

# The former Gundagai Shire Council

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

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*Gundagai Shire is a safe and friendly thriving rural community where all residents are part of the strong community spirit and benefit from access to quality education, employment, services and facilities which meet the needs of the community. New residents and visitors are welcome to enjoy the relaxed and healthy lifestyle, scenic beauty and unique heritage and to contribute to our sustainable growth and prosperity.*



## The former Gundagai 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 Gundagai Shire Council.
- (ii) The former Gundagai 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 December 2016. Council has the power to amend and reissue these financial statements.
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## The former Gundagai 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:

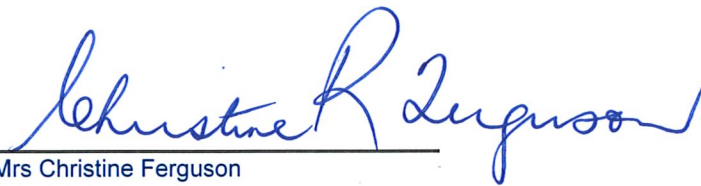
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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.



Mrs Christine Ferguson  
Administrator



Mr Ken Trethewey  
Interim General Manager



Miss Rebecca Martin  
Responsible Accounting Officer

## The former Gundagai 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
<b>Income from continuing operations</b>			
<i>Revenue:</i>			
Rates and annual charges	3a	4,170 <sup>1</sup>	4,167
User charges and fees	3b	1,322	1,473
Interest and investment revenue	3c	309	295
Other revenues	3d	121	155
Grants and contributions provided for operating purposes	3e,f	3,963 <sup>2</sup>	3,124
Grants and contributions provided for capital purposes	3e,f	2,033	773
<i>Other income:</i>			
Net gains from the disposal of assets	5	–	214
Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>Total income from continuing operations</b>		<b>11,918</b>	<b>10,201</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	4a	3,277	4,041
Borrowing costs	4b	129	46
Materials and contracts	4c	943	1,261
Depreciation and amortisation	4d	2,882	2,886
Impairment	4d	–	–
Other expenses	4e	1,027	1,316
Net losses from the disposal of assets	5	34	–
<b>Total expenses from continuing operations</b>		<b>8,292</b>	<b>9,550</b>
<b>Operating result from continuing operations</b>		<b>3,626</b>	<b>651</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	24	–	–
<b>Net operating result for the period</b>		<b>3,626</b>	<b>651</b>
<b>Net operating result attributable to Council</b>		<b>3,626</b>	<b>651</b>
<b>Net operating result attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>
<b>Net operating result for the period before grants and contributions provided for capital purposes</b>		<b>1,593</b>	<b>(122)</b>

<sup>1</sup> 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.

<sup>2</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

## The former Gundagai 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
<b>Net operating result for the period</b> (as per Income Statement)		<b>3,626</b>	<b>651</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(1,619)	48,807
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(1,619)</b>	<b>48,807</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the period</b>		<b>(1,619)</b>	<b>48,807</b>
<b>Total comprehensive income for the period</b>		<b>2,007</b>	<b>49,458</b>
<b>Total comprehensive income attributable to Council</b>		<b>2,007</b>	<b>49,458</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## The former Gundagai Shire Council

### Statement of Financial Position

as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	2,435	4,722
Investments	6b	7,900	5,250
Receivables	7	3,116	1,972
Inventories	8	635	599
Other	8	53	–
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>14,139</b>	<b>12,543</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	–	9
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	175,797	175,243
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>175,797</b>	<b>175,252</b>
<b>TOTAL ASSETS</b>		<b>189,936</b>	<b>187,795</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,339	842
Borrowings	10	259	250
Provisions	10	1,543	1,621
<b>Total current liabilities</b>		<b>3,141</b>	<b>2,713</b>
<b>Non-current liabilities</b>			
Payables	10	–	25
Borrowings	10	2,493	2,752
Provisions	10	230	240
<b>Total non-current liabilities</b>		<b>2,723</b>	<b>3,017</b>
<b>TOTAL LIABILITIES</b>		<b>5,864</b>	<b>5,730</b>
<b>Net assets</b>		<b>184,072</b>	<b>182,065</b>
<b>EQUITY</b>			
Retained earnings	20	76,074	72,448
Revaluation reserves	20	107,998	109,617
<b>Council equity interest</b>		<b>184,072</b>	<b>182,065</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>184,072</b>	<b>182,065</b>

## The former Gundagai 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
<b>1/7/15 to 12/5/16</b>						
<b>Opening balance</b> (as per last year's audited accounts)		71,753	110,627	<b>182,380</b>	–	<b>182,380</b>
a. Correction of prior period errors	20 (c)	695	(1,010)	<b>(315)</b>	–	<b>(315)</b>
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>72,448</b>	<b>109,617</b>	<b>182,065</b>	–	<b>182,065</b>
<b>c. Net operating result for the period</b>		<b>3,626</b>	–	<b>3,626</b>	–	<b>3,626</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(1,619)	<b>(1,619)</b>	–	<b>(1,619)</b>
– 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	–	–	–	–	–
<b>Other comprehensive income</b>		–	<b>(1,619)</b>	<b>(1,619)</b>	–	<b>(1,619)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>3,626</b>	<b>(1,619)</b>	<b>2,007</b>	–	<b>2,007</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>76,074</b>	<b>107,998</b>	<b>184,072</b>	–	<b>184,072</b>

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>1/7/14 to 30/6/15</b>						
<b>Opening balance</b> (as per last year's audited accounts)		71,307	61,820	<b>133,127</b>	–	<b>133,127</b>
a. Correction of prior period errors	20 (c)	490	(1,010)	<b>(520)</b>	–	<b>(520)</b>
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>71,797</b>	<b>60,810</b>	<b>132,607</b>	–	<b>132,607</b>
<b>c. Net operating result for the year</b>		<b>651</b>	–	<b>651</b>	–	<b>651</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	48,807	<b>48,807</b>	–	<b>48,807</b>
– 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	–	–	–	–	–
<b>Other comprehensive income</b>		–	<b>48,807</b>	<b>48,807</b>	–	<b>48,807</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>651</b>	<b>48,807</b>	<b>49,458</b>	–	<b>49,458</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the year</b>		<b>72,448</b>	<b>109,617</b>	<b>182,065</b>	–	<b>182,065</b>

## The former Gundagai 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
<b>Cash flows from operating activities</b>			
<b>Receipts:</b>			
Rates and annual charges		3,573	4,102
User charges and fees		1,385	1,553
Investment and interest revenue received		308	297
Grants and contributions		5,351	4,237
Bonds, deposits and retention amounts received		81	14
Other		1,041	1,032
<b>Payments:</b>			
Employee benefits and on-costs		(3,412)	(3,842)
Materials and contracts		(865)	(1,919)
Borrowing costs		(146)	(28)
Other		(1,586)	(2,050)
<b>Net cash provided (or used in) operating activities</b>	11b	<b>5,730</b>	<b>3,396</b>
<b>Cash flows from investing activities</b>			
<b>Receipts:</b>			
Sale of investment securities		1,500	3,450
Sale of real estate assets		–	261
Sale of infrastructure, property, plant and equipment		461	168
Deferred debtors receipts		14	6
<b>Payments:</b>			
Purchase of investment securities		(4,150)	(4,750)
Purchase of infrastructure, property, plant and equipment		(5,574)	(3,217)
Purchase of real estate assets		(18)	–
<b>Net cash provided (or used in) investing activities</b>		<b>(7,767)</b>	<b>(4,082)</b>
<b>Cash flows from financing activities</b>			
<b>Receipts:</b>			
Proceeds from borrowings and advances		–	3,000
<b>Payments:</b>			
Repayment of borrowings and advances		(250)	(1)
<b>Net cash flow provided (used in) financing activities</b>		<b>(250)</b>	<b>2,999</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,287)</b>	<b>2,313</b>
Plus: cash and cash equivalents – beginning of reporting period	11a	4,722	2,409
<b>Cash and cash equivalents – end of reporting period</b>	11a	<b>2,435</b>	<b>4,722</b>
Additional Information:			
plus: Investments on hand – end of reporting period	6b	7,900	5,250
<b>Total cash, cash equivalents and investments</b>		<b>10,335</b>	<b>9,972</b>

Please refer to Note 11 for additional cash flow information

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



## The former Gundagai 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 Gundagai 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 year'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.

###### (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.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated.

## The former Gundagai 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)

##### (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 Gundagai Shire Council has been amalgamated into 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.

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

(iii) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

##### (viii) Recognition of Prior Period Error

In accordance with AASB 108, *Accounting Policies, Changes in Accounting Estimates and Errors*, Council this year recognised a prior period error as detailed in Note 20. The nature of this correction relates to the treatment of Real Estate held for resale. Previously, Council did not recognise the profit/loss on the sale of an individual block, rather, it sought to recognise a profit or loss once the entire "stage" of development was sold. This has been corrected in the 2016/17 year to realise the profit or loss per block at the time of sale. Part of this recognition includes a reversal of valuation of capitalised infrastructure works to the relevant Asset Revaluation Reserve.

##### (b) Revenue recognition

##### **Income recognition as a result of Council's amalgamation**

The former Gundagai Shire Council was amalgamated on 12 May 2016 with the former Cootamundra Shire Council to form the new Cootamundra-Gundagai Regional Council.

## The former Gundagai 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)

In accordance with the Australian Accounting Standards the former Gundagai Shire Council has had to recognise 100% of the rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or where earlier upon receipt of the rates.

The former Gundagai Shire Council has also recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured.

As a consequence these financial statements include all the rates and FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016.

Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Cootamundra-Gundagai Regional Council.

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 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 adjustments have 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. Pro rata adjustments have been made for annual charges not earned during the period 13 May to 30 June 2016.

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

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 year 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*.

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 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.

## The former Gundagai 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)

##### **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.

#### **(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

- Town Improvement District

##### **(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.

##### **(iii) Interests in other entities**

##### **Subsidiaries**

Council has no interest in any subsidiaries.

##### **Joint arrangements**

Council is in a joint venture arrangement with 12 other regional Councils relating to the Riverina Regional Library. This joint arrangement is not recognised in this Financial Report, as Council's share is only 2.7% of operations, see Note 19 (e).

Financial details of the joint venture have not been included in these statements as audited Financial Statements for the Library for the year ended 12 May 2016 were unavailable at the time of preparing this report.

However, Council's contribution to the Library is shown as an expense in the Income Statement.

##### **Associates**

Council has no interest in any associates.

##### **County councils**

Council is not a member of any county councils.

## The former Gundagai 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

Council has not entered into any finance or operating leases during the year and there were no outstanding lease commitments as at 12 May 2016.

##### (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.

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

##### Financial assets – 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.

## The former Gundagai 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)

##### (ii) Subsequent measurement

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

##### Impairment

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

None of Council's Financial Assets were deemed impaired as at 12 May 2016.

##### (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.

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

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.

A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

##### (i) Inventories

###### 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.

###### Inventory held for distribution

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

###### Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

## The former Gundagai 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)

When development is completed borrowing costs and other holding charges are expensed as incurred.

#### (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**  
(Depreciated Replacement Cost based on External Valuation)
- **Operational Land** (Market Value based on External Valuation)
- **Buildings – Non Specialised**  
(Market Value based on External Valuation)
- **Buildings – Specialised**  
(Depreciated Replacement Cost based on External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(Depreciated Replacement Cost based on External Valuation)
- **Drainage Assets** (Depreciated Replacement Cost based on External Valuation)
- **Community Land** (Valuer-General valuations)
- **Other Structures**  
(Market Value based on External Valuation)
- **Other Assets**  
(Market Value based on External Valuation)

##### 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 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, the 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 by DPI Water.

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.



## The former Gundagai 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)

##### 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
- land under roads (purchases after 30/6/08)	100% Capitalised

##### 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	> \$1,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$1,000
Other Structures	> \$1,000
Other Assets	> \$1,000

##### Water and Sewer Assets

Reticulation extensions	> \$1,000
Other	> \$1,000

##### Stormwater Assets

Drains and Culverts	> \$1,000
Other	> \$1,000

##### Transport Assets

> \$1,000

##### Other Infrastructure Assets

Swimming Pools	> \$1,000
Other Open Space/Recreational Assets	> \$1,000
Other Infrastructure	> \$1,000

##### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using both the straight-line method and reducing balance method, depending upon asset class, 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,PP and E include:

##### Plant and Equipment

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

##### Buildings

40 to 100 years

##### Water Assets

- Inlet Works	72 years
- Mains	80 years
- Pumping Station	15 to 50 years
- Reservoirs	40 to 100 years
- Treatment Works	30 to 70 years

##### Sewer Assets

- Pumping Station	10 to 80 years
- Treatment Works	75 to 100 years
- Mains	70 to 140 years
- Effluent Reuse	80 years

##### Transportation Assets

- Seal	16 to 30 years
- Pavement	100 years
- Bridge: Timber	70 years
- Bridge: Concrete	80 to 130 years
- Bridge: Steel	80 to 100 years
- Culverts: Steel	45 years
- Culverts: Concrete	100 to 120 years
- Footpaths	30 to 60 years
- Kerb and Gutter	60 years

##### Drainage

70 to 100 years

##### Other Structures / Assets

15 to 100 years

##### Other Infrastructure Assets

- Swimming Pools	60 years
- Other Open Space/ Recreational Assets	5 to 60 years

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

## The former Gundagai 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)

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.

##### **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**

Council has not classified any assets as intangible.

##### **(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) Investment property**

Council has no investment property as at 12 May 2016.

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

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Council's Manager of Urban and Rural Services, the officer responsible for Council's Garbage Tip, had advised that rehabilitation is conducted systematically over the life of the operation. Council

## The former Gundagai 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)

has closed down all rural village tips and replacing them with transfer stations during 2015/16.

Accordingly, the annual costs associated with the rehabilitation are charged to the Income Statement. Council recognises it has a responsibility to restore gravel pits, even in respect of pits upon private land from which Council has won or currently wins gravel – indeed most of the pits are on private land.

Council's Director of Engineering Services estimates that the cost to restore the pits remains at \$185,000. He advises that the pits are systematically restored and the costs of such are charged to the income statement

#### **(q) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 12 May and the replacement assets were already purchased and accounted for as at 12 May.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Council had no non-current assets 'Held for Sale' at year end.

#### **(r) 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.

#### **(s) 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.

#### **(t) Borrowings**

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

Borrowings are subsequently measured at amortised cost.

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.

During 2014/15 Council borrowed \$3M over a 10 year term to fund the Infrastructure renewal works in the CBD of Gundagai. The loan of \$3M was drawn down in full during the 2014/15 year and a fixed interest rate of 4.06% was locked in at this time.

#### **(u) Borrowing costs**

Borrowing costs are expensed.

## The former Gundagai 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)

##### (v) 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.

##### (w) 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.

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,

## The former Gundagai 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)

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 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.

The Scheme advised Council that the expected contributions to the Scheme for the next annual reporting period will be \$116,981. Furthermore, additional contributions are estimated to remain in place until 30 June 2020.

Accordingly, Council's contributions to the Scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expense at Note 4(a).

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.

#### (x) Self-insurance

Council does not self-insure.

#### (y) 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.

#### (z) 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).

#### 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 former Gundagai 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)

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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.

#### **(aa) 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.

#### **(ab) Rounding of amounts**

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

#### **(ac) 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.

#### **(ad) Disclaimer**

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

## The former Gundagai 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	–	–	424	638	(424)	(638)	–	–	–	–
Administration	142	354	1,733	1,891	(1,591)	(1,537)	90	60	14,540	14,006
Public order and safety	243	225	347	410	(104)	(185)	240	217	1,086	819
Health	19	17	63	152	(44)	(135)	–	–	–	–
Environment	598	871	681	666	(83)	205	73	336	–	–
Community services and education	38	2	33	43	5	(41)	38	2	335	340
Housing and community amenities	185	112	285	318	(100)	(206)	–	–	1,391	1,369
Water supplies	837	895	733	914	104	(19)	12	12	12,280	11,927
Sewerage services	726	792	476	536	250	256	11	11	10,073	9,693
Recreation and culture	62	293	619	710	(557)	(417)	26	243	6,393	8,026
Mining, manufacturing and construction	46	16	62	70	(16)	(54)	–	–	–	–
Transport and communication	3,366	884	2,430	2,629	936	(1,745)	1,018	92	141,166	138,789
Economic affairs	410	584	406	573	4	11	–	60	2,672	2,826
<b>Total functions and activities</b>	<b>6,672</b>	<b>5,045</b>	<b>8,292</b>	<b>9,550</b>	<b>(1,620)</b>	<b>(4,505)</b>	<b>1,508</b>	<b>1,033</b>	<b>189,936</b>	<b>187,795</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	5,246	5,156	–	–	5,246	5,156	2,031	2,025	–	–
<b>Operating result from continuing operations</b>	<b>11,918</b>	<b>10,201</b>	<b>8,292</b>	<b>9,550</b>	<b>3,626</b>	<b>651</b>	<b>3,539</b>	<b>3,058</b>	<b>189,936</b>	<b>187,795</b>

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

## The former Gundagai 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 Gundagai 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
<b>(a) Rates and annual charges <sup>1,2</sup></b>			
<b>Ordinary rates</b>			
Residential		557	574
Farmland		2,059	2,024
Business		130	99
<b>Total ordinary rates</b>		<b>2,746</b>	<b>2,697</b>
<b>Special rates</b>			
Town improvement		249	242
<b>Total special rates</b>		<b>249</b>	<b>242</b>
\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		479	466
Stormwater management services		19	22
Water supply services		189	210
Sewerage services		488	530
<b>Total annual charges</b>		<b>1,175</b>	<b>1,228</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>4,170</b>	<b>4,167</b>

<sup>1</sup> Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

## The former Gundagai 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>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		564	598
Sewerage services		176	203
<b>Total user charges</b>		<b>740</b>	<b>801</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation		34	12
Inspection services		14	17
Private works – section 67		265	327
Registration fees		3	8
Section 149 certificates (EPA Act)		3	1
Section 603 certificates		8	6
Town planning		54	31
<b>Total fees and charges – statutory/regulatory</b>		<b>381</b>	<b>402</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries		49	43
Library and museum		4	17
Pest and noxious weeds		1	1
Saleyards		40	88
Sewer connection fees		9	14
TIP and MGB charges		31	46
Tourism		56	49
Water connection fees		6	6
Other		5	6
<b>Total fees and charges – other</b>		<b>201</b>	<b>270</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>1,322</b>	<b>1,473</b>

## The former Gundagai 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>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		51	46
– Interest earned on investments (interest and coupon payment income)		258	248
– Interest on deferred debtors		–	1
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>309</b>	<b>295</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		40	35
General Council cash and investments		179	156
<b>Restricted investments/funds – external:</b>			
Water fund operations		60	69
Sewerage fund operations		30	35
<b>Total interest and investment revenue recognised</b>		<b>309</b>	<b>295</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		63	74
Commissions and agency fees		9	15
Rebates		28	61
Royalty		12	2
Sales – general		9	3
<b>TOTAL OTHER REVENUE</b>		<b>121</b>	<b>155</b>

## The former Gundagai 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	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	2,004 <sup>1</sup>	1,999	–	–
Pensioners' rates subsidies – general component	27	26	–	–
<b>Total general purpose</b>	<b>2,031</b>	<b>2,025</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	12	12	–	–
– Sewerage	11	11	–	–
– Domestic waste management	18	19	–	–
Community care	1	–	–	–
Flood study	–	60	–	–
Library	26	39	–	84
LIRS subsidy	89	–	–	–
Noxious weeds	55	37	–	–
NSW rural fire services	174	192	67	25
Recreation and culture	–	–	–	120
Saleyards	–	–	–	60
Transport (roads to recovery)	1,018	92	–	–
Waste management – landfills	–	–	–	125
Waste management – green waste	–	–	–	155
Youth services	37	2	–	–
<b>Total specific purpose</b>	<b>1,441</b>	<b>464</b>	<b>67</b>	<b>569</b>
<b>Total grants</b>	<b>3,472</b>	<b>2,489</b>	<b>67</b>	<b>569</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,018	92	–	–
– State funding	2,454	2,397	67	569
	<b>3,472</b>	<b>2,489</b>	<b>67</b>	<b>569</b>

<sup>1</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

## The former Gundagai 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	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94A – fixed development consent levies	52	10	–	–
<b>Total developer contributions</b>	<b>52</b>	<b>10</b>	<b>–</b>	<b>–</b>
<b>Other contributions:</b>				
Paving	–	–	56	–
Recreation and culture	–	–	15	20
Roads and bridges	–	61	880	–
RMS contributions (regional roads, block grant)	435	564	996	184
Sewerage supplies	–	–	12	–
Water supplies (excl. section 64 contributions)	–	–	7	–
Other	4	–	–	–
<b>Total other contributions</b>	<b>439</b>	<b>625</b>	<b>1,966</b>	<b>204</b>
<b>Total contributions</b>	<b>491</b>	<b>635</b>	<b>1,966</b>	<b>204</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>3,963</b>	<b>3,124</b>	<b>2,033</b>	<b>773</b>

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	612	401
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	353	412
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(193)	(201)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>160</b>	<b>211</b>
<b>Unexpended and held as restricted assets</b>	<b>772</b>	<b>612</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	772	612
	<b>772</b>	<b>612</b>

## The former Gundagai 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
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		3,046	3,290
Travel expenses		56	80
Employee leave entitlements (ELE)		265	610
Superannuation		375	433
Workers' compensation insurance		152	72
Fringe benefit tax (FBT)		32	23
Training costs (other than salaries and wages)		46	57
<b>Total employee costs</b>		<b>3,972</b>	<b>4,565</b>
Less: capitalised costs		(695)	(524)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>3,277</b>	<b>4,041</b>
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		53	54
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		104	18
<b>Total interest bearing liability costs expensed</b>		<b>104</b>	<b>18</b>
<b>(ii) Other borrowing costs</b>			
ELE		25	28
<b>Total other borrowing costs</b>		<b>25</b>	<b>28</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>129</b>	<b>46</b>

## The former Gundagai 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
<b>(c) Materials and contracts</b>			
Raw materials and consumables		187	241
Contractor and consultancy costs			
– Cleaning		34	41
– Executive staff recruitment consultancy		–	21
– Fit for the future consultancy		15	11
– Flood study consultancy		–	64
– General		570	721
– Internal audit consultancy		5	10
– Planning consultancy		104	116
– Sewer Infrastructure consultancy		31	–
Auditors remuneration <sup>(1)</sup>		17	15
Legal expenses:			
– Legal expenses: planning and development		1	3
– Legal expenses: debt recovery		20	19
– Legal expenses: other		7	7
<b>Total materials and contracts</b>		<b>991</b>	<b>1,269</b>
Less: capitalised costs		(48)	(8)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>943</b>	<b>1,261</b>

#### 1. 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

##### Remuneration for audit and other assurance services

##### Total Auditor remuneration

17	15
<b>17</b>	<b>15</b>
<b>17</b>	<b>15</b>

## The former Gundagai 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	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
Plant and equipment		–	–	402	439
Office equipment		–	–	39	26
Infrastructure:					
– Buildings – non-specialised		–	–	80	91
– Buildings – specialised		–	–	107	122
– Roads		–	–	1,605	1,597
– Bridges		–	–	279	149
– Footpaths		–	–	32	30
– Stormwater drainage		–	–	64	90
– Water supply network		–	–	240	273
– Sewerage network		–	–	128	130
– Swimming pools		–	–	4	5
– Other open space/recreational assets		–	–	19	21
Other assets					
– Other		–	–	33	38
<b>Total depreciation and impairment costs</b>		<b>–</b>	<b>–</b>	<b>3,032</b>	<b>3,011</b>
Less: capitalised costs		–	–	(150)	(125)
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>2,882</b>	<b>2,886</b>



## The former Gundagai 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
<b>(e) Other expenses</b>			
Other expenses for the period include the following:			
Advertising		36	33
Bank charges		8	10
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		6	5
Councillor expenses – mayoral fee		8	9
Councillor expenses – councillors' fees		58	65
Councillors' expenses (incl. mayor) – other (excluding fees above)		2	6
Donations, contributions and assistance to other organisations (Section 356)		45	21
– Contribution – road safety		7	15
– Donation – SouthCare helicopter service		5	5
– Tourism contributions		3	3
Electricity and heating		158	206
Fire control expenses		167	174
Insurance		196	217
Insurance excess		2	2
Office expenses (including computer expenses)		88	99
Postage		8	8
Printing and stationery		15	24
Registrations		13	116
Street lighting		45	62
Subscriptions and publications		54	61
Telephone and communications		30	58
Tourism expenses (excluding employee costs)		42	26
Valuation fees		31	91
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>1,027</u></b>	<b><u>1,316</u></b>

## The former Gundagai Shire Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		307	254
Less: carrying amount of plant and equipment assets sold/written off		(341)	(245)
<b>Net gain/(loss) on disposal</b>		<b>(34)</b>	<b>9</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		–	135
Less: carrying amount of infrastructure assets sold/written off		–	(135)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		–	334
Less: carrying amount of real estate assets sold/written off		–	(129)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>205</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		1,500	3,450
Less: carrying amount of financial assets sold/redeemed/matured		(1,500)	(3,450)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(34)</b>	<b>214</b>

## The former Gundagai 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	12/5/16	30/6/15	30/6/15
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		1,235	–	1,572	–
Cash-equivalent assets <sup>1</sup>					
– Short-term deposits		1,200	–	3,150	–
<b>Total cash and cash equivalents</b>		<b>2,435</b>	<b>–</b>	<b>4,722</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		7,900	–	5,250	–
<b>Total investments</b>		<b>7,900</b>	<b>–</b>	<b>5,250</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>10,335</b>	<b>–</b>	<b>9,972</b>	<b>–</b>

<sup>1</sup> 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'

	<b>2,435</b>	<b>–</b>	<b>4,722</b>	<b>–</b>
--	--------------	----------	--------------	----------

**Investments**

b. 'Held to maturity'

6(b-ii)

	7,900	–	5,250	–
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Investments

	<b>7,900</b>	<b>–</b>	<b>5,250</b>	<b>–</b>
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**Note 6(b-i)****Reconciliation of investments classified as 'held to maturity'**

Balance at beginning of period	5,250	–	3,950	–
Additions	4,150	–	4,750	–
Disposals (sales and redemptions)	(1,500)	–	(3,450)	–
<b>Balance at end of period</b>	<b>7,900</b>	<b>–</b>	<b>5,250</b>	<b>–</b>

**Comprising:**

– Long term deposits	7,900	–	5,250	–
<b>Total</b>	<b>7,900</b>	<b>–</b>	<b>5,250</b>	<b>–</b>

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

## The former Gundagai 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	10,335	–	9,972	–
<b>attributable to:</b>				
External restrictions (refer below)	7,440	–	6,989	–
Internal restrictions (refer below)	2,626	–	2,504	–
Unrestricted	269	–	479	–
	<b>10,335</b>	<b>–</b>	<b>9,972</b>	<b>–</b>
<hr/>				
1/7/15 to 12/5/16	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance
<hr/>				
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general (A)	2,598	–	(1,083)	1,515
<b>External restrictions – included in liabilities</b>	<b>2,598</b>	<b>–</b>	<b>(1,083)</b>	<b>1,515</b>
<hr/>				
<b>External restrictions – other</b>				
Developer contributions – general (D)	–	52	(52)	–
Specific purpose unexpended grants (F)	612	160	–	772
Water supplies (G)	1,914	338	–	2,252
Sewerage services (G)	701	310	–	1,011
Domestic waste management (G)	314	720	(558)	476
Town improvement district	850	564	–	1,414
<b>External restrictions – other</b>	<b>4,391</b>	<b>2,144</b>	<b>(610)</b>	<b>5,925</b>
<b>Total external restrictions</b>	<b>6,989</b>	<b>2,144</b>	<b>(1,693)</b>	<b>7,440</b>
<hr/>				
<b>Internal restrictions</b>				
Infrastructure replacement	1,833	898	(632)	2,099
Employees leave entitlement	599	11	(100)	510
Bourke estate	5	–	(5)	–
Pit restoration	26	11	(20)	17
Property	1	14	(15)	–
Workers compensation	40	–	(40)	–
<b>Total internal restrictions</b>	<b>2,504</b>	<b>934</b>	<b>(812)</b>	<b>2,626</b>
<b>TOTAL RESTRICTIONS</b>	<b>9,493</b>	<b>3,078</b>	<b>(2,505)</b>	<b>10,066</b>

A Loan moneys which must be applied for the purposes for which the loans were raised.

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 Gundagai 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
<b>Purpose</b>					
Rates and annual charges		1,170 <sup>1</sup>	–	573	–
User charges and fees		670	–	566	–
Private works		133	–	154	–
Capital debtors (being sale of assets)					
– Other asset sales		67	–	221	–
Accrued revenues					
– Interest on investments		90	–	89	–
– Other income accruals		18	–	9	–
Amounts due from other councils		5	–	48	–
Deferred debtors		–	–	5	9
Government grants and subsidies		928	–	262	–
Net GST receivable		46	–	56	–
<b>Total</b>		<b>3,127</b>	<b>–</b>	<b>1,983</b>	<b>9</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(8)	–	(8)	–
Interest and extra charges		(3)	–	(3)	–
<b>Total provision for impairment – receivables</b>		<b>(11)</b>	<b>–</b>	<b>(11)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>3,116</b>	<b>–</b>	<b>1,972</b>	<b>9</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		12	–	12	–
– Rates and availability charges		526	–	434	–
<b>Sewerage services</b>					
– Specific purpose grants		11	–	11	–
– Rates and availability charges		403	–	399	–
<b>Domestic waste management</b>		107	–	40	–
<b>Town improvement</b>		85	–	31	–
<b>Total external restrictions</b>		<b>1,144</b>	<b>–</b>	<b>927</b>	<b>–</b>
<b>Internally restricted receivables – Nil</b>					
<b>Unrestricted receivables</b>		<b>1,972</b>	<b>–</b>	<b>1,045</b>	<b>9</b>
<b>TOTAL NET RECEIVABLES</b>		<b>3,116</b>	<b>–</b>	<b>1,972</b>	<b>9</b>

<sup>1</sup> The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date.

#### Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%). Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## The former Gundagai 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
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		302	–	284	–
Stores and materials		311	–	294	–
Trading stock		22	–	21	–
<b>Total inventories at cost</b>		<b>635</b>	<b>–</b>	<b>599</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>		<b>635</b>	<b>–</b>	<b>599</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		53	–	–	–
<b>TOTAL OTHER ASSETS</b>		<b>53</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Externally restricted assets</b>					
There are no restrictions applicable to the above assets.					
<b>(i) Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		302	–	284	–
<b>Total real estate for resale</b>		<b>302</b>	<b>–</b>	<b>284</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		302	–	258	–
Other holding costs		–	–	26	–
<b>Total real estate for resale</b>		<b>302</b>	<b>–</b>	<b>284</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of period		284	–	340	–
– Purchases and other costs		18	–	–	–
– WDV of sales (expense)	5	–	–	(56)	–
<b>Total real estate for resale</b>		<b>302</b>	<b>–</b>	<b>284</b>	<b>–</b>
<b>(b) Current assets not anticipated to be settled within the next 12 months</b>					
The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;					
Real estate for resale				12/5/16 171	30/6/15 249
				<b>171</b>	<b>249</b>
<b>(c) Inventories recognised as an expense for the period included:</b>					
– Real estate for resale				–	56
– Stores and materials				438	550
– Trading stock				9	24
<b>(d) Inventory write downs</b>					
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 Gundagai 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 fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At fair value	Accumulated		Carrying value
		depreciation	impairment									depreciation	impairment	
Plant and equipment	5,902	2,334	–	3,568	105	566	(340)	(402)	–	–	5,884	2,387	–	3,497
Office equipment	632	392	–	240	–	2	–	(39)	–	–	634	431	–	203
<b>Land:</b>														
– Operational land	3,473	–	–	3,473	66	–	–	–	–	–	3,539	–	–	3,539
– Community land	2,642	–	–	2,642	8	–	–	–	(1,887)	–	763	–	–	763
– Land under roads (post 30/6/08)	136	–	–	136	–	–	–	–	–	–	136	–	–	136
<b>Infrastructure:</b>														
– Buildings – non-specialised	7,892	5,115	–	2,777	67	16	–	(80)	–	–	7,975	5,195	–	2,780
– Buildings – specialised	8,660	4,400	–	4,260	53	–	–	(107)	–	–	8,713	4,507	–	4,206
– Roads	148,065	33,920	–	114,145	1,531	–	–	(1,605)	–	–	152,192	38,121	–	114,071
– Bridges	36,612	18,269	41	18,302	19	2,018	–	(279)	–	–	36,053	15,993	–	20,060
– Footpaths	2,401	1,077	–	1,324	631	58	–	(32)	–	–	3,091	1,110	–	1,981
– Stormwater drainage	7,794	2,938	–	4,856	100	–	–	(64)	–	–	7,894	3,002	–	4,892
– Water supply network	18,050	8,697	–	9,353	25	–	–	(240)	–	141	18,347	9,068	–	9,279
– Sewerage network	15,141	6,728	–	8,413	66	–	–	(128)	–	127	15,435	6,957	–	8,478
– Swimming pools	1,047	808	–	239	–	4	–	(4)	–	–	1,051	812	–	239
– Other open space/recreational assets	646	246	–	400	3	207	–	(19)	–	–	855	264	–	591
<b>Other assets:</b>														
– Other	1,698	583	–	1,115	–	–	–	(33)	–	–	1,698	616	–	1,082
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>260,791</b>	<b>85,507</b>	<b>41</b>	<b>175,243</b>	<b>2,674</b>	<b>2,871</b>	<b>(340)</b>	<b>(3,032)</b>	<b>(1,887)</b>	<b>268</b>	<b>264,260</b>	<b>88,463</b>	<b>–</b>	<b>175,797</b>

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 Gundagai 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 Class of asset	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
<b>Water supply</b>								
Land								
– Operational land	–	211	–	<b>211</b>	–	211	–	<b>211</b>
Infrastructure	–	18,347	9,068	<b>9,279</b>	–	18,050	8,697	<b>9,353</b>
<b>Total water supply</b>	<b>–</b>	<b>18,558</b>	<b>9,068</b>	<b>9,490</b>	<b>–</b>	<b>18,261</b>	<b>8,697</b>	<b>9,564</b>
<b>Sewerage services</b>								
Land								
– Operational land	–	169	–	<b>169</b>	–	169	–	<b>169</b>
Infrastructure	–	15,435	6,957	<b>8,478</b>	–	15,141	6,728	<b>8,413</b>
<b>Total sewerage services</b>	<b>–</b>	<b>15,604</b>	<b>6,957</b>	<b>8,647</b>	<b>–</b>	<b>15,310</b>	<b>6,728</b>	<b>8,582</b>
<b>Domestic waste management</b>								
Plant and equipment	–	583	213	<b>370</b>	–	455	201	<b>254</b>
<b>Total DWM</b>	<b>–</b>	<b>583</b>	<b>213</b>	<b>370</b>	<b>–</b>	<b>455</b>	<b>201</b>	<b>254</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>34,745</b>	<b>16,238</b>	<b>18,507</b>	<b>–</b>	<b>34,026</b>	<b>15,626</b>	<b>18,400</b>

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

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



## The former Gundagai 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
<b>Payables</b>					
Goods and services – operating expenditure		789	–	274	25
Goods and services – capital expenditure		224	–	402	–
Payments received in advance		127	–	27	–
Accrued expenses:					
– Borrowings		1	–	18	–
– Salaries and wages		68	–	101	–
Security bonds, deposits and retentions		101	–	20	–
ATO – PAYG payable		29	–	–	–
<b>Total payables</b>		<b>1,339</b>	<b>–</b>	<b>842</b>	<b>25</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		259	2,493	250	2,752
<b>Total borrowings</b>		<b>259</b>	<b>2,493</b>	<b>250</b>	<b>2,752</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		582	–	671	–
Long service leave		961	45	950	55
Sub-total – aggregate employee benefits		1,543	45	1,621	55
Asset remediation/restoration (future works)	26	–	185	–	185
<b>Total provisions</b>		<b>1,543</b>	<b>230</b>	<b>1,621</b>	<b>240</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>3,141</b>	<b>2,723</b>	<b>2,713</b>	<b>3,017</b>
<b>(i) Liabilities relating to restricted assets</b>					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Externally restricted assets</b>					
Water		137	–	108	–
Sewer		56	–	62	5
Liabilities relating to externally restricted assets		193	–	170	5
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		193	–	170	5
<b>Total liabilities relating to unrestricted assets</b>		2,948	2,723	2,543	3,012
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>3,141</b>	<b>2,723</b>	<b>2,713</b>	<b>3,017</b>

<sup>1</sup>: 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 Gundagai 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	1,205	1,266
	<u>1,205</u>	<u>1,266</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				Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	671	179	(268)	–	–	582
Long service leave	1,005	65	(64)	–	–	1,006
Asset remediation	185	–	–	–	–	185
<b>TOTAL</b>	<b>1,861</b>	<b>244</b>	<b>(332)</b>	<b>–</b>	<b>–</b>	<b>1,773</b>

- 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.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

## The former Gundagai 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
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	2,435	4,722
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>2,435</b>	<b>4,722</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>3,626</b>	<b>651</b>
Adjust for non-cash items:			
Depreciation and amortisation		2,882	2,886
Net losses/(gains) on disposal of assets		34	(214)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,303)	161
Decrease/(increase) in inventories		(18)	(53)
Decrease/(increase) in other assets		(53)	38
Increase/(decrease) in payables		490	(335)
Increase/(decrease) in accrued interest payable		(17)	18
Increase/(decrease) in other accrued expenses payable		(33)	28
Increase/(decrease) in other liabilities		210	38
Increase/(decrease) in employee leave entitlements		(88)	178
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>5,730</b>	<b>3,396</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		32	28
<b>Total financing arrangements</b>		<b>32</b>	<b>28</b>
<b>(ii) Secured loan liabilities</b>			

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

## The former Gundagai 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
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		119	189
Plant and equipment		–	332
Roads infrastructure		549	248
Open Space/Recreation		316	–
Gobarralong bridge		–	609
Walkway		–	50
<b>Total commitments</b>		<b>984</b>	<b>1,428</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		984	1,428
<b>Total payable</b>		<b>984</b>	<b>1,428</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		(236)	511
Future grants and contributions		1,117	487
Unexpended grants		103	430
<b>Total sources of funding</b>		<b>984</b>	<b>1,428</b>

#### Details of capital commitments

Sheridan Street Redevelopment works includes \$3m loan, to be finalised in 16/17.

A new grant of \$915 from National Stronger Regions Fund also contributing to the Sheridan Street Redevelopment.

Various roads and infrastructure projects to be finalised within the coming 12 months.

#### (b) Finance lease commitments

Nil

#### (c) Operating lease commitments (non-cancellable)

Nil

#### (d) Investment property commitments

Nil

## The former Gundagai 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
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>1,627</u>	<b>16.46%</b>	-3.65%	-19.57%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>9,885</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>5,922</u>	<b>49.69%</b>	60.98%	61.18%
Total continuing operating revenue <sup>(1)</sup>	<u>11,918</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>5,384</u>	<b>3.09x</b>	3.11x	4.47x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>1,743</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>4,638</u>	<b>12.24x</b>	55.23x	46.04x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>379</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>1,159</u>	<b>24.23%</b>	11.93%	12.03%
Rates, annual and extra charges collectible	<u>4,783</u>			
<b>6. Cash expense cover ratio</b>				
Current period's cash and cash equivalents plus all term deposits	<u>10,335</u>	<b>19.81 mths</b>	15.3 mths	9.8 mths
Payments from cash flow of operating and financing activities	<u>522</u>			

#### Notes

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 13/5/2016 to 30/6/2016.

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

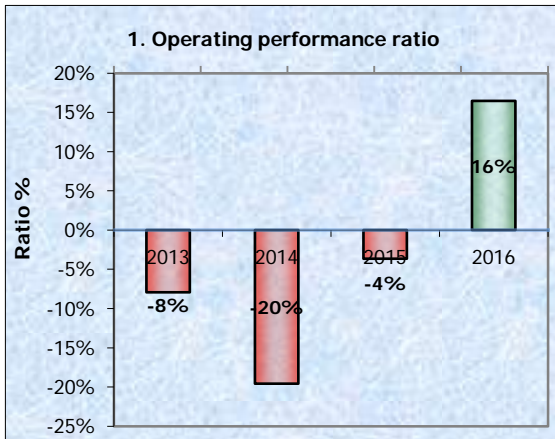
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# The former Gundagai 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**

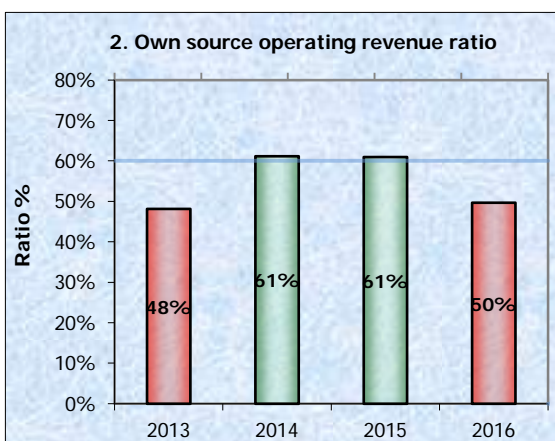
**12/5/16 ratio 16.46%**

Given that Gundagai was amalgamated on 12/5/2016, and this ratio includes revenue earned for the period 13/5/16 to 30 /6/16, 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**

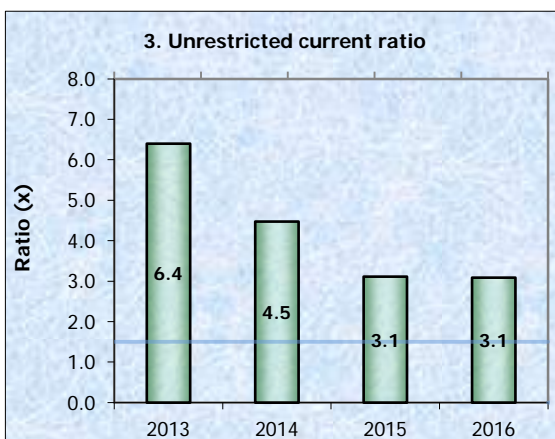
**12/5/16 ratio 49.69%**

Like most small rural Councils in NSW, Gundagai has little room to move on increasing own source operating revenue, and are somewhat reliant on annual grants and contributions.

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 3.09x**

Gundagai is in a healthy position to cover its short term liabilities, achieving a balance between funding expenditure without having excess unrestricted cash.

Benchmark: ——— Minimum  $\geq 1.50$

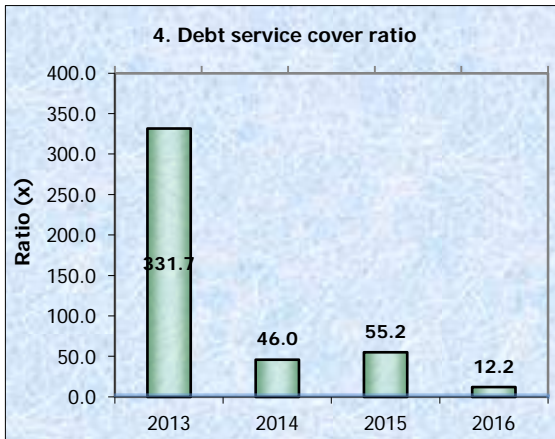
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

# The former Gundagai 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**

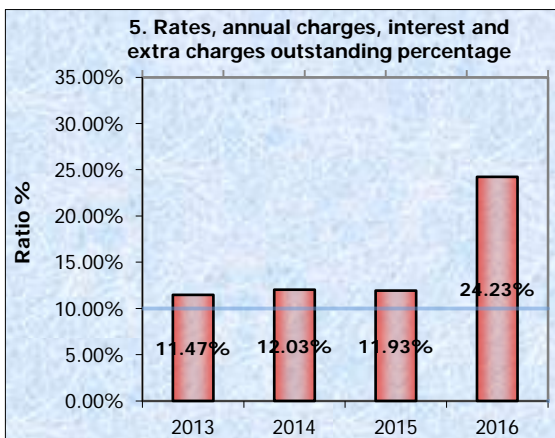
**12/5/16 ratio 12.24x**

Gundagai's operating result is quite adequate to cover its current loan repayments to fund the Sheridan Street Redevelopment project, renewing current infrastructure.

Benchmark: Minimum  $\geq 2.00$

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**

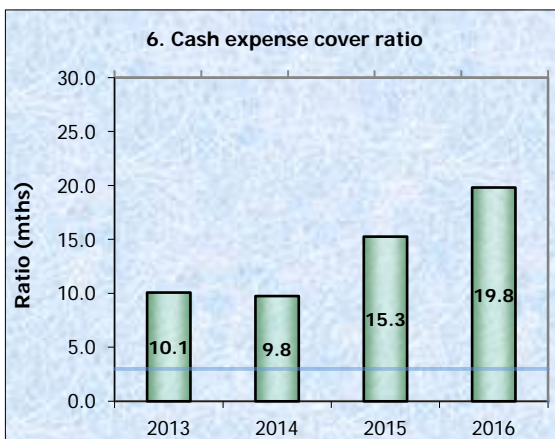
**12/5/16 ratio 24.23%**

Given that Gundagai was amalgamated on 12/5/16, and there is a quarterly rates instalment due on 31 May each year, this quarterly collection had not yet happened at the time of this report. Also adding to this spike is Gundagai's water/sewer billing charges raised for the period 1 January to 12 May.

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 19.81 mths**

Gundagai's liquidity is very strong and is well above the benchmark.

Benchmark: Minimum  $\geq 3.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## The former Gundagai 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 <sup>5</sup> 12/5/16
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>20.06%</b>	<b>35.39%</b>	<b>14.16%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 5.39%	32.06%	-8.72%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>97.95%</b>	<b>96.92%</b>	<b>41.88%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 98.78%	98.65%	52.89%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	<b>20.36x</b>	<b>25.45x</b>	<b>3.09x</b>
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>	prior period: 21.85x	17.92x	3.11x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>0.00</b>	<b>0.00</b>	<b>10.08x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	0.00x	39.98x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>35.22%</b>	<b>33.42%</b>	<b>21.44%</b>
Rates, annual and extra charges collectible	prior period: 28.49%	33.64%	5.75%
<b>6. Cash expense cover ratio</b>			
<u>Current period's cash and cash equivalents plus all term deposits</u> x12	<b>53.94 mths</b>	<b>34.27 mths</b>	<b>15.70 mths</b>
Payments from cash flow of operating and financing activities	prior period: 34.96 mths	19.89 mths	13.06 mths

#### Notes

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

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



## The former Gundagai 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
<b>Financial assets</b>				
Cash and cash equivalents	2,435	4,722	2,435	4,722
Investments				
– 'Held to maturity'	7,900	5,250	7,900	5,250
Receivables	3,116	1,981	3,116	1,981
<b>Total financial assets</b>	<b>13,451</b>	<b>11,953</b>	<b>13,451</b>	<b>11,953</b>
<b>Financial liabilities</b>				
Payables	1,212	840	1,212	840
Loans/advances	2,752	3,002	2,752	3,002
<b>Total financial liabilities</b>	<b>3,964</b>	<b>3,842</b>	<b>3,964</b>	<b>3,842</b>

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 Gundagai 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 with the assistance of independent advisors.

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>1/7/15 to 12/5/16</b>				
Possible impact of a 1% movement in interest rates	103	103	103	103
<b>1/7/14 to 30/6/15</b>				
Possible impact of a 1% movement in interest rates	100	100	100	100

## The former Gundagai 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 and carries out credit checks on most non-rate debtors.

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

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

	12/5/16	12/5/16	30/6/15	30/6/15
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	93%	96%	62%	95%
Overdue	7%	4%	38%	5%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		12/5/16	12/5/16	30/6/15	30/6/15
	Rates and	Other	Rates and	Other	
	annual	receivables	annual	receivables	
	charges		charges		
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	1,046	1,800	354	1,271
< 1 year overdue	0 – 30 days overdue	124	49	219	1
1 – 2 years overdue	30 – 60 days overdue	–	1	–	47
2 – 5 years overdue	60 – 90 days overdue	–	–	–	1
> 5 years overdue	> 90 days overdue	–	16	–	10
		<b>1,170</b>	<b>1,866</b>	<b>573</b>	<b>1,330</b>

##### (iii) Movement in provision for impairment of receivables

	12/5/16	30/6/15
Balance at the beginning of the period	11	11
<b>Balance at the end of the period</b>	<b>11</b>	<b>11</b>

## The former Gundagai 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		
<b>1/7/15 to 12/5/16</b>									
Trade/other payables	101	1,065	–	–	–	–	–	1,166	1,212
Loans and advances	–	368	368	368	368	368	1,472	3,312	2,752
<b>Total financial liabilities</b>	<b>101</b>	<b>1,433</b>	<b>368</b>	<b>368</b>	<b>368</b>	<b>368</b>	<b>1,472</b>	<b>4,478</b>	<b>3,964</b>
<b>1/7/14 to 30/6/15</b>									
Trade/other payables	20	795	25	–	–	–	–	840	840
Loans and advances	–	370	368	368	368	368	1,841	3,683	3,002
<b>Total financial liabilities</b>	<b>20</b>	<b>1,165</b>	<b>393</b>	<b>368</b>	<b>368</b>	<b>368</b>	<b>1,841</b>	<b>4,523</b>	<b>3,842</b>

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	1,212	0.00%	840	0.00%
Loans and advances – fixed interest rate	2,752	4.06%	3,002	4.07%
	<u>3,964</u>		<u>3,842</u>	

#### Note 16. Material budget variations

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

## The former Gundagai 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					
S94A levies – under a plan	–	52	–	–	(52)	–	–	–
Total S94 revenue under plans	–	52	–	–	(52)	–	–	–
<b>Total contributions</b>	–	<b>52</b>	–	–	<b>(52)</b>	–	–	–

#### S94A LEVIES – UNDER A PLAN

Gundagai Shire Council S94A Development Contribution Plan 2006

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	–	52	–	–	(52)	–	–	–
<b>Total</b>	–	<b>52</b>	–	–	<b>(52)</b>	–	–	–

## The former Gundagai 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 has provided Council with an estimate of \$117,000 for the next annual reporting period. 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) Third Party Claims

Council may be subject to claims for damages from time to time, incidental to the services provided in its ordinary course of operations.

## The former Gundagai 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)

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\$ '000

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##### **LIABILITIES NOT RECOGNISED (continued):**

##### **1. Guarantees (continued)**

##### **(iv) Third Party Claims (continued)**

Council was not aware of any material claims existing at balance date.

##### **(v) Other Guarantees**

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

##### **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.

## The former Gundagai Shire Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities

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\$ '000

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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;

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#### **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)**

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## The former Gundagai Shire Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities (continued)

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\$ '000

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

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

##### (b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

##### (c) Joint operations

Council has no interest in any joint operations.

##### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

##### (e) Subsidiaries, joint arrangements and associates not recognised

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

Name of entity/operation	Principal activity/type of entity	1/7/15 to 12/5/16 Net profit	12/5/16 Net assets
<b>1. Riverina Regional Library</b>	Shared regional library service joint arrangement	Not Available	Not Available

##### Reasons for non-recognition

Council's minimal share is 2.74% of the expenses for the RRL. All assets are held and controlled by the Executive Council (Wagga Wagga) on behalf of the 13 regional Councils involved.

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## The former Gundagai 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
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of period (from previous year's audited accounts)		71,753	71,307
a. Correction of prior period errors	20 (c)	695	490
b. Net operating result for the period		3,626	651
<b>Balance at end of the reporting period</b>		<b><u>76,074</u></b>	<b><u>72,448</u></b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		107,998	110,627
<b>Total</b>		<b><u>107,998</u></b>	<b><u>110,627</u></b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		110,627	61,820
– Revaluations for the period	9(a)	(1,619)	48,807
– Correction of prior period errors	20(c)	(1,010)	–
<b>– Balance at end of period</b>		<b><u>107,998</u></b>	<b><u>110,627</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>107,998</u></b>	<b><u>110,627</u></b>

**(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.

## The former Gundagai 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 (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors disclosed in this period's financial statements:</b>			
A correction of prior period error has seen Council recognise profit/loss on sale of real estate assets when they occur, that is, on a lot by lot basis, rather than when the whole of the real estate development sells. Asset revaluations reserves have also been adjusted to reflect the valuation of capitalised infrastructure, reflected above at 20(b)(ii)			
Recognise profit prior periods:			
Real Estate held for resale 30/6/14		(520)	
Real Estate held for resale 30/6/15		205	
This adjustment resulted in net increase/(decrease) in Council's accumulated surplus as at 30/6/15.			
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		(520)	–
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		205	–
<b>Total prior period adjustments – prior period errors</b>		<b>(315)</b>	<b>–</b>

#### (d) Voluntary changes in accounting policies

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

#### (e) Changes in accounting estimates

Council made no changes in accounting estimates during the reporting period.

## The former Gundagai 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			
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges <sup>2</sup>	212	493	3,497
User charges and fees	636	198	554
Interest and investment revenue	60	30	219
Other revenues	1	2	118
Grants and contributions provided for operating purposes	12	11	3,940
Grants and contributions provided for capital purposes	6	12	2,015
<b>Other income</b>			
Net gains from disposal of assets	–	–	–
Share of interests in joint ventures and associates using the equity method	–	–	–
<b>Total income from continuing operations</b>	<b>927</b>	<b>746</b>	<b>10,343</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	140	113	3,024
Borrowing costs	–	–	129
Materials and contracts	268	201	474
Depreciation and amortisation	240	128	2,514
Impairment	–	–	–
Other expenses	93	40	992
Net losses from the disposal of assets	–	–	34
<b>Total expenses from continuing operations</b>	<b>741</b>	<b>482</b>	<b>7,167</b>
<b>Operating result from continuing operations</b>	<b>186</b>	<b>264</b>	<b>3,176</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the period</b>	<b>186</b>	<b>264</b>	<b>3,176</b>
<b>Net operating result attributable to each council fund</b>	<b>186</b>	<b>264</b>	<b>3,176</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the period before grants and contributions provided for capital purposes</b>	<b>180</b>	<b>252</b>	<b>1,161</b>

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

<sup>2</sup> 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.

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

## The former Gundagai 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
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	1,180	534	721
Investments	1,072	477	6,351
Receivables	538	414	2,164
Inventories	–	–	635
Other	–	–	53
Non-current assets classified as 'held for sale'	–	–	–
<b>Total current assets</b>	<b>2,790</b>	<b>1,425</b>	<b>9,924</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	9,490	8,647	157,660
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>9,490</b>	<b>8,647</b>	<b>157,660</b>
<b>TOTAL ASSETS</b>	<b>12,280</b>	<b>10,072</b>	<b>167,584</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	41	–	1,298
Borrowings	–	–	259
Provisions	96	56	1,391
<b>Total current liabilities</b>	<b>137</b>	<b>56</b>	<b>2,948</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	–	–	2,493
Provisions	–	–	230
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>2,723</b>
<b>TOTAL LIABILITIES</b>	<b>137</b>	<b>56</b>	<b>5,671</b>
<b>Net assets</b>	<b>12,143</b>	<b>10,016</b>	<b>161,913</b>
<b>EQUITY</b>			
Retained earnings	3,142	1,309	71,623
Revaluation reserves	9,001	8,707	90,290
<b>Total equity</b>	<b>12,143</b>	<b>10,016</b>	<b>161,913</b>

<sup>1</sup> 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 Gundagai 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

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\$ '000

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

#### Note 23. Events occurring after the reporting date

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

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

## The former Gundagai 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 legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	Net Present Value of provision	
		12/5/16	30/6/15
Gravel pits (various) restoration	Ongoing	185	185
<b>Balance at end of the reporting period</b>	10(a)	<b>185</b>	<b>185</b>

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

As stated in Note 1, it is the professional estimate of the Director of Engineering that the provision for reinstatement remains at \$185,000 as at 12 May 2016.

<b>Reconciliation of movement in provision for the period:</b>	12/5/16	30/6/15
Balance at beginning of period	185	185
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>185</b>	<b>185</b>

#### **Restoration**

Most of the gravel pits that Council utilise are on private land, and are systematically restored during the year. The costs associated with this are directly charged to the income statement.

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

## The former Gundagai 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	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/15	–	–	3,497	3,497
Office equipment	30/06/15	–	–	203	203
Operational land	30/06/13	–	–	3,539	3,539
Community land	12/05/16	–	–	763	763
Land under roads	30/06/14	–	–	136	136
Buildings – non-specialised	30/06/13	–	–	2,780	2,780
Buildings – specialised	30/06/13	–	–	4,206	4,206
Stormwater drainage	30/06/15	–	–	4,892	4,892
Water supply network	30/06/12	–	–	9,279	9,279
Sewerage network	30/06/12	–	–	8,478	8,478
Open space/recreational assets	30/06/13	–	–	591	591
Swimming pool	30/06/13	–	–	239	239
Other assets	30/06/13	–	–	1,082	1,082
Roads, bridges, footpaths	30/06/15	–	–	136,112	136,112
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>175,797</b>	<b>175,797</b>

**(2) Transfers between level 1 and level 2 fair value hierarchies**

During the period, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.



## The former Gundagai Shire Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

\$ '000

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

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

	IPPE assets	Total
<b>Opening balance – 1/7/14</b>	126,083	126,083
Purchases (GBV)	3,744	3,744
Disposals (WDV)	(380)	(380)
Depreciation and impairment	(3,011)	(3,011)
Revaluation increments	48,807	48,807
<b>Closing balance – 30/6/15</b>	<b>175,243</b>	<b>175,243</b>
Purchases (GBV)	5,545	5,545
Disposals (WDV)	(340)	(340)
Depreciation and impairment	(3,033)	(3,033)
Revaluation increments	(1,618)	(1,618)
<b>Closing balance – 12/5/16</b>	<b>175,797</b>	<b>175,797</b>

## The former Gundagai Shire Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E</b>			
Plant and equipment	3,497	Depreciated replacement cost used to approximate fair value	Replacement cost, remaining useful life
Office equipment	203	Depreciated replacement cost used to approximate fair value	Replacement cost, remaining useful life
Community land	763	Land values obtained from the NSW Valuer-General	VG land value, land area (\$/sqm)
Roads, bridges, footpaths	136,112	Depreciated replacement cost used to approximate fair value	Asset condition, replacement cost, remaining useful life, residual values
Drainage	4,892	Depreciated replacement cost used to approximate fair value	Asset condition, replacement cost, remaining useful life, residual values
Water supply network	9,279	Unit rates per sq/m or length, depreciated replacement cost	Asset condition, replacement cost, remaining useful life, residual values
Sewerage network	8,478	Unit rates per sq/m or length, depreciated replacement cost	Asset condition, replacement cost, remaining useful life, residual values
Swimming pool	239	Depreciated replacement cost used to approximate fair value	Replacement cost, remaining useful life
Recreation assets	591	Depreciated replacement cost used to approximate fair value	Replacement cost, remaining useful life
Other assets	1,082	Depreciated replacement cost used to approximate fair value	Replacement cost, remaining useful life
Land under roads	136	Land values obtained from the NSW Valuer-General	Adjoining land values based on VG value (\$/sqm)
Operational land	3,539	Recent land sales in the surrounding area (\$/sqm)	Land use, zoning restrictions
Buildings specialised and non- specialised	6,986	Unit rates per sq/m, depreciated replacement cost	Asset condition, replacement cost, remaining useful life

#### (4). Highest and best use

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

## The former Gundagai Shire Council

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

#### Note 28. Council information and contact details

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**Principal place of business:**

255 Sheridan St  
GUNDAGAI NSW 2722

**Contact details**

**Mailing address:**

PO Box 34  
GUNDAGAI NSW 2722

**Opening hours:**

Monday to Friday  
8.30am to 5.00pm

**Telephone:** 02 6944 0200

**Facsimile:** 02 6944 1475

**Internet:** <http://www.gundagai.nsw.gov.au>

**Email:** [mail@gundagai.nsw.gov.au](mailto:mail@gundagai.nsw.gov.au)

**Officers**

**INTERIM GENERAL MANAGER**

Mr Ken Trethewey

**RESPONSIBLE ACCOUNTING OFFICER**

Miss Rebecca Martin

**Members**

**ADMINISTRATOR**

Mrs Christine Ferguson

**Other information**

**ABN:** 91 330 041 700

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the former Gundagai 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 Gundagai 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 Gundagai Regional Council  
PO Box 420  
COOTAMUNDRA NSW 2590

Dear Madam Administrator

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

We advise having completed our audit of the financial statements of the former Gundagai 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 Gundagai 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 \$3,626,000 (2015 – surplus \$651,000). Due to the proclamation dissolving the former Gundagai 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 \$1,593,000 (2015 – deficit \$122,000).

#### **Revenue**

- Rates income, which is based upon the full year's levy, grew by \$56,000 (1.9%) to \$2,995,000 (2015 - \$2,939,000) consistent with the rate pegging increase.
- Grants and contributions provided for operating purposes rose by \$839,000 to \$3,963,000 (2015 - \$3,124,000). This was mainly due to an increase in receipts under the Federal "Roads to Recovery" funding which totalled \$1,018,000.
- Grants and contributions provided for capital purposes increased to \$2,033,000 in 2016 from \$773,000 last year (increase of \$1,260,000). The main contributor to this was the receipt of additional roads funding.

#### **Expenditure**

- Expenses for employees, 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.
- Borrowing costs were higher at \$129,000 (2015 - \$46,000) following the drawdown of \$3,000,000 in borrowing during the 2015 year.

### **(b) Financial Position**

The Statement of Financial Position discloses that for the period ended 12 May 2016 Council's net assets stood at \$184,072,000 (2015 - \$182,065,000), which represents an increase of \$2,007,000. The increase comprises the net operating surplus after capital amounts of \$3,626,000 and the net downward movement of (\$1,619,000) in Council's asset revaluation reserve as a result of the (\$1,887,000) decrease in community land values which were valued on the basis of Valuer General values rather than external valuers and the positive \$268,000 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**

	<b>12 MAY 2016 \$'000</b>	<b>30 JUNE 2015 \$'000</b>
<b>Net Current Assets</b>	10,998	9,830
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(8,584)	(7,916)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(2,626)	(2,504)
Add: Applicable current liabilities refer Note 10		
- Water	137	108
- Sewerage	56	62
Add: Employee Leave Entitlements to be paid > 12 months	1,205	1,266
	<hr/>	<hr/>
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>1,186</b>	<b>846</b>

Unrestricted net current assets comprise: -

Cash	269	479
Receivables	1,972	1,045
Trading stock	22	21
Inventories	311	294
Real Estate held for Sale	302	284
Other	53	-
Less: General Purpose Liabilities	(2,948)	(2,543)
Plus: Employee Leave Entitlements to be paid > 12 months	1,205	1,266
	<hr/>	<hr/>
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>1,186</b>	<b>846</b>

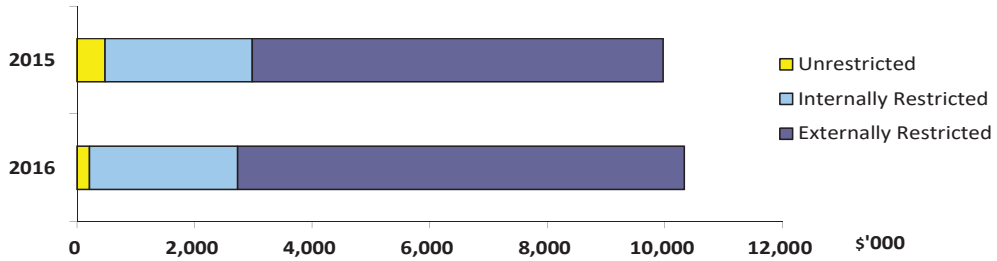
Council's continues to enjoy a modest surplus of net current assets to cover the restrictions placed on those assets.



## Cash & Investments

Note 6 to the accounts discloses total cash and investments of \$10,335,000 (2015 - \$9,972,000). Of this amount \$7,440,000 (2015- \$6,989,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$2,626,000 (2015 - \$2,504,000) 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 \$269,000 (2015 - \$479,000) 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 Gundagai 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 16.46% (2015 – negative 3.65%) 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 and grant 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 49.69% Council's result reflects the impact of increased grant funding this year. The previous two years were at 60.98% and 61.18% respectively which exceed the benchmark level of 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.

Gundagai Shire Council's ratio of 3.09:1 (2015 – 3.11:1) 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 12.24 times (2015 – 55.23) Gundagai Shire Council's ratio indicates that it can service its current levels of debt.

**Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio**

The rates and annual charges outstanding percentage of 24.23% 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 around 12%.

**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.

Gundagai Shire Council's ratio for the period ended 12 May 2016 was 19.81 months (2015: 15.3 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 \$2,287,000 (2015 increase - \$2,313,000) as follows:

	<b>2016</b>	<b>2015</b>	<b>Movement</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flow provided by / (used in)</b>			
Operating activities	5,730	3,396	2,334
Investing activities	(7,767)	(4,082)	(3,685)
Financing activities	(250)	2,999	(3,249)
	<hr/>		
Net increase / (decrease) in cash held	(2,287)	2,313	(4,600)

**Cash flows from operating activities**

The cashflow provided by operating activities totalled \$5,730,000 (2015 - \$ 3,396,000). 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 \$7,767,000 (2015 - \$4,082,000).

These cash outflows included the net investment in interest earning financial assets of \$2,650,000 (2015 - \$1,300,000) and purchase of infrastructure, property, plant and equipment totalling \$5,574,000 (2015 - \$3,217,000).

Major cash inflows from investing activities relate to the sale of plant and equipment of \$461,000 (2015 - \$168,000).

**Cash flows from financing activities**

The net cash flow used in financing activities was \$250,000 which related solely to the repayment of borrowings during the year (2015 inflow - \$2,999,000) representing the proceeds from borrowing.

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 \$363,000.

**(e) Comparison of Actual and Budgeted Performance**

As a result of the proclamation effectively dissolving the former Gundagai 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 Gundagai 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) 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.

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

This auditor's report relates to the financial statements of the former Gundagai 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 Gundagai Shire Council

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

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*Gundagai Shire is a safe and friendly thriving rural community where all residents are part of the strong community spirit and benefit from access to quality education, employment, services and facilities which meet the needs of the community. New residents and visitors are welcome to enjoy the relaxed and healthy lifestyle, scenic beauty and unique heritage and to contribute to our sustainable growth and prosperity.*



## The former Gundagai Shire Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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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 Gundagai 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:**

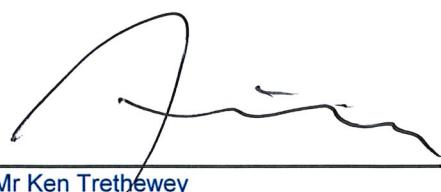
- present fairly the operating result and financial position for each of Council's declared business activities for the period, and
- accord with Council's accounting and other records.

**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.**



Mrs Christine Ferguson  
Administrator



Mr Ken Trethewey  
Interim General Manager



Miss Rebecca Martin  
Responsible Accounting Officer

## The former Gundagai 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
<b>Income from continuing operations</b>		
Access charges	212	236
User charges	631	661
Fees	5	5
Interest	60	69
Grants and contributions provided for non-capital purposes	12	12
Other income	1	–
<b>Total income from continuing operations</b>	<b>921</b>	<b>983</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	140	214
Materials and contracts	268	312
Depreciation and impairment	240	273
Other expenses	93	131
<b>Total expenses from continuing operations</b>	<b>741</b>	<b>930</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>180</b>	<b>53</b>
Grants and contributions provided for capital purposes	6	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>186</b>	<b>53</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>186</b>	<b>53</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(54)	(16)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>132</b>	<b>37</b>
<b>Plus opening retained profits</b>	<b>2,956</b>	<b>2,903</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	54	16
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>3,142</b>	<b>2,956</b>
<b>Return on capital %</b>	<b>1.9%</b>	<b>0.6%</b>
<b>Subsidy from Council</b>	<b>39</b>	<b>236</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	132	37
Less: capital grants and contributions (excluding developer contributions)	(6)	–
<b>Surplus for dividend calculation purposes</b>	<b>126</b>	<b>37</b>
<b>Potential dividend calculated from surplus</b>	<b>63</b>	<b>19</b>



## The former Gundagai 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
<b>Income from continuing operations</b>		
Access charges	493	535
User charges	191	219
Liquid trade waste charges	–	–
Fees	7	5
Interest	30	35
Grants and contributions provided for non-capital purposes	11	11
Other income	2	9
<b>Total income from continuing operations</b>	<b>734</b>	<b>814</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	113	167
Materials and contracts	201	209
Depreciation and impairment	128	131
Other expenses	40	46
<b>Total expenses from continuing operations</b>	<b>482</b>	<b>553</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>252</b>	<b>261</b>
Grants and contributions provided for capital purposes	12	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>264</b>	<b>261</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>264</b>	<b>261</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(76)	(78)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>188</b>	<b>183</b>
<b>Plus opening retained profits</b>	1,045	784
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	76	78
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>1,309</b>	<b>1,045</b>
<b>Return on capital %</b>	<b>2.9%</b>	<b>3.0%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	188	183
Less: capital grants and contributions (excluding developer contributions)	(12)	–
<b>Surplus for dividend calculation purposes</b>	<b>176</b>	<b>183</b>
<b>Potential dividend calculated from surplus</b>	<b>88</b>	<b>91</b>

## The former Gundagai 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
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,180	648
Investments	1,072	1,266
Receivables	538	446
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>2,790</b>	<b>2,360</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	9,490	9,564
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>9,490</b>	<b>9,564</b>
<b>TOTAL ASSETS</b>	<b>12,280</b>	<b>11,924</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	41	–
Borrowings	–	–
Provisions	96	108
<b>Total current liabilities</b>	<b>137</b>	<b>108</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>137</b>	<b>108</b>
<b>NET ASSETS</b>	<b>12,143</b>	<b>11,816</b>
<b>EQUITY</b>		
Retained earnings	3,142	2,956
Revaluation reserves	9,001	8,860
Council equity interest	12,143	11,816
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>12,143</b>	<b>11,816</b>

## The former Gundagai 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
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	534	130
Investments	477	571
Receivables	414	410
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>1,425</b>	<b>1,111</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	8,647	8,582
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>8,647</b>	<b>8,582</b>
<b>TOTAL ASSETS</b>	<b>10,072</b>	<b>9,693</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	56	62
<b>Total current liabilities</b>	<b>56</b>	<b>62</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	5
<b>Total non-current liabilities</b>	<b>–</b>	<b>5</b>
<b>TOTAL LIABILITIES</b>	<b>56</b>	<b>67</b>
<b>NET ASSETS</b>	<b>10,016</b>	<b>9,626</b>
<b>EQUITY</b>		
Retained earnings	1,309	1,045
Revaluation reserves	8,707	8,581
Council equity interest	10,016	9,626
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>10,016</b>	<b>9,626</b>

## The former Gundagai 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 Gundagai 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)

Council has no Category 1 Business Activities.

##### Category 2

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

##### a. Water Supply

The provision of potable water to the Gundagai township.

##### b. Sewerage Services

The provision of sewerage facility & services to the Gundagai township.

#### 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 Gundagai 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 Gundagai 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 Gundagai 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	3,594
(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]	63,000
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	35,940
(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	240,100

2016 Surplus	126,000	2015 Surplus	37,100	2014 Surplus	77,000
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	35,940
(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? <sup>a</sup>	YES

#### 3. Required outcomes for 6 criteria

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

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



## The former Gundagai 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

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	872
<b>NWI F4</b>	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)]	%	64.75%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	9,490
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	501
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	26
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.38%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## The former Gundagai 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	3,039
(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]	88,200
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	30,390
(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	536,900

2016 Surplus	176,400	2015 Surplus	182,700	2014 Surplus	177,800
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	30,390
(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? <sup>a</sup>	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]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## The former Gundagai 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

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	722
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	8,647
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	354
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	67
<b>NWI F18</b>	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)]	%	2.78%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	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	1,594
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.44%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	93
<b>NWI F19</b>	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)]	%	2.05%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## The former Gundagai 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)

<b>NWI F22</b>	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)]	%	-14.73%
<b>NWI F23</b>	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
			371
			- 79
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	450
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	23

- 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 GUNDAGAI SHIRE COUNCIL**

**Report on the Financial Statements**

We have audited the special purpose financial statements of the former Gundagai 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 Gundagai 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 Gundagai 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 auditing firm 'intentus', featuring the word 'intentus' in a lowercase, cursive-style font.

intentus

14 Sale Street  
Orange, NSW  
Dated: 21 December 2016

A handwritten signature in black ink that reads 'John O'Malley'. Below the signature, the name 'John O'Malley' and the title 'Director' are printed in a bold, sans-serif font.

**John O'Malley**  
**Director**

# The former Gundagai Shire Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

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*Gundagai Shire is a safe and friendly thriving rural community where all residents are part of the strong community spirit and benefit from access to quality education, employment, services and facilities which meet the needs of the community. New residents and visitors are welcome to enjoy the relaxed and healthy lifestyle, scenic beauty and unique heritage and to contribute to our sustainable growth and prosperity.*



# The former Gundagai Shire Council

## Special Schedules

for the period 1 July 2015 to 12 May 2016

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<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
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<sup>1</sup> Special Schedules are not audited.

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#### 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 Gundagai 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	
<b>Governance</b>	<b>424</b>	<b>–</b>	<b>–</b>	<b>(424)</b>
<b>Administration</b>	<b>1,733</b>	<b>53</b>	<b>89</b>	<b>(1,591)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	235	173	67	5
Animal control	112	3	–	(109)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>347</b>	<b>176</b>	<b>67</b>	<b>(104)</b>
<b>Health</b>	<b>63</b>	<b>19</b>	<b>–</b>	<b>(44)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	117	51	–	(66)
Other environmental protection	440	528	–	88
Solid waste management	49	–	–	(49)
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	75	19	–	(56)
<b>Total environment</b>	<b>681</b>	<b>598</b>	<b>–</b>	<b>(83)</b>
<b>Community services and education</b>				
Administration and education	7	–	–	(7)
Other	13	1	–	(12)
Children's services	13	37	–	24
<b>Total community services and education</b>	<b>33</b>	<b>38</b>	<b>–</b>	<b>5</b>
<b>Housing and community amenities</b>				
Public cemeteries	45	49	–	4
Public conveniences	41	–	–	(41)
Street lighting	37	20	–	(17)
Town planning	153	109	–	(44)
Housing	9	7	–	(2)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>285</b>	<b>185</b>	<b>–</b>	<b>(100)</b>
<b>Water supplies</b>	<b>733</b>	<b>831</b>	<b>6</b>	<b>104</b>
<b>Sewerage services</b>	<b>476</b>	<b>714</b>	<b>12</b>	<b>250</b>

## The former Gundagai 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	
<b>Recreation and culture</b>				
Public libraries	171	28	–	(143)
Museums	25	1	–	(24)
Community centres and halls	36	14	–	(22)
Other cultural services	23	1	–	(22)
Sporting grounds and venues	–	15	–	15
Swimming pools	109	2	–	(107)
Parks and gardens (lakes)	162	1	–	(161)
Other sport and recreation	93	–	–	(93)
<b>Total recreation and culture</b>	<b>619</b>	<b>62</b>	<b>–</b>	<b>(557)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	42	35	–	(7)
Other mining, manufacturing and construction	20	11	–	(9)
<b>Total mining, manufacturing and const.</b>	<b>62</b>	<b>46</b>	<b>–</b>	<b>(16)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	228	–	–	(228)
Urban roads – regional	38	13	–	(25)
Sealed rural roads (SRR) – local	791	1,018	158	385
Sealed rural roads (SRR) – regional	381	390	1	10
Unsealed rural roads (URR) – local	863	–	–	(863)
Unsealed rural roads (URR) – regional	33	11	–	(22)
Bridges on UR – local	1	–	–	(1)
Bridges on SRR – local	23	73	1,615	1,665
Bridges on URR – local	31	–	–	(31)
Bridges on regional roads	7	–	–	(7)
Parking areas	–	–	–	–
Footpaths	27	–	85	58
Aerodromes	–	–	–	–
Depreciation	–	–	–	–
Other transport and communication	7	2	–	(5)
<b>Total transport and communication</b>	<b>2,430</b>	<b>1,507</b>	<b>1,859</b>	<b>936</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	21	11	–	(10)
Other economic affairs	385	399	–	14
<b>Total economic affairs</b>	<b>406</b>	<b>410</b>	<b>–</b>	<b>4</b>
<b>Totals – functions</b>	<b>8,292</b>	<b>4,639</b>	<b>2,033</b>	<b>(1,620)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>5,246</b>		<b>5,246</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>8,292</b>	<b>9,885</b>	<b>2,033</b>	<b>3,626</b>

(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 Gundagai 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
<b>Loans (by source)</b>											
Commonwealth government	–	–	–							–	–
Treasury corporation	–	–	–							–	–
Other state government	2	–	2	–	2	–	–	–	–	–	–
Public subscription	–	–	–							–	–
Financial institutions	248	2,752	3,000	–	248	–	–	103	259	2,493	2,752
Other	–	–	–							–	–
<b>Total loans</b>	<b>250</b>	<b>2,752</b>	<b>3,002</b>	<b>–</b>	<b>250</b>	<b>–</b>	<b>–</b>	<b>103</b>	<b>259</b>	<b>2,493</b>	<b>2,752</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>250</b>	<b>2,752</b>	<b>3,002</b>	<b>–</b>	<b>250</b>	<b>–</b>	<b>–</b>	<b>103</b>	<b>259</b>	<b>2,493</b>	<b>2,752</b>

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 Gundagai 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
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	155	187
b. Engineering and supervision	64	85
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	15	36
d. Maintenance expenses	31	24
– <b>Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	1	7
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	–	17
i. Maintenance expenses	–	–
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	148	172
k. Chemical costs	31	30
l. Maintenance expenses	53	98
– <b>Other</b>		
m. Operation expenses	–	–
n. Maintenance expenses	3	1
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	240	273
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>741</b>	<b>930</b>

## The former Gundagai 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>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	153	169
b. Usage charges	281	307
<b>7. Non-residential charges</b>		
a. Access (including rates)	58	67
b. Usage charges	350	354
<b>8. Extra charges</b>	5	5
<b>9. Interest income</b>	55	64
<b>10. Other income</b>	6	5
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	12	12
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	7	–
<b>13. Total income</b>	<b>927</b>	<b>983</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>186</b>	<b>53</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	186	53

## The former Gundagai 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>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	26	27
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>26</b>	<b>27</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	930	909
b. Residential (unoccupied, ie. vacant lot)	112	101
c. Non-residential (occupied)	156	149
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 22,438	\$ 22,052

## The former Gundagai 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
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,252	–	2,252
<b>26. Receivables</b>			
a. Specific purpose grants	12	–	12
b. Rates and availability charges	526	–	526
c. User charges	–	–	–
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	9,490	9,490
b. Plant and equipment	–	–	–
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<u>2,790</u>	<u>9,490</u>	<u>12,280</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	41	–	41
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	96	–	96
<b>35. Total liabilities</b>	<u>137</u>	<u>–</u>	<u>137</u>
<b>36. NET ASSETS COMMITTED</b>	<u>2,653</u>	<u>9,490</u>	<u>12,143</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			3,142
<b>38. Asset revaluation reserve</b>			9,001
<b>39. TOTAL EQUITY</b>			<u>12,143</u>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			18,558
<b>41. Accumulated current cost</b> depreciation of system assets			(9,068)
<b>42. Written down current cost</b> of system assets			<u>9,490</u>

## The former Gundagai 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
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	114	133
b. Engineering and supervision	22	25
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	–	–
b. Maintenance expenses	11	12
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	–	7
d. Energy costs	13	14
e. Maintenance expenses	40	37
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	11	11
g. Chemical costs	14	15
h. Energy costs	10	10
i. Effluent management	1	19
j. Biosolids management	19	16
k. Maintenance expenses	98	122
<b>– Other</b>		
l. Operation expenses	–	–
m. Maintenance expenses	1	2
<b>3. Depreciation expenses</b>		
a. System assets	128	130
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>482</b>	<b>553</b>



## The former Gundagai 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>Income</b>		
<b>6. Residential charges</b> (including rates)	430	461
<b>7. Non-residential charges</b>		
a. Access (including rates)	52	62
b. Usage charges	116	138
<b>8. Trade waste charges</b>		
a. Annual fees	11	12
b. Usage charges	75	80
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	6	6
<b>10. Interest income</b>	24	29
<b>11. Other income</b>	9	15
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	11	11
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	12	–
<b>14. Total income</b>	<b>746</b>	<b>814</b>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<b>264</b>	<b>261</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	264	261

## The former Gundagai 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>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	67	335
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>67</b>	<b>335</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	769	754
b. Residential (unoccupied, ie. vacant lot)	111	88
c. Non-residential (occupied)	133	136
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 19,979	\$ 19,497

## The former Gundagai 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
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,011	–	1,011
<b>27. Receivables</b>			
a. Specific purpose grants	11	–	11
b. Rates and availability charges	403	–	403
c. User charges	–	–	–
d. Other	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	8,647	8,647
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>1,425</u>	<u>8,647</u>	<u>10,072</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	–	–	–
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	56	–	56
<b>36. Total liabilities</b>	<u>56</u>	<u>–</u>	<u>56</u>
<b>37. NET ASSETS COMMITTED</b>	<u>1,369</u>	<u>8,647</u>	<u>10,016</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			1,309
<b>39. Asset revaluation reserve</b>			8,707
<b>40. TOTAL EQUITY</b>			<u>10,016</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			15,604
<b>42. Accumulated current cost</b> depreciation of system assets			(6,957)
<b>43. Written down current cost</b> of system assets			<u>8,647</u>

## The former Gundagai Shire Council

### Notes to Special Schedules 3 and 5 for the period 1 July 2015 to 12 May 2016

#### Administration <sup>(1)</sup>

(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 <sup>(1)</sup>

(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** <sup>(2)</sup> (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** <sup>(2)</sup> (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:

<sup>(1)</sup> 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).

<sup>(2)</sup> 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 Gundagai 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 <sup>a</sup>	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	
<b>Buildings</b>	Buildings				9	6,986	16,635						100%
	<b>Sub-total</b>	–	–	–	<b>9</b>	<b>6,986</b>	<b>16,635</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Other structures</b>	Other Assets				12	1,082	1,698						100%
	<b>Sub-total</b>	–	–	–	<b>12</b>	<b>1,082</b>	<b>1,698</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Roads</b>	Other				693	136,112	150,466						100%
	<b>Sub-total</b>	–	–	–	<b>693</b>	<b>136,112</b>	<b>150,466</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Water supply network</b>	Water supply network				78	9,279	18,050						100%
	<b>Sub-total</b>	–	–	–	<b>78</b>	<b>9,279</b>	<b>18,050</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Sewerage network</b>	Sewerage network				160	8,478	15,141						100%
	<b>Sub-total</b>	–	–	–	<b>160</b>	<b>8,478</b>	<b>15,141</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>

## The former Gundagai 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 <sup>a</sup>	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	
Stormwater drainage	Stormwater drainage					4,892	7,795						100%
	<b>Sub-total</b>	–	–	–	–	<b>4,892</b>	<b>7,795</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
Open space/recreational assets	Swimming pools				31	239	1,051						100%
	Other				9	591	855						100%
	<b>Sub-total</b>	–	–	–	<b>40</b>	<b>830</b>	<b>1,906</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
	<b>TOTAL – ALL ASSETS</b>	–	–	–	<b>992</b>	<b>167,659</b>	<b>211,691</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## The former Gundagai 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
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>2,675</u>	<b>104.57%</b>	91.87%	51.06%
Depreciation, amortisation and impairment	<u>2,558</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>–</u>	<b>0.00%</b>	0.04%	4.50%
Carrying value of infrastructure assets	<u>166,577</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>992</u>	<b>0.00</b>	1.37	0.79
Required asset maintenance	<u>–</u>			

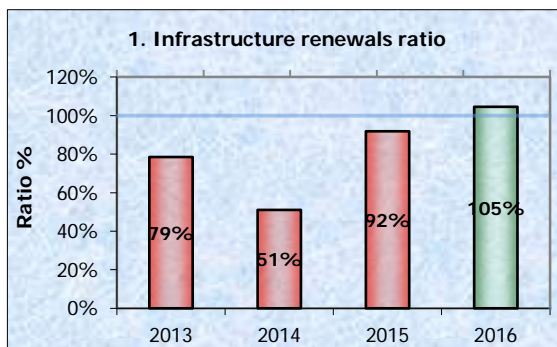
#### Notes

\* 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 Gundagai Shire Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



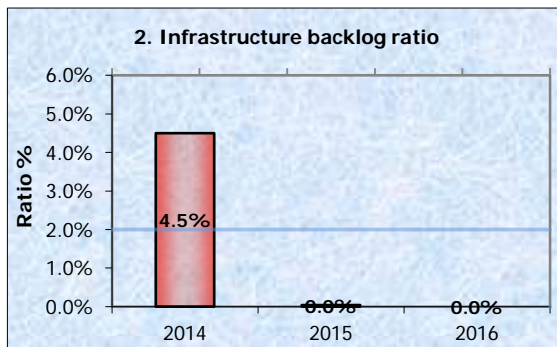
**Purpose of asset renewals ratio**

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

**12/5/16 ratio 104.57%**

Benchmark: Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



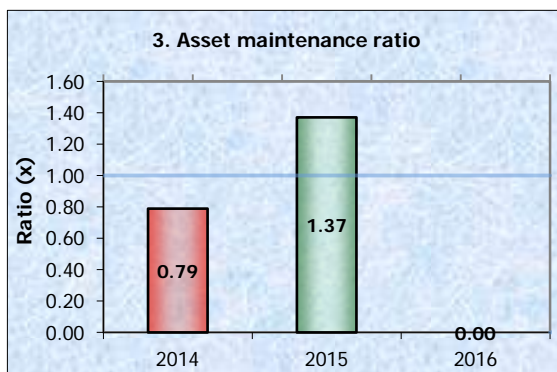
**Purpose of infrastructure backlog ratio**

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

**12/5/16 ratio 0.00%**

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.

**12/5/16 ratio 0.00 x**

Benchmark: Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



## The former Gundagai 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 <sup>(1)</sup> 12/5/16
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>10.42%</b>	<b>51.56%</b>	<b>117.99%</b>
Depreciation, amortisation and impairment			
prior period:	9.89%	257.69%	92.26%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Carrying value of infrastructure assets			
prior period:	0.00%	0.00%	0.04%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Required asset maintenance			
prior period:	0.73	1.19	1.52

#### 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.