–
Internally restricted receivables					
Nil					
Unrestricted receivables		1,975	5	587	14
<u>TOTAL NET RECEIVABLES</u>		<u>3,072</u>	<u>5</u>	<u>866</u>	<u>14</u>

Notes on debtors above:

- (i) Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.
- (ii) Rates and annual charges outstanding are secured against the property.
- (iii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iv) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%). Generally all other receivables are non-interest bearing.
- (v) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		143	826	68	813
Stores and materials		282	–	468	–
Trading stock		12	–	10	–
Total inventories at cost		437	826	546	813
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		437	826	546	813
(b) Other assets					
Prepayments		4	–	17	–
Shares in unlisted companies – StateCover		–	112	–	112
TOTAL OTHER ASSETS		4	112	17	112
Externally restricted assets					
Water					
Stores and materials		31	–	30	–
Total water		31	–	30	–
Sewerage					
Nil					
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		31	–	30	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		410	938	533	925
TOTAL INVENTORIES AND OTHER ASSETS		441	938	563	925

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets (continued)

\$ '000	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	143	826	68	813
Total real estate for resale	143	826	68	813
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	143	826	68	740
Development costs	–	–	–	73
Total costs	143	826	68	813
Total real estate for resale	143	826	68	813
Movements:				
Real estate assets at beginning of period	68	813	–	716
– Purchases and other costs	75	13	–	97
– Transfer between current/non-current	–	–	68	–
Total real estate for resale	143	826	68	813

(b) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the period.

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period						as at 12/5/2016					
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value	
			depreciation	impairment										depreciation	impairment		
Capital work in progress	553	–	–	–	553	–	504	–	–	(437)	–	620	–	–	–	–	620
Plant and equipment	–	9,873	6,873	–	3,000	677	27	(159)	(632)	–	–	–	9,898	6,985	–	–	2,913
Office equipment	–	776	605	–	171	–	77	–	(70)	–	–	–	843	665	–	–	178
Furniture and fittings	–	600	285	–	315	–	11	–	(41)	–	–	–	611	326	–	–	285
Land:																	
– Operational land	–	5,424	–	–	5,424	–	–	–	–	–	–	–	5,424	–	–	–	5,424
– Community land	–	2,883	–	–	2,883	–	–	–	–	–	–	–	2,883	–	–	–	2,883
Land improvements – non-depreciable	–	30	–	–	30	–	–	–	–	–	–	–	30	–	–	–	30
Land improvements – depreciable	–	395	172	–	223	–	–	–	(10)	–	–	–	395	182	–	–	213
Infrastructure:																	
– Buildings – non-specialised	–	671	150	–	521	–	–	–	(7)	–	–	–	671	157	–	–	514
– Buildings – specialised	–	39,389	26,159	–	13,230	17	5	–	(354)	85	–	–	39,496	26,513	–	–	12,983
– Other structures	–	15,854	7,242	–	8,612	3	–	–	(308)	–	–	–	15,858	7,551	–	–	8,307
– Roads	–	145,317	50,963	–	94,354	1,228	65	–	(1,498)	263	–	–	146,873	52,461	–	–	94,412
– Bridges	–	4,989	1,881	–	3,108	–	–	–	(43)	–	–	–	4,989	1,924	–	–	3,065
– Footpaths	–	1,976	823	–	1,153	18	–	–	(23)	–	–	–	1,986	838	–	–	1,148
– Bulk earthworks (non-depreciable)	–	34,444	–	–	34,444	–	–	–	–	–	–	–	34,444	–	–	–	34,444
– Stormwater drainage	–	8,982	2,736	–	6,246	–	31	–	(67)	34	–	–	9,046	2,802	–	–	6,244
– Water supply network	–	15,329	11,313	–	4,016	–	9	–	(175)	8	58	–	15,576	11,660	–	–	3,916
– Sewerage network	–	36,724	17,189	–	19,535	929	1	–	(382)	47	302	–	38,267	17,835	–	–	20,432
– Swimming pools	–	6,221	2,828	–	3,393	27	–	–	(66)	–	–	–	6,249	2,895	–	–	3,354
Other assets:																	
– Heritage collections	–	40	8	–	32	–	–	–	(1)	–	–	–	40	9	–	–	31
– Other	–	23	23	–	–	–	–	–	–	–	–	–	23	23	–	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	553	329,940	129,250	–	201,243	2,899	730	(159)	(3,677)	–	360	620	333,602	132,826	–	–	201,396

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

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

The former Cootamundra Shire Council

Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	36	–	–	36	8	–	–	8
Plant and equipment	–	267	138	129	–	240	122	118
Land								
– Community land	–	129	–	129	–	129	–	129
Infrastructure	–	15,576	11,660	3,916	–	15,322	11,312	4,010
Other assets	–	6	1	5	–	13	1	12
Total water supply	36	15,978	11,799	4,215	8	15,704	11,435	4,277
Sewerage services								
WIP	28	–	–	28	73	–	–	73
Plant and equipment	–	173	74	99	–	232	123	109
Land								
– Community land	–	557	–	557	–	557	–	557
Buildings	–	220	61	159	–	220	58	162
Infrastructure	–	38,267	17,835	20,432	–	36,723	17,189	19,534
Total sewerage services	28	39,217	17,970	21,275	73	37,732	17,370	20,435
Domestic waste management								
WIP	28	–	–	28	–	–	–	–
Plant and equipment	–	1,476	997	479	–	1,469	893	576
Total DWM	28	1,476	997	507	–	1,469	893	576
TOTAL RESTRICTED I,PP&E	92	56,671	30,766	25,997	81	54,905	29,698	25,288

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

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Payables					
Goods and services – operating expenditure		147	–	635	–
Goods and services – capital expenditure		38	–	122	–
Payments received in advance		632	–	206	–
Accrued expenses:					
– Salaries and wages		94	–	113	–
– Other expenditure accruals		1,371	–	132	–
Security bonds, deposits and retentions		144	–	135	–
Other		29	–	8	–
Total payables		2,455	–	1,351	–
Borrowings					
Loans – secured ¹		133	966	125	1,099
Total borrowings		133	966	125	1,099
Provisions					
Employee benefits:					
Annual leave		659	–	636	–
Sick leave		81	–	104	–
Long service leave		1,275	28	1,182	59
Total provisions		2,015	28	1,922	59
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>4,603</u>	<u>994</u>	<u>3,398</u>	<u>1,158</u>
(i) Liabilities relating to restricted assets					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Externally restricted assets					
Water		225	–	97	–
Sewer		99	–	–	–
Liabilities relating to externally restricted assets		324	–	97	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		324	–	97	–
Total liabilities relating to unrestricted assets		4,279	994	3,301	1,158
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,603	994	3,398	1,158

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16	Actual 30/6/15
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,369	1,327
	<u>1,369</u>	<u>1,327</u>

Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16			Unused amounts reversed	Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting		
Annual leave	636	332	(329)	20	–	659
Sick leave	104	–	(1)	–	(22)	81
Long service leave	1,241	144	(101)	24	(5)	1,303
TOTAL	1,981	476	(431)	44	(27)	2,043

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,264	1,301
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		1,264	1,301
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,856	(415)
Adjust for non-cash items:			
Depreciation and amortisation		3,706	4,354
Net losses/(gains) on disposal of assets		(74)	(167)
Share of net (profits) or losses of associates/joint ventures		–	15
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,195)	741
Increase/(decrease) in provision for doubtful debts		(8)	1
Decrease/(increase) in inventories		184	89
Decrease/(increase) in other assets		13	(17)
Increase/(decrease) in payables		(488)	(376)
Increase/(decrease) in other accrued expenses payable		748	(18)
Increase/(decrease) in other liabilities		456	35
Increase/(decrease) in employee leave entitlements		62	100
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		4,260	4,342
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		39	39
Total financing arrangements		39	39
Amounts utilised as at balance date:			
– Credit cards/purchase cards		3	5
Total financing arrangements utilised		3	5
(ii) Secured loan liabilities			
Loans are secured by a mortgage over future years rate revenue only.			

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(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			
Plant and equipment		–	434
Total commitments		–	434
These expenditures are payable as follows:			
Within the next year		–	434
Total payable		–	434
Sources for funding of capital commitments:			
Internally restricted reserves		–	434
Total sources of funding		–	434

Details of capital commitments

Nil

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>919</u>	5.89%	-5.58%	-13.35%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>15,614</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>11,073</u>	67.20%	72.94%	74.72%
Total continuing operating revenue ⁽¹⁾	<u>16,477</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>14,787</u>	5.08x	6.23x	4.61x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,910</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>4,679</u>	26.14x	18.91x	18.43x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>179</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding ⁽⁵⁾	<u>925</u>	12.80%	3.61%	4.13%
Rates, annual and extra charges collectible ⁽⁵⁾	<u>7,227</u>			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	<u>17,358</u>	18.59 mths	14.6 mths	13.1 mths
Payments from cash flow of operating and financing activities	<u>934</u>			

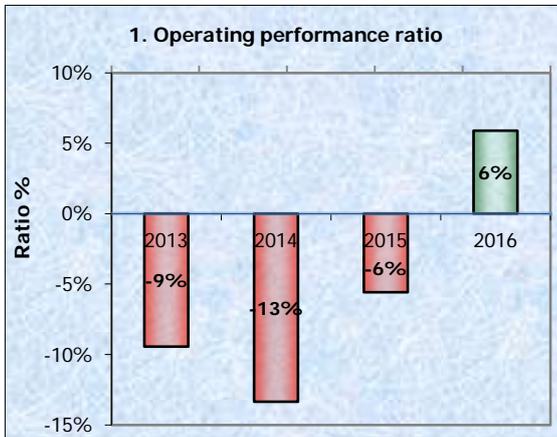
Notes

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- (2) Refer Notes 6-8 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).
- (5) Rates are recognised as revenue at the commencement of the rating year for the period 1 July 2015 to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

The former Cootamundra Shire Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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



Purpose of operating performance ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 5.89%

Given that Council was amalgamated on 12/5/2016, and this ratio includes revenue that was earned for the period 13/5/2016 to 30/6/2016, being rates, grants and contributions, this ratio is a compromised indicator.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 12/5/16 result

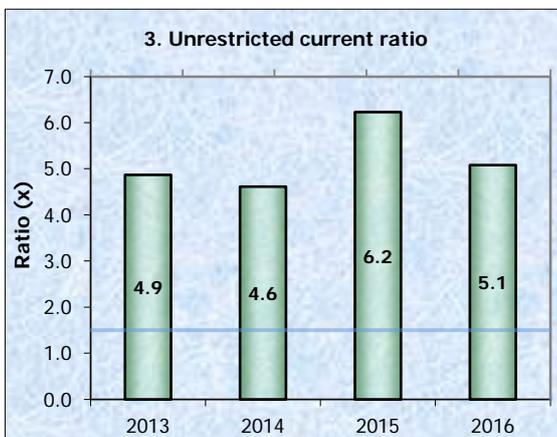
12/5/16 ratio 67.20%

Council's own source revenue remains above the industry benchmark

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 5.08x

The ratio shows that Council can meet all short term obligations as they fall due as it remains above the industry benchmark

Benchmark: ——— Minimum ≥ 1.50

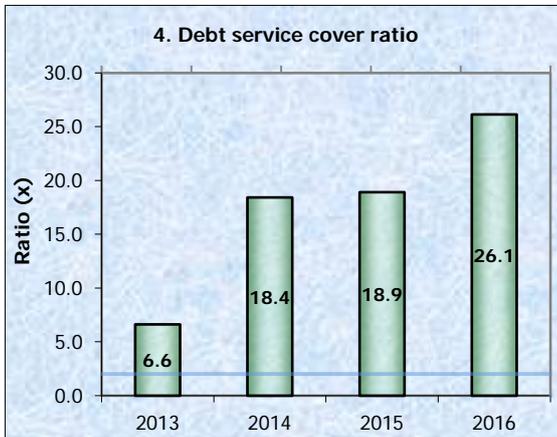
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark

The former Cootamundra Shire Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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



Purpose of debt service cover ratio

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

Commentary on 12/5/16 result

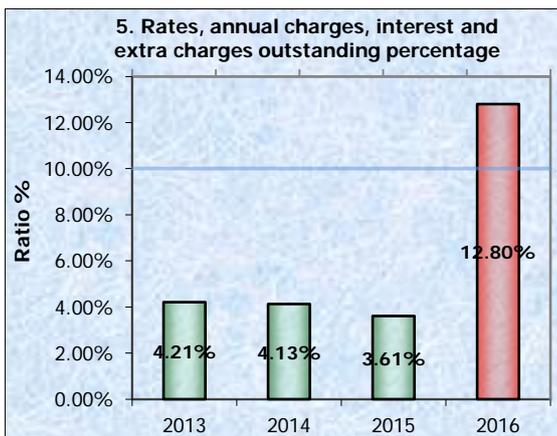
12/5/16 ratio 26.14x

The loan for the Indoor Swimming Pool can more than adequately be serviced by Council

Benchmark: Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 12/5/16 result

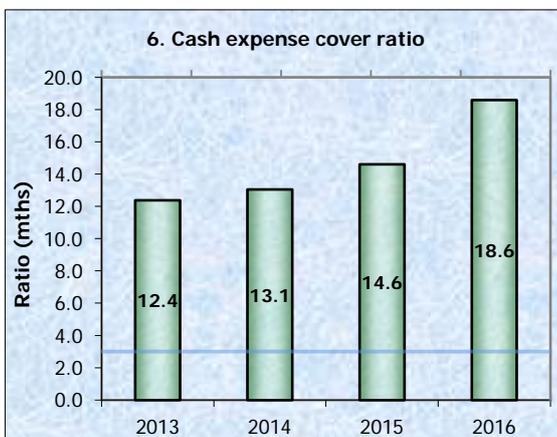
12/5/16 ratio 12.80%

This ratio has been impacted adversely by the timing of the amalgamation. Rates notices had been issued for the 4th instalment due on 31 May. Notices totalled \$996k.

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 18.59 mths

This ratio has been impacted favourably by the timing of the amalgamation

Benchmark: Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁶ 12/5/16
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	-0.31%	18.86%	5.67%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: -4.10%	20.22%	-8.79%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	97.82%	97.18%	58.94%
Total continuing operating revenue ⁽¹⁾	prior period: 98.33%	97.55%	65.61%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	9.32x	31.36x	5.08x
Current liabilities less specific purpose liabilities ^(3,4)	prior period: 19.00x	No liabilities	6.23x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	0.00	0.00	21.55x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	29.16x	16.57x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding⁽⁵⁾</u>	2.64%	2.39%	16.93%
Rates, annual and extra charges collectible ⁽⁵⁾	prior period: 5.70%	5.04%	2.82%
6. Cash expense cover ratio			
<u>Current period's cash and cash equivalents plus all term deposits</u> x12	8.61 mths	52.27 mths	18.46 mths
Payments from cash flow of operating and financing activities	prior period: 9.18 mths	56.90 mths	12.99 mths

Notes

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

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
Financial assets				
Cash and cash equivalents	1,264	1,301	1,264	1,301
Investments				
– 'Loans and receivables'	16,094	15,011	16,094	15,011
Receivables	3,077	880	3,077	880
Other financial assets	112	112	112	112
Total financial assets	20,547	17,304	20,547	17,304
Financial liabilities				
Payables	1,823	1,145	1,823	1,145
Loans/advances	1,099	1,224	1,099	1,224
Total financial liabilities	2,922	2,369	2,922	2,369

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
1/7/15 to 12/5/16				
Possible impact of a 1% movement in interest rates	13	13	(13)	(13)
1/7/14 to 30/6/15				
Possible impact of a 1% movement in interest rates	13	13	(13)	(13)

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	91%	0%	74%
Overdue	100%	9%	100%	26%
	100%	100%	100%	100%

		12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	1,978	–	483
< 1 year overdue	0 – 30 days overdue	891	11	200	131
1 – 2 years overdue	30 – 60 days overdue	17	82	46	1
2 – 5 years overdue	60 – 90 days overdue	8	25	15	1
> 5 years overdue	> 90 days overdue	–	88	–	34
		916	2,184	261	650

(iii) Movement in provision for impairment of receivables	12/5/16	30/6/15
Balance at the beginning of the period	31	30
+ new provisions recognised during the period	20	3
– amounts provided for but recovered during the period	(28)	(2)
Balance at the end of the period	23	31

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	144	1,679	–	–	–	–	–	1,823	1,823
Loans and advances	–	191	191	191	191	191	284	1,239	1,099
Total financial liabilities	144	1,870	191	191	191	191	284	3,062	2,922
1/7/14 to 30/6/15									
Trade/other payables	135	1,010	–	–	–	–	–	1,145	1,145
Loans and advances	–	191	191	191	191	191	475	1,430	1,224
Total financial liabilities	135	1,201	191	191	191	191	475	2,575	2,369

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

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,823	0.00%	1,145	0.00%
Loans and advances – fixed interest rate	1,099	5.40%	1,224	5.40%
	<u>2,922</u>		<u>2,369</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 24(a), this note is not applicable for "former Councils".

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3	–	–	–	–	–	3	–
S94 contributions – under a plan	3	–	–	–	–	–	3	–
S94A levies – under a plan	35	80	–	2	(50)	–	67	–
Total S94 revenue under plans	38	80	–	2	(50)	–	70	–
Total contributions	38	80	–	2	(50)	–	70	–

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 2014

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3	–	–	–	–	–	3	–
Total	3	–	–	–	–	–	3	–

S94A LEVIES – UNDER A PLAN

COOTAMUNDRA CONTRIBUTION PLAN FOR OTHER DEVELOPMENTS

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	35	80	–	2	(50)	–	67	–
Total	35	80	–	2	(50)	–	67	–

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 12/5/2016 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.

The former Cootamundra Shire Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities

\$ '000

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

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

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

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

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

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 12/5/16	Actual 30/6/15
Joint ventures	–	(15)	212	212
Total	–	(15)	212	212

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

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

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

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	12/5/16	30/6/15
Riverina regional library	Joint venture	212	212
Total carrying amounts – material joint ventures and associates		212	212

(b) Details

Name of entity	Principal activity
Riverina regional library	Public library service

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015
Riverina regional library	6%	6%	6%	6%	6%	6%

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

	Riverina regional library	
	12/5/16	30/6/15
Statement of financial position		
Current assets		
Cash and cash equivalents	1,390	1,390
Other current assets	79	79
Total current assets	1,469	1,469
Non-current assets	2,908	2,908
Current liabilities		
Other current liabilities	707	707
Total current liabilities	707	707
Non-current liabilities	3	3
Net assets	3,667	3,667
Reconciliation of the carrying amount		
Opening net assets (1 July)	3,667	3,258
Profit/(loss) for the period	–	409
Closing net assets	3,667	3,667
Council's share of net assets (%)	5.8%	5.8%
Council's share of net assets (\$)	212	212
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Statement of comprehensive income		
Income	–	2,888
Interest income	–	23
Depreciation and amortisation	–	(628)
Other expenses	–	(1,874)
Profit/(loss) for period	–	409
Total comprehensive income	–	409
Share of income – Council (%)	0.0%	5.8%
Profit/(loss) – Council (\$)	–	24
Total comprehensive income – Council (\$)	–	24
Adjustment for change in equity	–	(39)
Adjusted share of profit/(loss) (\$)	–	(15)

The financial position and income statements of the Riverina Regional Library were not available for the period to 12 May 2016. The impact is considered to be immaterial and the carrying value has not been adjusted.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report. Information on Net Profit and Net Assets at 12 May 2016 is not available.

Name of entity/operation	Principal activity/type of entity	1/7/15 to 12/5/16 Net profit	12/5/16 Net assets
1. I Cootamundra Development Corporation Limited	Development of Cootamundra and district	–	–

Reasons for non-recognition

Although Council has two representatives of the eight elected members on the Board of Management it does not consider that significant influence is held and the net assets of the company are immaterial.

2. I Goldenfields Water County Council	Provide water services within its area of operation	–	–
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Reasons for non-recognition

Goldenfields is a material entity with relation to its net assets. Council holds no equity and has only one representative of the eight members of the County Council's governing body, exerting no significant influence.

3. I South West Regional Waste Management Group	Waste management and contract landfill sites	–	–
--	--	---	---

Reasons for non-recognition

The Group operates within the areas of the 8 participating Councils. While the net assets are material, each Council has 2 delegates but only 1 with voting rights.

4. I South West Slopes Zone Rural Fire District	Shared service arrangement to support NSW Rural Fire Service	–	–
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Reasons for non-recognition

The Agreement is between four Councils - Boorowa, Cootamundra, Harden and Young. The Liaison Committee consists of 14 members, including 2 from each Council. Council do not have significant influence and the net assets of the Zone are immaterial.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		83,862	84,277
a. Net operating result for the period		1,856	(415)
Balance at end of the reporting period		85,718	83,862
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		132,377	132,017
Total		132,377	132,017
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		132,017	83,918
– Revaluations for the period	9(a)	360	48,099
– Balance at end of period		132,377	132,017
TOTAL VALUE OF RESERVES		132,377	132,017

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(d) Voluntary changes in accounting policies

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges ²	922	1,024	4,982
User charges and fees	1,257	213	1,755
Interest and investment revenue	7	3	471
Other revenues	10	1	428
Grants and contributions provided for operating purposes ³	37	36	4,468
Grants and contributions provided for capital purposes ³	12	–	851
Other income			
Net gains from disposal of assets	–	1	73
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	2,245	1,278	13,028
Expenses from continuing operations			
Employee benefits and on-costs	203	200	4,562
Borrowing costs	–	–	54
Materials and contracts	409	351	3,539
Depreciation and amortisation	192	396	3,118
Impairment	–	–	–
Other expenses	1,436	90	145
Total expenses from continuing operations	2,240	1,037	11,418
Operating result from continuing operations	5	241	1,610
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the period	5	241	1,610
Net operating result attributable to each council fund	5	241	1,610
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the period before grants and contributions provided for capital purposes	(7)	241	759

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 funds.

² Rates are recognised as revenue at the commencement of the rating year for the period 1 July 2015 to 30 June 2016.
No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

³ Federal Assistance Grants (FAGs) and other grants are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured.

The former Cootamundra Shire Council

Notes to the Financial Statements

as at 12 May 2016

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

Statement of Financial Position by fund \$ '000	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	1,264
Investments	1,470	2,792	11,832
Receivables	595	313	2,164
Inventories	31	–	406
Other	–	–	4
Total current assets	2,096	3,105	15,670
Non-current assets			
Investments	–	–	–
Receivables	–	–	5
Inventories	–	–	826
Infrastructure, property, plant and equipment	4,215	21,275	175,906
Investments accounted for using the equity method	–	–	212
Investment property	–	–	–
Intangible assets	–	–	270
Other	–	–	112
Total non-current assets	4,215	21,275	177,331
TOTAL ASSETS	6,311	24,380	193,001
LIABILITIES			
Current liabilities			
Payables	225	99	2,131
Borrowings	–	–	133
Provisions	–	–	2,015
Total current liabilities	225	99	4,279
Non-current liabilities			
Payables	–	–	–
Borrowings	–	–	966
Provisions	–	–	28
Total non-current liabilities	–	–	994
TOTAL LIABILITIES	225	99	5,273
Net assets	6,086	24,281	187,728
EQUITY			
Retained earnings	4,332	6,745	74,641
Revaluation reserves	1,754	17,536	113,087
Total equity	6,086	24,281	187,728

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.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (12 May 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 21/12/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 12 May 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

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

Amalgamation of operations for the former Cootamundra Shire Council to form Cootamundra-Gundagai Regional Council

From midnight on 12 May 2016, operations for the former Cootamundra Shire Council's operations would be amalgamated with one other Council to form the new council Cootamundra-Gundagai Regional Council.

The proclamation automatically transfers the assets, rights, and liabilities of operations for the former Cootamundra Shire Council to Cootamundra-Gundagai Regional Council on 13 May 2016.

The proclamation ensures that any reference in any document to operations for the former Cootamundra Shire Council is to be read as a reference to Cootamundra-Gundagai Regional Council, and that anything done by operations for the former Cootamundra Shire Council before the amalgamation is taken to have been done by Cootamundra-Gundagai Regional Council.

These clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts).

This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position at 12 May 2016 of operations for the former Cootamundra Shire Council and its financial performance for the period 1 July 2015 to 12 May 2016.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

\$ '000	Actual 12/5/16	Actual 30/6/15
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	331	304
Accumulated amortisation (1/7)	(31)	–
Net book value – opening balance	300	304
Movements for the period		
– Purchases	–	27
– Amortisation charges	(29)	(31)
Closing values:		
Gross book value (12/5/16)	331	331
Accumulated amortisation (12/5/16)	(61)	(31)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>270</u>	<u>300</u>
¹ The net book value of intangible assets represent:		
– Software	270	300
	<u>270</u>	<u>300</u>

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has considered the need for the provision of remediation for a number of its assets including the sewerage treatment plant, garbage depots and gravel pits and has concluded that for the following reasons no provision is to be made.

Council operates three waste disposal tips, one in Cootamundra and one each in the villages of Stockinbingal and Wallendbeen. With expected changes to the licensing of waste depots and the expectation that in the near future pressure will bear on closing the Village tips that transfer stations will be implemented. These transfer stations will be located on the present tip sites and accordingly the sites will always remain as contaminated sites which will require only minor remediation involving the spreading of topsoil over the waste cells. These costs would be under \$5,000 per site. Council's other Waste Management facility is located in Cootamundra where a number of waste activities are managed including the transfer of putrescible waste to a landfill site in the Hilltops Council at Bald Hill, receipt of green waste, sorting of recyclables and acceptance of builders rubble for onsite landfill disposal. In the foreseeable future the waste depot site will always be the waste depot site and any remediation works will be minimal and practically not able to be qualified. Accordingly the life of this asset is unable to be reliably measured.

Council also operates a Sewerage Treatment plant in Cootamundra that is located on a reserve for sewerage treatment that will always be the treatment plant. Any improvements, upgrades or technological advancements in the treatment of sewerage will be built into what is existing and structures such as maturation ponds and sludge lagoons will not be remediated for the purpose of returning the land to its original condition. Therefore no provision for remediation has been made for this asset.

Council does operate a number of gravel pits (7) one of which is on the waste depot land and the other six are on private property. In Council's gravel charge out rates provision is made to allocate a rate per cubic metre for material removed for the pits to be set aside for the rehabilitation reserve. The nature of the process in removing gravel from a site is for the land to be significantly altered to the point where it cannot be returned to its original condition and realistically the only expectation is for stockpiled topsoil to be spread over the site to allow for natural remediation to occur.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment – Financial assets and liabilities

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:

1/7/15 to 12/5/16	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					
Financial assets					
Cash and short term investments	12/05/16	–	1,264	–	1,264
Investments					
– 'Loans and receivables'	12/05/16	–	16,094	–	16,094
Shares in unlisted companies – StateCover	12/05/16	–	–	212	212
Total financial assets		–	17,358	212	17,570
Financial liabilities					
Payables	12/05/16	–	1,823	–	1,823
Loans/advances	12/05/16	–	1,099	–	1,099
Total financial liabilities		–	2,922	–	2,922
Infrastructure, property, plant and equipment					
Capital work in progress	12/05/16	–	620	–	620
Plant and equipment	12/05/16	–	–	2,913	2,913
Office equipment	12/05/16	–	–	178	178
Furniture and fittings	12/05/16	–	–	285	285
Operational land	30/06/14	–	–	5,424	5,424
Community land	30/06/14	–	–	2,883	2,883
Land improvements – non-depreciable	30/06/08	–	–	30	30
Land Improvements – depreciable	30/06/08	–	–	213	213
Buildings – specialised	30/06/13	–	–	12,983	12,983
Buildings – non-specialised	30/06/13	–	–	514	514
Other structures	30/06/13	–	–	8,307	8,307
Roads	30/06/15	–	–	94,413	94,413
Bridges	30/06/15	–	–	3,065	3,065
Footpaths	30/06/15	–	–	1,147	1,147

(continued on the next page...)

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

1/7/15 to 12/5/16	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 (cont'd)					
Bulk earthworks	30/06/15	–	–	34,444	34,444
Stormwater drainage	30/06/15	–	–	6,244	6,244
Water supply network	12/05/16	–	–	3,916	3,916
Sewerage network	12/05/16	–	–	20,432	20,432
Swimming pools	30/06/13	–	–	3,354	3,354
Heritage collection	12/05/16	–	–	31	31
Total infrastructure, property, plant and equipment		–	620	200,776	201,396
1/7/14 to 30/6/15					
Recurring fair value measurements					
Financial assets					
Cash and short term investments	30/06/15	–	1,301	–	1,301
Investments					
– 'Loans and receivables'	30/06/15	–	15,011	–	15,011
Shares in unlisted companies – StateCover	30/06/15	–	–	112	112
Total financial assets		–	16,312	112	16,424
Financial liabilities					
Payables	30/06/15	–	1,145	–	1,145
Loans/advances	30/06/15	–	1,224	–	1,224
Total financial liabilities		–	2,369	–	2,369
Infrastructure, property, plant and equipment					
Capital work in progress	30/06/15	–	553	–	553
Plant and equipment	30/06/15	–	–	3,000	3,000
Office furniture	30/06/15	–	–	171	171
Furniture and fittings	30/06/15	–	–	315	315
Operational land	30/06/14	–	–	5,424	5,424
Community land	30/06/14	–	–	2,883	2,883
Land improvements – non-depreciable	30/06/08	–	–	30	30
Land Improvements – depreciable	30/06/08	–	–	223	223
Buildings – specialised	30/06/13	–	–	521	521
Buildings – non-specialised	30/06/13	–	–	13,230	13,230
Other structures	30/06/13	–	–	8,611	8,611
Roads	30/06/15	–	–	94,354	94,354
Bridges	30/06/15	–	–	3,108	3,108
Footpaths	30/06/15	–	–	1,152	1,152
Bulk earthworks	30/06/15	–	–	34,444	34,444
Stormwater drainage	30/06/15	–	–	6,247	6,247
Water supply network	30/06/15	–	–	4,017	4,017
Sewerage network	30/06/15	–	–	19,535	19,535
Swimming pools	30/06/13	–	–	3,392	3,392
Heritage collection	30/06/15	–	–	33	33
Total infrastructure, property, plant and equipment		–	553	200,690	201,243

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

(2) Transfer 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.

(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:

Financial Assets

Loans and Receivables – Term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

Cash and Short Term Deposits – Cash and short term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

Financial Liabilities

Payables – Outstanding creditor payments, security bonds & deposits

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Cost of product or service.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Loans/Advances – Outstanding bank loans

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Loan borrowing amount

Shares in Unlisted Companies – StateCover

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Cost of product or service.

Infrastructure, Property, Plant & Equipment

Plant and Equipment – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)
Plant and Equipment are valued at cost but are disclosed at fair value.

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

Operational Land – Land under public buildings, aerodrome, depots, saleyards, caravan park, cemeteries, swimming pools, water and sewerage land

Valuation Techniques: 'Market approach'

Inputs Used (Level 3): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land

By taking into account the land characteristics, location, zoning and proximity to services. By acquiring services of an independent valuer (Scott Fullerton Valuations) to inspect, analyse, compare with related assets and to provide a comprehensive valuation in accordance with AASB and OLG.

Under the NSW Legislation we have considered the subject land and the surrounding land to determine the form of valuation, taking into account the land characteristics, location, zoning, proximity to services. Market Value of Land as stated as per the Australian Property Institute in accordance with the guidelines "... the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms' length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion." "Asset includes property." Council have identified the subject property by a copy of the location map and the plans provided by Cootamundra Shire Council and based upon our visual inspection.

Community Land – Parkland, sporting grounds, reserves, land under public buildings (halls & community centres)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 30 June 2014)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Buildings – Non Specialised – Council Houses and Cottages

Valuation Techniques: 'Market approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2013 in accordance with Compiled Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction". Council estimated the Total Life and Residual Life of each building/structure.

Buildings -Specialised – Council Chambers & Hall, Library, Sports Stadium, Old Hospital, community facilities and halls, toilet blocks, and works depots

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2013 in accordance with Compiled Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines.

Councils Major Specialised Buildings were valued by Colin Davies & Associates (CEEDA P/L) as at 30 June 2013. CEEDA provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

CEEDA estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is **significant** in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

Councils Minor Specialised Buildings were valued in-house. The techniques and inputs used were consistent with the approach used by CEEDA.

Land Improvements – Town Plaza, Aerodrome Runway Extension, Sporting Ground Earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Land Improvements are valued at cost but are disclosed at fair value

Other Structures – Outdoor Furniture, fencing, signs, electrical and watering systems, playground equipment and monuments

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Other Structures are valued at cost but are disclosed at fair value

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued in-house on 30 June 2015. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

- Road Surface
- Pavement Base
- Pavement Sub Base
- Formation & Major Earthworks
- Kerb and Gutters
- Culverts

Roads – Sealed and Unsealed, Culverts and Kerb Gutter

Valuations were performed in-house by identifying the assets through the Asset Management System and using unit rates based on current market costs and NSW Reference Rates, IPWEA (NSW) Roads, Transport Directorate Roads Fair Valuation Guide and other appropriate references. Individual assets and Unit rates are determined by the Engineering Department of Cootamundra Shire Council.

Council categorised Roads based on Sealed and Unsealed and further categorised by width of the road. Valuations for the road, carriageway, comprising surface, pavement and formation were based on calculating unit rates. Based on each category Council determines a cost to build one square metre of road in present terms. The costs include, plant, machinery, materials and other cost such as design and miscellaneous activities. After arriving at the cost of construction per square metre of road, the unit rate was applied it to all assets in the same category.

Kerb and Gutter has used the same valuation basis but is costed on length by lineal metre.

Bridges – (excluding culverts under 6 metres in length)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications, bridge traffic

Councils bridge infrastructure assets were last valued on 30 June 2015.

Council categorised Bridges as Steel/Concrete and Box Culvert bridges. Based on each category Council determined cost to build one square metre of each component, such as the Frame, Surface, Culvert Cost, Headwall Cost and Installation. After arriving at the cost of construction one square metre, it was applied it to all assets in the same category.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Footpaths assets were valued in-house as at 30 June 2015. Council determined a cost to build a one square metre of Footpath in present terms. The cost includes, plant, machinery, materials and other cost such as design and miscellaneous activities. The cost was then applied to all assets in the same category.

Stormwater Drainage – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The unit rates based on linear metres of certain diameter pipes, prices per pit and cost of installation. These assets were valued in-house as at 30 June 2015.

Water Supply – water mains, pump stations, treatment plant, reservoirs, meters

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Water Supply was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

CPE conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations & reservoirs.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Unit rates were then applied across the network. Condition data was then applied to each individual asset to provide a written down value.

Sewerage Network – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

CPE conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Unit rates were then applied across the network. Condition data was then applied to each individual asset to provide a written down value.

Swimming Pool – Swimming Pools, buildings, plant and equipment

Valuation Techniques: 'Cost approach'

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

The Council's swimming pool complex has been valued under its various components. The outdoor swimming pools, buildings and other structures were last valued as at 30 June 2012. These assets are valued at cost but disclosed at fair value.

The addition of the Indoor Pool complex in 2014 was valued at cost.

Heritage Collection – Memorabilia Collection and Cricket Collectible Items

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

The assets are valued at cost but are disclosed at fair value.

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Land improve'ts	Buildings non – specialised	Buildings specialised	Total
Opening balance – 1/7/14	3,372	239	356	5,424	2,883	258	529	13,501	26,562
Purchases (GBV)	456	7	6	–	–	–	–	186	655
Disposals (WDV)	(138)	–	–	–	–	–	–	–	(138)
Depreciation and impairment	(690)	(75)	(47)	–	–	(5)	(8)	(457)	(1,282)
Closing balance – 30/6/15	3,000	171	315	5,424	2,883	253	521	13,230	25,797
Purchases (GBV)	704	77	11	–	–	–	–	107	899
Disposals (WDV)	(159)	–	–	–	–	–	–	–	(159)
Depreciation and impairment	(632)	(70)	(41)	–	–	(10)	(7)	(354)	(1,114)
Closing balance – 12/5/16	2,913	178	285	5,424	2,883	243	514	12,983	25,423

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
Opening balance – 1/7/14	8,415	43,798	11,929	2,409	28,719	5,580	4,082	19,633	124,565
Transfers from/(to) another asset class	224	(365)	141	–	–	–	–	–	–
Purchases (GBV)	334	803	–	10	321	175	71	43	1,757
Depreciation and impairment	(361)	(1,610)	(188)	(78)	–	(82)	(198)	(436)	(2,953)
FV gains – other comprehensive income	–	51,728	(8,774)	(1,188)	5,404	573	61	295	48,099
Closing balance – 30/6/15	8,612	94,354	3,108	1,153	34,444	6,246	4,016	19,535	171,468
Purchases (GBV)	3	1,556	–	18	–	65	17	977	2,636
Depreciation and impairment	(308)	(1,498)	(43)	(23)	–	(67)	(175)	(382)	(2,496)
FV gains – other comprehensive income	–	–	–	–	–	–	58	302	360
Closing balance – 12/5/16	8,307	94,412	3,065	1,148	34,444	6,244	3,916	20,432	171,968

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Swimming pools	Heritage collections	Total
Opening balance – 1/7/14	3,411	33	3,444
Purchases (GBV)	69	–	69
Depreciation and impairment	(87)	(1)	(88)
Closing balance – 30/6/15	3,393	32	3,425
Purchases (GBV)	27	–	27
Depreciation and impairment	(66)	(1)	(67)
Closing balance – 12/5/16	3,354	31	3,385

(5). Highest and best use

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	12/5/16	30/6/15	30/6/14	30/06/13	30/06/12
Inflows:					
Rates and annual charges revenue	6,928	7,182	6,832	6,244	5,830
User charges revenue	3,225	3,785	4,004	4,334	3,926
Interest and investment revenue (losses)	481	515	583	659	746
Grants income – operating and capital	4,866	3,680	3,296	3,955	4,692
Total income from continuing operations	16,551	16,340	15,973	16,833	16,608
Sale proceeds from I,PP&E	233	305	205	690	239
New loan borrowings and advances	–	–	–	1,400	–
Outflows:					
Employee benefits and on-cost expenses	4,965	5,658	5,208	5,015	4,691
Borrowing costs	54	68	74	44	35
Materials and contracts expenses	4,299	4,866	4,926	6,528	5,270
Total expenses from continuing operations	14,695	16,755	16,714	17,889	16,332
Total cash purchases of I,PP&E	3,240	2,650	4,277	3,961	2,565
Total loan repayments (incl. finance leases)	125	119	57	400	209
Operating surplus/(deficit) (excl. capital income)	993	(733)	(2,005)	(1,592)	(508)
Financial position figures					
Current assets	20,871	17,741	16,774	17,056	15,771
Current liabilities	4,603	3,398	3,733	3,416	3,647
Net current assets	16,268	14,343	13,041	13,640	12,124
Available working capital (Unrestricted net current assets)	4,698	4,394	4,261	3,750	3,936
Cash and investments – unrestricted	4,454	4,533	4,103	3,166	3,103
Cash and investments – internal restrictions	7,948	6,647	5,732	4,976	5,292
Cash and investments – total	17,358	16,312	14,601	14,941	13,150
Total borrowings outstanding (Loans, advances and finance leases)	1,099	1,224	1,343	1,400	400
Total value of I,PP&E (excl. land and earthworks)	291,441	287,712	257,942	253,562	230,120
Total accumulated depreciation	132,826	129,250	139,965	135,842	123,388
Indicative remaining useful life (as a % of GBV)	54%	55%	46%	46%	46%

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

The former Cootamundra Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 29. Council information and contact details

Principal place of business:

Wallendoon Street
COOTAMUNDRA NSW 2590

Contact details

Mailing address:

PO Box 420
COOTAMUNDRA NSW 2590

Opening hours:

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

Telephone: 02 6940 2100

Facsimile: 02 6940 2127

Internet: www.cgrc.nsw.gov.au

Email: mail@cgrc.nsw.gov.au

Other information

ABN: 47 475 920 639

**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF
THE FORMER COOTAMUNDRA SHIRE COUNCIL**

Report on the Financial Statements

We have audited the accompanying financial statements of the former Cootamundra Shire Council for the period ended 12 May 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

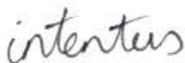
Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Cootamundra Shire Council (Council) for the period ended 12 May 2016 included on Council's web site. Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion:

- (a) 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;
- (b) the Council's financial statements:
 - (i) have been prepared in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and cashflows; and
 - (iv) are in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations).
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



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14 Sale Street
Orange, NSW
Dated: 21 December 2016



John O'Malley
Director

21 December 2016

The Administrator
Ms Christine Ferguson
Cootamundra Shire Council
PO Box 420
COOTAMUNDRA NSW 2590

Dear Madam Administrator

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT OF
THE FORMER COOTAMUNDRA SHIRE COUNCIL FOR THE PERIOD ENDED 12 MAY 2016**

We advise having completed our audit of the financial statements of the former Cootamundra Shire Council (Council) for the financial period ended 12 May 2016. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417(3) of the Local Government Act 1993 we submit our report on the conduct of the audit of the former Cootamundra Shire Council for the period ended 12 May 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the framework for our audit and should be referred to in order to establish the context in which our comments are made.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

The following comments are provided in accordance with Section 417(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (General) Regulation 2005 to assist in the understanding of the financial statements and our reports.

Review of Financial Results

(a) Operating Result

As disclosed in Council's Income Statement, the financial period resulted in a net operating surplus of \$1,856,000 (2015 – deficit \$415,000). Due to the proclamation dissolving the former Cootamundra Shire Council on 12 May 2016, some comparisons with prior period (full-year) balances are compromised or of limited value. Selected items of note in the operating statement include:

The operating result from ordinary activities *before* capital amounts was a surplus of \$993,000 (2015 – deficit \$733,000).

Revenue

- Rates income, which is based upon the full year's levy, grew by \$98,000 (2.6%) to \$3,864,000 (2015 - \$3,766,000) consistent with the rate pegging increase.
- Grants and contributions provided for operating purposes rose by \$483,000 to \$4,541,000 (2015 - \$4,058,000). This was mainly due to increase in receipts under the Federal "Roads to Recovery" funding which totalled \$932,000.
- Grants and contributions provided for capital purposes increased to \$863,000 in 2016 from \$318,000 last year (increase of \$545,000). The main contributor to this was the receipt of an additional \$700,000 in roads funding - \$350,000 from both the Federal and State government.

Expenditure

- Expenses for employees, borrowings, depreciation, materials and contracts are generally in line with the 2015 year and the decrease simply represents the lesser proportion of a full-year cost.

(b) Financial Position

The Statement of Financial Position discloses that for the period ended 12 May 2016 Council's net assets stood at \$218,095,000 (2015 - \$215,879,000), which represents an increase of \$2,216,000. The increase comprises the net operating surplus after capital amounts of \$1,856,000 and the net upward movement of \$360,000 in Council's asset revaluation reserve as a result of the indexation of water and sewerage assets.

To assess the health of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist, and the effect of the restrictions is summarised below.

Unrestricted Net Current Assets

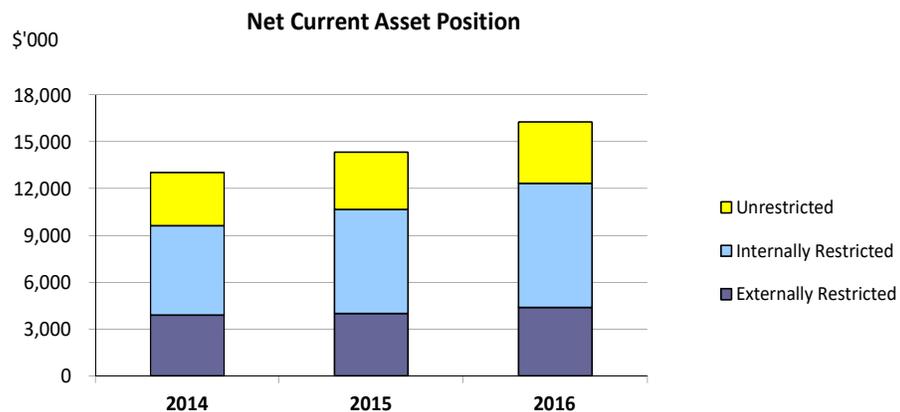
	12 MAY 2016 \$'000	30 JUNE 2015 \$'000
Net Current Assets	16,268	14,343
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(6,084)	(5,441)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(7,948)	(6,647)
Add: Applicable current liabilities refer Note 10		
- Water	225	97
- Sewerage	99	-
Add: Employee Leave Entitlements to be paid > 12 months	1,369	1,327
Unrestricted net current asset surplus/(deficit)	3,929	3,679

Unrestricted net current assets comprise: -

Assets		
Cash	4,454	4,533
Receivables	1,975	587
Trading stock	12	10
Inventories	251	438
Other	147	85
Less: General Purpose Liabilities	(4,279)	(3,301)
Plus: Employee Leave Entitlements to be paid > 12 months	1,369	1,327
Unrestricted net current asset surplus/(deficit)	3,929	3,679

Council's continues to enjoy a surplus of net current assets to cover the restrictions placed on those assets.

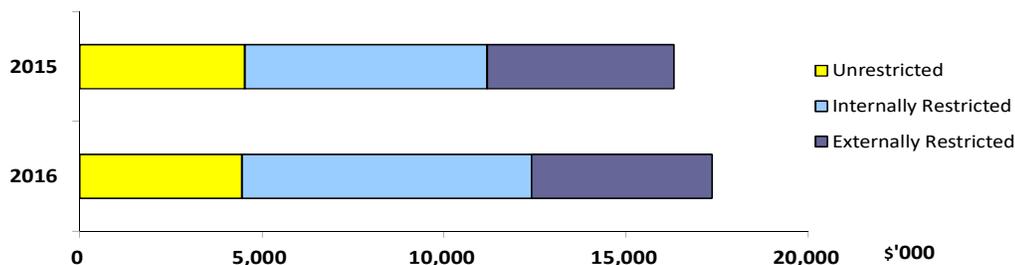
The following table shows the Council's calculated net current asset position over the past three years:



Cash & Investments

Note 6 to the accounts discloses total cash and investments of \$17,358,000 (2015 - \$16,312,000). Of this amount \$4,956,000 (2015- \$5,132,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$7,948,000 (2015 - \$6,647,000) is subject to internal restrictions agreed upon by Council for designated purposes. These internal restrictions may be altered at the discretion of Council, consistent with their operational plan.

The unrestricted balance of \$4,454,000 (2015 - \$4,533,000) represents funds available to cover non-budgeted discretionary expenditure and meet short-term cash flow requirements and reflects Council's strong financial position.



Whilst the consolidated financial statements display healthy levels of cash and investments, we remind the reader that the consolidated data is not necessarily reflective of the position of the individual funds (General, Water & Sewer) and this is equally applicable when reviewing the performance indicators considered below. General information on the financial position and performance by fund is provided in Note 21 to the financial statements

(c) Performance Indicators

Note 13 to the Financial Statements provides a measure of Council's performance using a number of selected ratios as follows. Due to the proclamation dissolving the former Cootamundra Shire Council on 12 May 2016, some comparisons with prior period (full-year) balances are compromised or of limited value.

Operating Performance Ratio

This ratio is intended to measure council's ability to keep operating expenses, including depreciation, within its continuing operating revenue. The outcome of 5.89% (2015 – negative 5.58%) represents the surplus between continuing operating revenue and continuing operating expenses.

The improvement in this ratio has several contributors, but has been assisted by the timing of the amalgamation which has seen recognition of a full year's rates income without the corresponding period of expenses.

Own Source Operating Revenue

This indicator is intended to measure Council's fiscal flexibility by showing its degree of reliance on external funding sources such as grants and contributions. The higher the ratio the more financially flexible Council is considered to be.

At 67.20% Council's result indicates a degree of financial flexibility which exceeds the benchmark of greater than 60%.

Unrestricted Current Ratio

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Cootamundra Shire Council's ratio of 5.08:1 (2015 – 6.23:1) indicates that it is able to comfortably meet its debts as and when they fall due.

Debt Service Cover Ratio

This ratio measures the ability of council to service debt by expressing that capacity as a multiple of the operating result from continuing operations, excluding capital items and depreciation / impairment, over the principal and interest costs.

At 26.14 times (2015 – 18.91) Cootamundra Shire Council's ratio indicates that it can comfortably service its current levels of debt.

Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio

The rates and annual charges outstanding percentage of 12.80% is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are typically the largest determinant of this ratio. Once again the timing of the proclamation has had significant (negative) influence on this measure, with council's previous outcomes usually below 4%

Cash Expense Cover Ratio

This ratio measures the number of months a Council can continue paying for its immediate expenses without additional cash inflow. The benchmark is greater than three (3) months.

Cootamundra Shire Council's ratio for the period ended 12 May 2016 was 18.59 months (2015: 14.61 months). This ratio may vary considerably from year to year depending on the timing of payments for materials and contracts being an element in the denominator most susceptible to fluctuation from year to year.

(d) Cash Flow Statement

The Statement of Cash Flows reports a net decrease in cash assets held of \$37,000 (2015 decrease - \$452,000) as follows:

	2016 \$'000	2015 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	4,260	4,342	(82)
Investing activities	(4,172)	(4,675)	503
Financing activities	(125)	(119)	(6)
	<hr/>		
Net increase / (decrease) in cash held	(37)	(452)	415

Cash flows from operating activities

The cashflow provided by operating activities totalled \$4,260,000 (2015 - \$ 4,342,000). Council has continued to generate a positive cash flow from operating activities.

Cash flows from investing activities

The net cash flow used in investing activities totalled \$4,172,000 (2015 - \$4,675,000).

These cash outflows included the net investment in interest earning financial assets of \$1,083,000 (2015 - \$2,163,000) and purchase of infrastructure, property, plant and equipment totalling \$3,240,000 (2015 - \$2,650,000).

Major cash inflows from investing activities relate to the sale of plant and equipment of \$233,000 (2015 - \$305,000).

Cash flows from financing activities

The net cash flow used in financing activities was \$125,000 (2015 - \$119,000), which related solely to the repayment of borrowings during the year.

It should be noted that cash for the purpose of this statement constitutes only cash and short-term (original term to maturity < three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Accordingly, while the level of cash assets for the purpose of this statement has decreased, the combined value of cash and investments has increased by \$1,046,000.

(e) Comparison of Actual and Budgeted Performance

As a result of the proclamation effectively dissolving the former Cootamundra Shire before the end of the financial year, budget information has not been provided or required.

(f) Other Matters

National Competition Policy

In accordance with the requirements of National Competition Policy guidelines, the former Cootamundra Shire Council has prepared special purpose financial statements on its business units for the period ended 12 May2016. Council has determined that it has two business units within its operations: Water and Sewerage.

The Office of Local Government's July 1997 guideline 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

Our report on the special purpose statements for the period ended 12 May2016 has been issued unqualified.

(g) Progress of Asset Revaluation Program

Council's asset revaluation program has kept up with the timetable established by the Office of Local Government.

(h) Management Letters

Our most recent management letter was issued on 19 December 2016. Matters raised via management letters have been satisfactorily addressed.

(i) Legislative compliance

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements that have come to our attention during the conduct of the audit.

(j) Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Cootamundra Shire Council (Council) for the period ended 12 May2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Conclusion

- (a) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of these statements;
- (b) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of these statements; and
- (c) All information relevant to the conduct of the audit has been obtained.

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John O'Malley
Director

14 Sale Street
Orange, NSW
Dated: 21 December 2016

The former Cootamundra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016

*"To provide leadership and quality services
and to promote sustainable growth"*



The former Cootamundra Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
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Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

The former Cootamundra Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

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

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

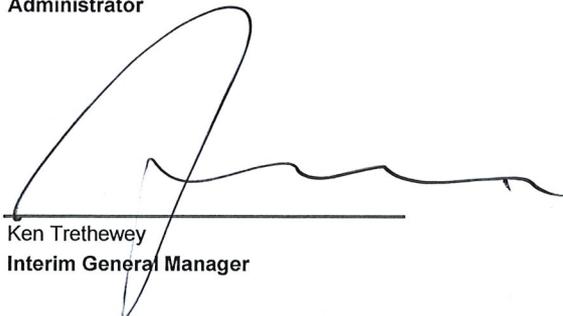
- present fairly the operating result and financial position for each of Council's declared business activities for the period, and
- accord with Council's accounting and other records.

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 Cootamundra-Gundagai Regional Council made on 10 October 2016.



Christine Ferguson
Administrator



Ken Trethewey
Interim General Manager



Rebecca Martin
Responsible Accounting Officer

The former Cootamundra Shire Council

Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	922	1,031
User charges	1,248	1,186
Fees	9	18
Interest	7	9
Grants and contributions provided for non-capital purposes	37	25
Other income	10	1
Total income from continuing operations	2,233	2,270
Expenses from continuing operations		
Employee benefits and on-costs	203	199
Borrowing costs	–	–
Materials and contracts	409	435
Depreciation and impairment	192	217
Water purchase charges	1,419	1,491
Other expenses	17	21
Total expenses from continuing operations	2,240	2,363
Surplus (deficit) from continuing operations before capital amounts	(7)	(93)
Grants and contributions provided for capital purposes	12	–
Surplus (deficit) from continuing operations after capital amounts	5	(93)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	5	(93)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	5	(93)
Plus opening retained profits	4,327	4,420
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	4,332	4,327
Return on capital %	-0.2%	-2.2%
Subsidy from Council	104	222
Calculation of dividend payable:		
Surplus (deficit) after tax	5	(93)
Less: capital grants and contributions (excluding developer contributions)	(12)	–
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

The former Cootamundra Shire Council

Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	1,024	1,144
User charges	203	191
Liquid trade waste charges	–	–
Fees	10	15
Interest	3	3
Grants and contributions provided for non-capital purposes	36	30
Profit from the sale of assets	1	–
Other income	1	2
Total income from continuing operations	1,278	1,385
Expenses from continuing operations		
Employee benefits and on-costs	200	212
Borrowing costs	–	1
Materials and contracts	351	314
Depreciation and impairment	396	448
Other expenses	90	130
Total expenses from continuing operations	1,037	1,105
Surplus (deficit) from continuing operations before capital amounts	241	280
Grants and contributions provided for capital purposes	–	4
Surplus (deficit) from continuing operations after capital amounts	241	284
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	241	284
Less: corporate taxation equivalent (30%) [based on result before capital]	(72)	(84)
SURPLUS (DEFICIT) AFTER TAX	169	200
Plus opening retained profits	6,504	6,220
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	72	84
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	6,745	6,504
Return on capital %	1.1%	1.4%
Subsidy from Council	250	336
Calculation of dividend payable:		
Surplus (deficit) after tax	169	200
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	169	200
Potential dividend calculated from surplus	84	100

The former Cootamundra Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	1,470	1,641
Receivables	595	172
Inventories	31	30
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	2,096	1,843
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	4,215	4,277
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	4,215	4,277
TOTAL ASSETS	6,311	6,120
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	225	97
Borrowings	–	–
Provisions	–	–
Total current liabilities	225	97
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	225	97
NET ASSETS	6,086	6,023
EQUITY		
Retained earnings	4,332	4,327
Revaluation reserves	1,754	1,696
Council equity interest	6,086	6,023
Non-controlling equity interest	–	–
TOTAL EQUITY	6,086	6,023

The former Cootamundra Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	2,792	3,229
Receivables	313	74
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	3,105	3,303
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	21,275	20,435
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	21,275	20,435
TOTAL ASSETS	24,380	23,738
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	99	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	99	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	99	–
NET ASSETS	24,281	23,738
EQUITY		
Retained earnings	6,745	6,504
Revaluation reserves	17,536	17,234
Council equity interest	24,281	23,738
Non-controlling equity interest	–	–
TOTAL EQUITY	24,281	23,738

The former Cootamundra Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

The former Cootamundra Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 the SPFS 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 also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to 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 government policy statement, *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 standards for disclosure. 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)

Water Supplies

The supply of treated water to the residents of the township of Cootamundra

Category 2

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

Sewerage Treatment

The acceptance and disposal of sewerage waste from the residents of the township of Cootamundra

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

The former Cootamundra Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these 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 **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 in the Best-Practice Management of Water Supply and Sewerage 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 against the Best-Practice Management of Water Supply and Sewerage 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 each reported business activity.

While 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 or 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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this 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 Council's General Purpose Financial Statements.

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

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.

The former Cootamundra Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

The 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 rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 12 May

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

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

(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.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 12 May 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

The former Cootamundra Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

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	9,357
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	93,570
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	15,500

2016 Surplus	(7,000)	2015 Surplus	(93,000)	2014 Surplus	115,500
		2015 Dividend	-	2014 Dividend	-

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

3. Required outcomes for 6 criteria

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

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

The former Cootamundra Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,238
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)]	%	57.18%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	4,087
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,044
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	44
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)]	%	0.05%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

The former Cootamundra Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	8,955
(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]	84,350
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	89,550
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	513,600

2016 Surplus	168,700	2015 Surplus	200,000	2014 Surplus	144,900
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	84,350
(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

The former Cootamundra Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,274
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	21,176
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	635
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	978
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.14%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	3,513
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	2.08%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,022
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.96%
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%

The former Cootamundra Shire Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

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)]	%	-14.03%
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	246
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	73

- 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 TO THE COUNCIL
ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF
THE FORMER COOTAMUNDRA SHIRE COUNCIL**

Report on the Financial Statements

We have audited the special purpose financial statements of the former Cootamundra Shire Council for the period ended 12 May 2016, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and has determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Cootamundra Shire Council (Council) for the period ended 12 May 2016 included on Council's web site. Council is responsible for the integrity of their web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion, the special purpose financial statements of the former Cootamundra Shire Council are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.

The logo for the firm 'intentus' is written in a lowercase, cursive script.

intentus

14 Sale Street
Orange, NSW
Dated: 21 December 2016

A handwritten signature in black ink, which appears to read 'John O'Malley'. Below the signature, the name and title are printed in a bold, sans-serif font.

John O'Malley
Director

The former Cootamundra Shire Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

*"To provide leadership and quality services
and to promote sustainable growth"*



The former Cootamundra Shire Council

Special Schedules

for the period 1 July 2015 to 12 May 2016

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¹ Special Schedules are not audited.

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.

The former Cootamundra Shire Council

Special Schedule 1 – Net Cost of Services
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	802	2	–	(800)
Administration	1,770	385	–	(1,385)
Public order and safety				
Fire service levy, fire protection, emergency services	340	203	30	(107)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	103	15	–	(88)
Other	–	–	–	–
Total public order and safety	443	218	30	(195)
Health	13	6	–	(7)
Environment				
Noxious plants and insect/vermin control	72	26	–	(46)
Other environmental protection	–	–	–	–
Solid waste management	1,121	1,297	–	176
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	85	69	–	(16)
Total environment	1,278	1,392	–	114
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	–	–	–	–
Housing and community amenities				
Public cemeteries	159	133	–	(26)
Public conveniences	99	–	–	(99)
Street lighting	–	–	–	–
Town planning	–	–	–	–
Other community amenities	–	–	–	–
Total housing and community amenities	258	133	–	(125)
Water supplies	2,240	2,233	12	5
Sewerage services	1,038	1,278	–	240

The former Cootamundra Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	430	48	–	(382)
Museums	44	18	–	(26)
Art galleries	–	–	–	–
Community centres and halls	83	10	–	(73)
Performing arts venues	89	–	–	(89)
Other performing arts	–	–	–	–
Other cultural services	107	2	–	(105)
Sporting grounds and venues	346	21	–	(325)
Swimming pools	443	145	–	(298)
Parks and gardens (lakes)	535	–	–	(535)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,077	244	–	(1,833)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	283	118	80	(85)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	283	118	80	(85)
Transport and communication				
Urban roads (UR) – local	1,319	275	–	(1,044)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	741	472	700	431
Sealed rural roads (SRR) – regional	359	409	41	91
Unsealed rural roads (URR) – local	441	194	–	(247)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	43	–	–	(43)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	7	–	–	(7)
Footpaths	29	–	–	(29)
Aerodromes	124	8	–	(116)
Other transport and communication	–	–	–	–
Total transport and communication	3,063	1,358	741	(964)
Economic affairs				
Camping areas and caravan parks	17	35	–	18
Other economic affairs	1,413	1,173	–	(240)
Total economic affairs	1,430	1,208	–	(222)
Totals – functions	14,695	8,575	863	(5,257)
General purpose revenues ⁽¹⁾		7,113		7,113
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	14,695	15,688	863	1,856

(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 per the Income Statement

The former Cootamundra Shire Council

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

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	125	1,099	1,224	–	125	–	–	54	133	966	1,099
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	125	1,099	1,224	–	125	–	–	54	133	966	1,099
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	125	1,099	1,224	–	125	–	–	54	133	966	1,099

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

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

The former Cootamundra Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	93	98
b. Engineering and supervision	191	202
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	1
d. Maintenance expenses	175	145
– Reservoirs		
e. Operation expenses	8	13
f. Maintenance expenses	9	1
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	–	–
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	–	–
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	116	126
n. Maintenance expenses	33	45
o. Purchase of water	1,419	1,491
3. Depreciation expenses		
a. System assets	176	216
b. Plant and equipment	16	1
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	4	24
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	2,240	2,363

The former Cootamundra Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges		
a. Access (including rates)	731	859
b. Usage charges	976	931
7. Non-residential charges		
a. Access (including rates)	191	172
b. Usage charges	272	255
8. Extra charges	–	–
9. Interest income	7	9
10. Other income	19	6
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	37	25
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	12	13
13. Total income	<u>2,245</u>	<u>2,270</u>
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	<u>5</u>	<u>(93)</u>
15a. Operating result (less grants for acquisition of assets)	5	(93)

The former Cootamundra Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	66
b. New assets for growth	17	6
c. Renewals	–	–
d. Plant and equipment	27	–
17. Repayment of debt	–	–
18. Totals	44	72
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)	2,709	2,695
b. Residential (unoccupied, ie. vacant lot)	30	40
c. Non-residential (occupied)	345	345
d. Non-residential (unoccupied, ie. vacant lot)	35	36
23. Number of ETs for which developer charges were received	2 ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 66,960	\$ 76,803

The former Cootamundra Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,470	–	1,470
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	26	–	26
c. User charges	54	–	54
d. Other	515	–	515
27. Inventories	31	–	31
28. Property, plant and equipment			
a. System assets	–	4,087	4,087
b. Plant and equipment	–	128	128
29. Other assets	–	–	–
30. Total assets	<u>2,096</u>	<u>4,215</u>	<u>6,311</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	225	–	225
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>225</u>	<u>–</u>	<u>225</u>
36. NET ASSETS COMMITTED	<u>1,871</u>	<u>4,215</u>	<u>6,086</u>
EQUITY			
37. Accumulated surplus			4,332
38. Asset revaluation reserve			1,754
39. TOTAL EQUITY			<u>6,086</u>
Note to system assets:			
40. Current replacement cost of system assets			15,747
41. Accumulated current cost depreciation of system assets			(11,660)
42. Written down current cost of system assets			<u>4,087</u>

The former Cootamundra Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	55	56
b. Engineering and supervision	127	136
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	6
b. Maintenance expenses	148	119
– Pumping stations		
c. Operation expenses (excluding energy costs)	5	3
d. Energy costs	9	13
e. Maintenance expenses	23	14
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	17	27
g. Chemical costs	24	23
h. Energy costs	69	79
i. Effluent management	36	37
j. Biosolids management	–	–
k. Maintenance expenses	122	132
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	386	440
b. Plant and equipment	10	8
4. Miscellaneous expenses		
a. Interest expenses	–	1
b. Revaluation decrements	–	–
c. Other expenses	6	11
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	1,037	1,105

The former Cootamundra Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges (including rates)	914	1,003
7. Non-residential charges		
a. Access (including rates)	110	141
b. Usage charges	213	191
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	3	3
11. Other income	1	17
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	36	30
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	4
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,277</u>	<u>1,389</u>
15. Gain (or loss) on disposal of assets	1	–
16. Operating result	<u>241</u>	<u>284</u>
16a. Operating result (less grants for acquisition of assets)	241	284

The former Cootamundra Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	1	44
c. Renewals	977	–
d. Plant and equipment	–	87
18. Repayment of debt	–	24
19. Totals	978	155
Non-operating funds employed		
20. Proceeds from disposal of assets	1	–
21. Borrowing utilised	–	–
22. Totals	1	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	2,578	2,570
b. Residential (unoccupied, ie. vacant lot)	43	50
c. Non-residential (occupied)	319	319
d. Non-residential (unoccupied, ie. vacant lot)	45	47
24. Number of ETs for which developer charges were received	2 ET	1 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 65,643	\$ 75,462

The former Cootamundra Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,792	–	2,792
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	26	–	26
c. User charges	3	–	3
d. Other	284	–	284
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	21,176	21,176
b. Plant and equipment	–	99	99
30. Other assets	–	–	–
31. Total assets	<u>3,105</u>	<u>21,275</u>	<u>24,380</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	99	–	99
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>99</u>	<u>–</u>	<u>99</u>
37. NET ASSETS COMMITTED	<u>3,006</u>	<u>21,275</u>	<u>24,281</u>
EQUITY			
38. Accumulated surplus			6,745
39. Asset revaluation reserve			17,536
40. TOTAL EQUITY			<u>24,281</u>
Note to system assets:			
41. Current replacement cost of system assets			39,072
42. Accumulated current cost depreciation of system assets			(17,896)
43. Written down current cost of system assets			21,176

The former Cootamundra Shire Council

Notes to Special Schedules 3 and 5 for the period 1 July 2015 to 12 May 2016

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.

The former Cootamundra Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'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	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	60	60	11	–	514	671			80%	20%	0%
	Buildings – specialised	402	402	128	112	12,983	39,496	2%	36%	55%	6%	1%
	Sub-total	462	462	139	112	13,497	40,167	2.0%	35.4%	55.4%	6.2%	1.0%
Other structures	Other structures	100	100	290	–	8,307	15,858		10%	80%	10%	0%
	Sub-total	100	100	290	–	8,307	15,858	0.0%	10.0%	80.0%	10.0%	0.0%
Roads	Sealed roads	2,000	2,000	1,031	1,073	91,951	142,862	8%	75%	15%	1%	1%
	Unsealed roads	500	500	249	215	2,461	4,010		90%	10%		0%
	Bridges	200	200	–	–	3,065	4,989	6%	6%	88%		0%
	Footpaths	200	200	145	6	1,148	1,986	10%	14%	68%	7%	1%
	Bulk earthworks	–	–	–	–	34,444	34,444		95%	5%		0%
	Sub-total	2,900	2,900	1,425	1,294	133,069	188,291	6.3%	76.5%	15.6%	0.8%	0.8%

The former Cootamundra Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (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	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	725	725	280	317	3,916	15,576		5%	84%	10%	1%
	Sub-total	725	725	280	317	3,916	15,576	0.0%	5.0%	84.0%	10.0%	1.0%
Sewerage network	Sewerage network	585	585	365	337	20,432	38,267		15%	65%	20%	0%
	Sub-total	585	585	365	337	20,432	38,267	0.0%	15.0%	65.0%	20.0%	0.0%
Stormwater drainage	Stormwater drainage	30	30	36	19	6,244	9,046		10%	85%	5%	0%
	Sub-total	30	30	36	19	6,244	9,046	0.0%	10.0%	85.0%	5.0%	0.0%
Open space/recreational assets	Swimming pools	50	50	25	48	3,354	6,249	45%	55%			0%
	Sub-total	50	50	25	48	3,354	6,249	45.0%	55.0%	0.0%	0.0%	0.0%
TOTAL – ALL ASSETS		4,852	4,852	2,560	2,127	188,819	313,454	5.0%	54.5%	35.1%	4.9%	0.6%

Notes:

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

Infrastructure asset condition assessment 'key'

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

The former Cootamundra Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>3,224</u>	110.30%	47.96%	31.04%
Depreciation, amortisation and impairment	<u>2,923</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>4,852</u>	3.14%	3.34%	5.70%
Carrying value of infrastructure assets	<u>154,588</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>2,127</u>	0.83	1.00	1.15
Required asset maintenance	<u>2,560</u>			

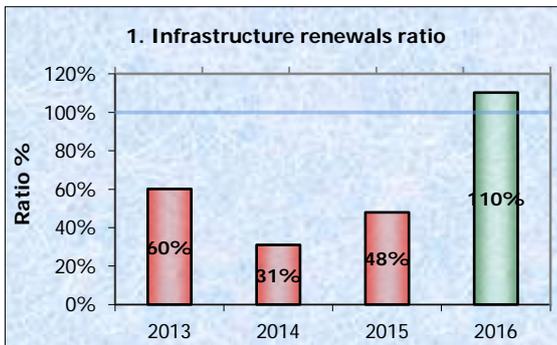
Notes

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

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

The former Cootamundra Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



Purpose of asset renewals ratio

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

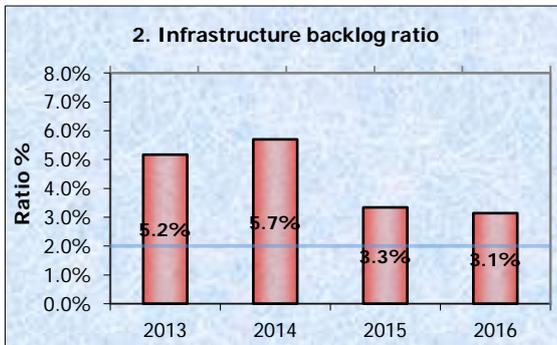
Commentary on 12/5/16 result

12/5/16 ratio 110.30%

External funding was received to renew road assets and major upgrades were carried out on the sewer infrastructure

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

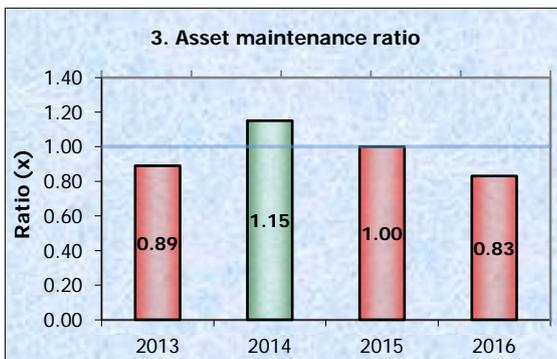
Commentary on 12/5/16 result

12/5/16 ratio 3.14%

The backlog ratio was maintained by the capital works carried out during the period

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 0.83 x

Council is continuing to maintain its assets at a satisfactory level

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

The former Cootamundra Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁽¹⁾ 12/5/16
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	0.00%	255.76%	94.97%
Depreciation, amortisation and impairment			
prior period:	32.83%	0.00%	56.29%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	18.51%	2.86%	2.72%
Carrying value of infrastructure assets			
prior period:	18.05%	2.99%	2.94%
3. Asset maintenance ratio			
Actual asset maintenance	1.13	0.92	0.77
Required asset maintenance			
prior period:	1.03	0.76	1.04

Notes

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