



Ordinary Meeting of Council

28 November 2018

**UNDER SEPARATE COVER
ATTACHMENTS**

ITEM 12.26

**QUEANBEYAN-PALERANG REGIONAL COUNCIL
ORDINARY MEETING OF COUNCIL**

ATTACHMENTS – 28 November 2018 Page i

Item 12.26 QPRC Annual Financial Statements 2017-2018

*Attachment 1 Annual Financial Statements 2017-18 Queanbeyan-Palerang
Regional Council..... 2*

QUEANBEYAN-PALERANG REGIONAL COUNCIL

Council Meeting Attachment

28 NOVEMBER 2018

ITEM 12.26 QPRC ANNUAL FINANCIAL STATEMENTS 2017-2018

ATTACHMENT 1 ANNUAL FINANCIAL STATEMENTS 2017-18 QUEANBEYAN-
PALERANG REGIONAL COUNCIL

Queanbeyan-Palerang Regional Council

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

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	74.65%	153.16%	73.95%	136.26%	77.71%	136.53%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	2.62%	2.42%	1.09%	1.83%	3.45%	4.78%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	121.27%	66.94%	67.52%	74.32%	67.55%	78.74%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.93%	1.77%	0.71%	1.18%	2.25%	4.91%	
Gross replacement cost							

Notes

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

(2) Excludes Work In Progress (WIP)

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

Queanbeyan-Palerang Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Queanbeyan-Palerang Regional Council

General Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	78
– On the Conduct of the Audit (Sect 417 [3])	81

Overview

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

256 Crawford Street
Queanbeyan NSW 2620

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

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

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

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

Queanbeyan-Palerang Regional Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Queanbeyan-Palerang Regional Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 September 2018.



Tim Overall
Mayor
26 September 2018



Mark Schweikert
Councillor
26 September 2018



Peter Tegart
General Manager
26 September 2018



Shane Taylor
Responsible Accounting Officer
26 September 2018

Queanbeyan-Palerang Regional Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Income from continuing operations				
<i>Revenue:</i>				
66,730	Rates and annual charges	3a	66,612	68,027
28,994	User charges and fees	3b	37,468	43,895
4,315	Interest and investment revenue	3c	5,654	5,288
2,532	Other revenues	3d	1,777	2,847
11,577	Grants and contributions provided for operating purposes	3e,f	15,951	26,423
25,407	Grants and contributions provided for capital purposes	3e,f	50,596	82,123
<i>Other income:</i>				
3	Net gains from the disposal of assets	5	–	210
139,558	Total income from continuing operations		178,058	228,813
Expenses from continuing operations				
41,114	Employee benefits and on-costs	4a	40,023	42,322
2,525	Borrowing costs	4b	2,188	2,708
45,461	Materials and contracts	4c	49,705	55,039
20,960	Depreciation and amortisation	4d	22,166	24,905
10,925	Other expenses	4e	11,699	12,655
–	Net losses from the disposal of assets	5	3,557	–
–	Revaluation decrement / impairment of IPP&E	4d	2,259	–
120,985	Total expenses from continuing operations		131,597	137,629
18,573	Operating result from continuing operations		46,461	91,184
18,573	Net operating result for the year		46,461	91,184
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	1,293,991
18,573	Net result for the year		46,461	1,385,175
18,573	Net result attributable to Council		46,461	1,385,175
(6,834)	Net operating result for the year before grants and contributions provided for capital purposes		(4,135)	9,061

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

page 4

Queanbeyan-Palerang Regional Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		46,461	1,385,175
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	7,808	–
Total items which will not be reclassified subsequently to the operating result		7,808	–
Total other comprehensive income for the year		7,808	–
Total comprehensive income for the year		54,269	1,385,175
Total comprehensive income attributable to Council		54,269	1,385,175

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

page 5

Queanbeyan-Palerang Regional Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	16,176	22,612
Investments	6b	70,687	63,111
Receivables	7	15,028	11,455
Inventories	8	266	417
Other	8	885	609
Non-current assets classified as 'held for sale'	9	120	120
Total current assets		103,162	98,324
Non-current assets			
Investments	6b	80,250	72,250
Receivables	7	535	573
Infrastructure, property, plant and equipment	10	1,318,972	1,281,879
Intangible assets	11	3,059	–
Total non-current assets		1,402,816	1,354,702
TOTAL ASSETS		1,505,978	1,453,026
LIABILITIES			
Current liabilities			
Payables	12	13,775	12,298
Income received in advance	12	177	1,841
Borrowings	12	1,619	1,555
Provisions	13	12,119	11,718
Total current liabilities		27,690	27,412
Non-current liabilities			
Borrowings	12	35,218	36,782
Provisions	13	3,626	3,657
Total non-current liabilities		38,844	40,439
TOTAL LIABILITIES		66,534	67,851
Net assets		1,439,444	1,385,175
EQUITY			
Accumulated surplus		1,431,636	1,385,175
Revaluation reserves	14	7,808	–
Council equity interest		1,439,444	1,385,175
Total equity		1,439,444	1,385,175

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

page 6

Queanbeyan-Palerang Regional Council

Statement of Changes in Equity
 for the year ended 30 June 2018

\$ '000	Notes	2018			13/5/16 to 30/6/17		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,385,175	–	1,385,175	–	–	–
Net result for the year		46,461	–	46,461	1,385,175	–	1,385,175
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10a	–	7,808	7,808	–	–	–
Other comprehensive income		–	7,808	7,808	–	–	–
Total comprehensive income (c&d)		46,461	7,808	54,269	1,385,175	–	1,385,175
Equity – balance at end of the reporting period		1,431,636	7,808	1,439,444	1,385,175	–	1,385,175

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

page 7

Queanbeyan-Palerang Regional Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
66,730			66,011	79,007
28,994			34,329	41,560
4,315			4,601	5,073
16,475			47,242	49,309
			1,192	3,090
2,532			8,679	7,420
Payments:				
(42,859)			(39,819)	(41,160)
(45,461)			(55,910)	(67,001)
(2,525)			(2,040)	(2,919)
–			(1,675)	(2,573)
(9,181)			(11,405)	(8,618)
19,020		15b	51,205	63,188
Cash flows from investing activities				
Receipts:				
28,705			100,417	96,674
3			1,628	1,021
Payments:				
–			(114,802)	(126,624)
(74,120)			(40,270)	(34,930)
–			(3,059)	–
(45,412)			(56,086)	(63,859)
Cash flows from financing activities				
Receipts:				
27,750			–	–
Payments:				
(1,354)			(1,555)	(1,801)
26,396			(1,555)	(1,801)
4			(6,436)	(2,472)
22,612		15a	22,612	–
–			–	25,084
22,616		15a	16,176	22,612
Additional Information:				
		6b	150,937	135,361
			167,113	157,973

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

page 8

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	16
4	Expenses from continuing operations	23
5	Gains or losses from the disposal of assets	27
6(a)	Cash and cash equivalent assets	27
6(b)	Investments	28
6(c)	Restricted cash, cash equivalents and investments – details	29
7	Receivables	31
8	Inventories and other assets	33
9	Non-current assets classified as held for sale (and disposal groups)	34
10(a)	Infrastructure, property, plant and equipment	35
10(b)	Externally restricted infrastructure, property, plant and equipment	37
11	Intangible assets	38
12	Payables and borrowings	39
13	Provisions	42
14	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	46
15	Statement of cash flows – additional information	46
16	Commitments for expenditure	47
17	Contingencies and other liabilities/assets not recognised	48
18	Financial risk management	52
19	Material budget variations	56
20	Fair value measurement	58
21	Related party transactions	65
22	Statement of developer contributions	67
23	Financial result and financial position by fund	70
24(a)	Statement of performance measures – consolidated results	72
24(b)	Statement of performance measures – by fund	73
Additional council disclosures (unaudited)		
24(c)	Statement of performance measures – consolidated results (graphs)	75
25	Council information and contact details	77

n/a – not applicable

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26th September 2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions. Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

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

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt. Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 15 (c).

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

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

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

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

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

Note 21 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) estimated tip remediation provisions – refer Note 13,
- (iii) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

- Canberra Region Joint Organisation
- South East Weights and Loads

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

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

- AASB 9 *Financial Instruments*

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both *business model* and *cash flow characteristics* tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

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

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

The available-for-sale investments held will be classified at fair value through OCI and will no longer be subject to impairment testing. Currently QPRC did not recognise an impairment loss in the current year financial statements.

The model for determining impairment losses in relation to receivables will be amended. The impact of the new model has not yet been quantified, although some impairment may be recognised earlier.

Other impacts on the reported financial position and performance have not yet been determined.

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

AASB15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications), and improve guidance for multiple-element arrangements.

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

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

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

- AASB 16 *Leases*

AASB 16 will result in most of the operating leases of an entity being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments.

A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

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

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

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

While the impact of AASB16 has not yet been fully determined, council currently has \$123,000 of operating leases annual payment which are likely to be brought to account.

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

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

Queanbeyan-Palerang Regional Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Community	5,471	17,799	11,932	22,385	(6,461)	(4,586)	1,606	3,284	2,216	258,002
Choice	1,158	17,454	1,560	18,000	(402)	(546)	5	10	–	–
Character	14,298	16,386	24,081	15,516	(9,783)	870	1,102	565	114,182	118,010
Connection	41,078	115,198	80,746	52,443	(39,668)	62,755	26,341	18,811	1,316,731	981,399
Capability	116,053	61,976	13,278	29,285	102,775	32,691	5,217	12,860	72,849	95,615
Total functions and activities	178,058	228,813	131,597	137,629	46,461	91,184	34,271	35,530	1,505,978	1,453,026

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Community

- We are a friendly and caring community.
- We feel safe in the places we visit in our built and natural environment.
- We respect the indigenous relationships with the land we live on.
- Our community and our identity are made vibrant by the expression of arts and culture around us.

Choice

- We have a diverse, resilient and smart economy fostering businesses that create jobs and wealth for all in our community.

Character

- We enjoy the natural beauty and opportunity of our natural environment, and act to protect it through our management of waste and energy.

Connection

- We are well connected to accessible services and facilities that provide our needs for living, work and leisure.

Capability

- We are served by a Council that listens to us and responds in our best interests in all their actions, and provides the leadership we need to achieve our common aspirations.

Queanbeyan-Palerang Regional Council

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

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	26,666	25,599
Farmland	2,364	2,362
Mining	24	24
Business	5,801	5,634
Less: pensioner rebates (mandatory)	(579)	(536)
Total ordinary rates	34,276	33,083
Special rates		
Nil		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	6,600	6,974
Stormwater management services	355	393
Water supply services	6,440	7,335
Sewerage services	15,328	16,637
Waste management services (non-domestic)	3,611	3,808
Recycled water services	395	340
Less: pensioner rebates (mandatory)	(393)	(543)
Total annual charges	32,336	34,944
TOTAL RATES AND ANNUAL CHARGES	66,612	68,027

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

Accounting policy for rates and annual charges

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

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	16,775	15,771
Sewerage services	1,027	889
Waste management services (non-domestic)	31	61
Total specific user charges	17,833	16,721
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	142	–
Planning and building regulation	1,935	2,362
Private works – section 67	562	296
Regulatory/ statutory fees	121	14
Registration fees	32	30
Section 149 certificates (EPA Act)	151	175
Section 603 certificates	145	150
Town planning	609	1,062
Other (noxious weeds certificates)	6	8
Other	18	8
Total fees and charges – statutory/regulatory	3,721	4,105
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	836	759
Child care	73	62
Community centres	377	389
Lease rentals	599	637
Leaseback fees – Council vehicles	242	241
Library and art gallery	27	16
Park rents	–	3
Recycling income (non-domestic)	93	–
RMS (formerly RTA) charges (state roads not controlled by Council)	8,912	15,988
Saleyards	238	282
Sundry sales	121	–
Swimming centres	1,175	1,582
Waste disposal tipping fees	1,111	1,366
Hall rents	–	54
Gas mains	43	51
Health inspections and licenses fees	55	56
Plant and equipment hire	25	23
Pound fees	75	95
The Q ticket sales	1,553	1,392
Kiosk Sales	294	–
Indoor sports centre sales	59	73
Other	6	–
Total fees and charges – other	15,914	23,069
TOTAL USER CHARGES AND FEES	37,468	43,895

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	396	371
– Cash and investments	4,067	4,575
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	1,191	342
TOTAL INTEREST AND INVESTMENT REVENUE	5,654	5,288
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	396	371
General Council cash and investments	2,023	2,081
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	308	222
– Section 64	252	291
Water fund operations	446	463
Sewerage fund operations	1,783	1,564
Domestic waste management operations	446	296
Total interest and investment revenue recognised	5,654	5,288

Accounting policy for interest and investment revenue

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(d) Other revenues		
Fines	361	400
Legal fees recovery – rates and charges (extra charges)	250	162
Legal fees recovery – other	–	73
Commissions and agency fees	17	2
Diesel rebate	42	83
Insurance claim recoveries	40	82
Recycling income (non-domestic)	–	39
Sales – general	–	18
Share dividends – southern phone	29	79
Motor vehicle income	9	481
Other reimbursements	22	103
Water meter replacement	–	240
CBRJO environmental income	–	165
OHS rebate	308	295
Other	699	625
<u>TOTAL OTHER REVENUE</u>	<u>1,777</u>	<u>2,847</u>

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,788	3,453	–	–
Financial assistance – local roads component	1,182	2,195	–	–
Payment in advance – future year allocation				
Financial assistance	1,846	1,769	–	–
Financial assistance – general component	1,197	1,126	–	–
Other				
Pensioners' rates subsidies – general component	254	279	–	–
Total general purpose	6,267	8,822	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	91	97	–	–
– Sewerage	90	96	–	–
– Domestic waste management	62	59	–	–
Water supplies	–	–	–	90
Sewerage services	–	–	–	2
Bushfire and emergency services	656	532	–	31
Community care	1,145	1,250	–	–
Employment and training programs	8	47	–	–
Environmental protection	157	79	15	–
Heritage and cultural	37	23	1	–
Library	155	189	171	–
Noxious weeds	645	560	–	–
Recreation and culture	20	–	2,886	195
Street lighting	167	168	–	–
Transport (roads to recovery)	–	1,333	2,071	–
Transport (other roads and bridges funding)	–	4,088	17,331	2,316
Transport (road safety)	72	64	–	67
Other (stronger communities)	–	6,248	–	9,000
Other Regional Roads	–	–	1,917	–
Other	5	174	302	–
Total specific purpose	3,310	15,007	24,694	11,701
Total grants	9,577	23,829	24,694	11,701
Grant revenue is attributable to:				
– Commonwealth funding	974	5,009	4,280	2,627
– State funding	8,588	18,810	20,220	9,074
– Other funding	15	10	194	–
	9,577	23,829	24,694	11,701

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		6,053	278	2,169	1,633
S 64 – water supply contributions		–	–	1,162	568
S 64 – sewerage service contributions		–	–	137	569
Googong offsite roads		–	–	3,749	4,360
Total developer contributions – cash		6,053	278	7,217	7,130
Non-cash contributions					
Googong Gifted Assets from Developer		–	–	18,625	62,520
Total developer contributions – non-cash		–	–	18,625	62,520
Total developer contributions	22	6,053	278	25,842	69,650
Other contributions:					
Cash contributions					
Bushfire services		–	2	–	–
Other councils – joint works/services		–	45	–	–
Recreation and culture		–	27	60	–
RMS contributions (regional roads, block grant)		–	1,559	–	744
Sewerage (excl. section 64 contributions)		–	19	–	–
Other		–	113	–	–
Family day care operations		233	268	–	–
Other		88	283	–	28
Total other contributions – cash		321	2,316	60	772
Total other contributions		321	2,316	60	772
Total contributions		6,374	2,594	25,902	70,422
TOTAL GRANTS AND CONTRIBUTIONS		15,951	26,423	50,596	82,123

Accounting policy for contributions

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

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

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

Queanbeyan-Palerang Regional Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operational & Capital grants		
Unexpended at the close of the previous reporting period	12,715	1,162
Add: capital grants recognised in the current period but not yet spent	6,742	16,024
Less: capital grants recognised in a previous reporting period now spent	(4,211)	(4,471)
Unexpended and held as restricted assets (capital grants)	15,246	12,715
Contributions		
Unexpended at the close of the previous reporting period	40,199	35,060
Add: contributions recognised in the current period but not yet spent	27,090	5,950
Less: contributions recognised in a previous reporting period now spent	(24,186)	(811)
Unexpended and held as restricted assets (contributions)	43,103	40,199

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	30,444	32,491
Employee termination costs (where material – other than vested leave paid)	262	366
Travel expenses	101	129
Employee leave entitlements (ELE)	3,368	3,860
Superannuation	1,911	2,249
Superannuation – defined contribution plans	1,141	1,305
Superannuation – defined benefit plans	348	26
Workers' compensation insurance	1,783	1,815
Fringe benefit tax (FBT)	124	116
Payroll tax	126	127
Training costs (other than salaries and wages)	282	468
Protective clothing	236	191
Other	30	28
Total employee costs	40,156	43,171
Less: capitalised costs	(133)	(849)
TOTAL EMPLOYEE COSTS EXPENSED	40,023	42,322
Number of 'full-time equivalent' employees (FTE) at year end	406	421
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	455	436

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

(b) Borrowing costs	2018	13/5/16 to 30/6/17
(i) Interest bearing liability costs		
Interest on loans	2,101	2,560
Total interest bearing liability costs expensed	2,101	2,560
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	32	77
Interest applicable on interest free (and favourable) loans to Council	55	71
Total other borrowing costs	87	148
TOTAL BORROWING COSTS EXPENSED	2,188	2,708

Accounting policy for borrowing costs

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

Queanbeyan-Palerang Regional Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	4,463	7,479
Contractor and consultancy costs	20,257	30,946
Auditors remuneration ⁽²⁾	352	352
Legal expenses:		
– Legal expenses: planning and development	–	190
– Legal expenses: debt recovery	221	–
– Legal expenses: other	462	382
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	123	255
IT Software	1,418	–
Cleaning	393	–
Water charges – ACTEW	13,236	13,529
Security Contracts	250	–
Repairs and maintenance	1,110	608
Motor vehicle expenses	3,068	1,298
Reimbursement Developer Contributions	5,772	–
Total materials and contracts	51,125	55,039
Less: capitalised costs	(1,420)	–
TOTAL MATERIALS AND CONTRACTS	49,705	55,039
Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Computers	123	255
	123	255
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	228	143
Remuneration for audit and other assurance services	228	143
Total Auditor-General remuneration	228	143
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Audit and review of financial statements	–	55
Other audit and assurance services (internal audit services)	124	142
Remuneration for audit and other assurance services	124	197
(ii) Non-assurance services		
Other services	–	12
Remuneration for non-assurance services	–	12
Total remuneration of non NSW Auditor-General audit firms	124	209
Total Auditor remuneration	352	352

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,292	2,439
Office equipment		689	593
Furniture and fittings		38	48
Park structures		1,069	1,131
Infrastructure:			
– Buildings – non-specialised		867	978
– Buildings – specialised		1,386	1,542
– Roads		6,716	7,484
– Bridges		703	788
– Footpaths		378	397
– Other road assets		535	582
– Stormwater drainage		1,683	2,005
– Water supply network		1,535	2,071
– Sewerage network		3,630	3,520
– Recycled water network		–	1,065
– Swimming pools		86	97
Other assets:			
– Library books		97	165
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 13	462	–
Total depreciation and amortisation costs		<u>22,166</u>	<u>24,905</u>
Impairment/Revaluation decrement of IPP&E			
Infrastructure:			
– Sewerage network		2,259	–
Total IPP&E Impairment/Revaluation decrement costs / (reversals)		<u>2,259</u>	<u>–</u>
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		<u>24,425</u>	<u>24,905</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

Impairment of non-financial assets

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

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

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	421	490
Bad and doubtful debts	3	11
Bank charges	287	292
Cleaning	1	133
Computer software charges	3	146
Contributions/levies to other levels of government	8	60
– NSW rural fire service levy	–	24
– QCC library	–	1
– Other contributions/levies	–	68
Councillor expenses – mayoral fee	76	245
Councillor expenses – councillors' fees	169	169
Councillors' expenses (incl. mayor) – other (excluding fees above)	33	19
Donations, contributions and assistance to other organisations (Section 356)	1,464	1,398
– Stronger communities	–	1,000
Election expenses	324	–
Electricity and heating	1,658	1,921
Insurance	1,222	1,526
Office expenses (including computer expenses)	3	133
Postage	216	249
Printing and stationery	413	358
Street lighting	689	811
Subscriptions and publications	514	337
Telephone and communications	821	496
Rating Valuation fees	164	143
Licence fees	627	59
Water usage	1,854	950
Asset Valuation Fees	85	–
Rent	2	179
Meeting expenses	55	69
Child care – parent fees	972	1,160
Waterwise subsidy	51	55
RMS Administration Expenses	9	–
Other	417	153
Total other expenses	12,561	12,655
Less: capitalised costs	(862)	–
TOTAL OTHER EXPENSES	11,699	12,655

Accounting policy for other expenses

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Property (excl. investment property)	10		
Proceeds from disposal – property		44	–
Net gain/(loss) on disposal		44	–
Plant and equipment	10		
Proceeds from disposal – plant and equipment		1,578	1,021
Less: carrying amount of plant and equipment assets sold/written off		(852)	(811)
Net gain/(loss) on disposal		726	210
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(4,333)	–
Net gain/(loss) on disposal		(4,333)	–
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		100,417	96,674
Less: carrying amount of financial assets sold/redeemed/matured		(100,417)	(96,674)
Net gain/(loss) on disposal		–	–
Library Books			
Proceeds from disposal – Library Books		6	–
Net gain/(loss) on disposal		6	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,557)	210

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	6,288	8,904
Cash-equivalent assets		
– Deposits at call	9,888	13,708
Total cash and cash equivalents	16,176	22,612

Accounting policy for cash and cash equivalents

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	22,937	–	11,714	–
b. 'Held to maturity'	47,750	80,250	51,397	72,250
Total investments	70,687	80,250	63,111	72,250
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	86,863	80,250	85,723	72,250
Financial assets at fair value through the profit and loss				
Managed funds	22,937	–	11,714	–
Total	22,937	–	11,714	–
Held to maturity investments				
Long term deposits	43,000	29,000	42,397	28,000
NCD's, FRN's (with maturities > 3 months)	4,750	51,250	9,000	44,250
Total	47,750	80,250	51,397	72,250

Accounting policy for investments

Classification

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

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

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

(b) Held to maturity investments

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

Recognition and de-recognition

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	86,863	80,250	85,723	72,250
attributable to:				
External restrictions (refer below)	62,584	80,250	53,253	72,250
Internal restrictions (refer below)	20,640	–	28,296	–
Unrestricted	3,639	–	4,174	–
	86,863	80,250	85,723	72,250

\$ '000	2018	2017
---------	------	------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	510	531
Specific purpose unexpended loans – water	269	284
External restrictions – included in liabilities	779	815

External restrictions – other

Developer contributions – general	25,208	18,874
Developer contributions – water fund	6,515	6,116
Developer contributions – sewer fund	11,380	15,209
Specific purpose unexpended grants	15,246	12,715
Water supplies	18,821	15,077
Water supplies – other	815	815
Sewerage services	52,327	42,576
Sewerage services – other	1,979	2,062
Domestic waste management	6,726	6,973
Stormwater management	972	801
CBRJO (SEROC)	1,157	1,157
Sale of land for unpaid rates	459	459
Other	450	1,854
External restrictions – other	142,055	124,688
Total external restrictions	142,834	125,503

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	2,000	3,319
Infrastructure replacement	316	1,653
Employees leave entitlement	1,480	1,675
Carry over works	2,917	2,328
Deposits, retentions and bonds	644	1,461
Construction of buildings/strategic priorities	13	1,728
Computer and it services	51	388
Multi purpose sporting complex	–	12
Interest equalisation	–	90
Business waste management	1,102	873
Deposits bonds and retentions	340	549
Footpath program	20	83
WH&H	193	–
Investigation for future/strategic development	–	2
Risk Management	418	–
Heritage Grant Program	73	–
Merger savings	154	459
Main roads contract/state roads	2,208	388
Environmental & Sustainability	302	–
Training	15	16
Private works	201	201
New cemetery reserve	–	100
Corporate information systems	–	247
Elections	146	482
Parks embellishment	481	653
Waste management non-domestic asset renewals	973	973
Revolving energy reserve	399	359
Saleyards capital improvements	266	168
Property development	358	397
Planning	19	30
Fire services	36	20
State of environment	10	10
Flood mitigation	–	131
Waste management non-domestic	4,335	3,705
Financial assistance grant	–	2,896
Strategic Development	94	–
Other	1,076	2,900
Total internal restrictions	20,640	28,296
TOTAL RESTRICTIONS	163,474	153,799

Queanbeyan-Palerang Regional Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	2,561	332	1,946	346
Interest and extra charges	621	75	468	83
User charges and fees	8,295	–	6,285	–
Accrued revenues				
– Interest on investments	830	–	1,113	–
– Other income accruals	65	–	888	–
Deferred debtors	32	128	16	144
Government grants and subsidies	2,626	–	516	–
Net GST receivable	122	–	345	–
Total	15,152	535	11,577	573
Less: provision for impairment				
Rates and annual charges	(54)	–	(54)	–
User charges and fees	(70)	–	(68)	–
Total provision for impairment – receivables	(124)	–	(122)	–
TOTAL NET RECEIVABLES	15,028	535	11,455	573
Externally restricted receivables				
Water supply				
– Rates and availability charges	436	–	254	–
– Other	4,709	–	4,461	–
Sewerage services				
– Rates and availability charges	674	–	923	–
– Other	840	–	574	–
Total external restrictions	6,659	–	6,212	–
Internally restricted receivables				
Nil				
Unrestricted receivables	8,369	535	5,243	573
TOTAL NET RECEIVABLES	15,028	535	11,455	573
Movement in provision for impairment of receivables			2018	13/5/16 to 30/6/17
Balance at the beginning of the year			122	110
+ new provisions recognised during the year			2	12
Balance at the end of the year			124	122

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

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

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

Queanbeyan-Palerang Regional Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	266	–	417	–
Total inventories at cost	266	–	417	–
TOTAL INVENTORIES	266	–	417	–
(b) Other assets				
Prepayments	885	–	609	–
TOTAL OTHER ASSETS	885	–	609	–
Externally restricted assets				
Water				
Stores and materials	–	–	185	–
Total water	–	–	185	–
Sewerage				
Stores and materials	–	–	3	–
Total sewerage	–	–	3	–
Total externally restricted assets	–	–	188	–
Total unrestricted assets	1,151	–	838	–
TOTAL INVENTORIES AND OTHER ASSETS	1,151	–	1,026	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Queanbeyan-Palerang Regional Council

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

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	120	–	120	–
Total non-current assets 'held for sale'	120	–	120	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'				
	120	–	120	–

(ii) Details of assets and disposal groups

The assets held for sale represent small parcels of land previously identified and agreed by Council to be sold as soon as practicable, the timing of which is reflective of the activities required to be undertaken.

\$ '000	Assets 'held for sale'	
	2018	13/5/16 to 30/6/17

(iii) Reconciliation of non-current assets 'held for sale' and disposal groups

Opening balance	120	120
Closing balance of 'held for sale' non-current assets and operations	120	120

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Queanbeyan-Palerang Regional Council

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

Note 10(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	35,503	–	35,503	6,755	14,761	–	–	–	(27,424)	–	29,595	–	29,595
Plant and equipment	20,433	11,167	9,266	–	4,456	(852)	(2,292)	–	67	–	21,504	10,859	10,645
Office equipment	3,102	2,041	1,061	–	2,629	–	(689)	–	1,517	–	7,248	2,730	4,518
Furniture and fittings	392	242	150	–	–	–	(38)	–	38	–	430	275	155
Land:													
– Operational land	53,138	–	53,138	–	4,707	–	–	–	–	–	57,845	–	57,845
– Community land	84,911	–	84,911	–	–	–	–	–	52	–	84,963	–	84,963
– Land under roads (post 30/6/08)	255	–	255	–	–	–	–	–	33	–	288	–	288
Park structures	38,835	11,712	27,123	28	470	(66)	(1,069)	–	2,733	–	41,941	12,722	29,219
Infrastructure:													
– Buildings – non-specialised	44,417	23,335	21,082	42	3	–	(867)	–	325	–	44,787	24,202	20,585
– Buildings – specialised	72,583	27,877	44,706	–	51	(16)	(1,386)	–	1,341	–	73,920	29,224	44,696
– Roads	631,641	81,281	550,360	4,808	7,111	(3,793)	(6,716)	–	12,351	–	649,640	85,518	564,122
– Bridges	70,388	30,180	40,208	–	–	(227)	(703)	–	952	–	70,147	29,917	40,230
– Footpaths	33,269	9,511	23,758	–	1,851	(76)	(378)	–	775	–	35,797	9,866	25,931
– Other road assets (Car Parks and K&G)	47,443	16,647	30,796	–	1,513	(59)	(535)	–	1,114	–	49,948	17,120	32,828
– Stormwater drainage	171,957	63,031	108,926	–	2,235	(19)	(1,683)	–	1,520	–	175,678	64,699	110,979
– Water supply network	143,842	50,849	92,993	–	659	(77)	(1,535)	–	2,583	7,808	155,905	53,474	102,431
– Sewerage network	234,534	80,594	153,940	4,387	2,421	–	(3,630)	(2,259)	2,023	–	241,318	84,435	156,883
– Swimming pools	4,356	2,167	2,189	–	–	–	(86)	–	–	–	4,356	2,252	2,104
Other assets:													
– Library books	773	564	209	–	–	–	(97)	–	–	–	773	661	112
Reinstatement, rehabilitation and restoration assets (refer Note 13):													
– Tip assets	5,089	3,784	1,305	–	–	–	(462)	–	–	–	5,089	4,246	843
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,696,861	414,982	1,281,879	16,020	42,867	(5,185)	(22,166)	(2,259)	–	7,808	1,751,172	432,200	1,318,972

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 25	Playground equipment	1 to 100
Office furniture	10 to 10	Benches, seats etc.	1 to 100
Computer equipment	4	Library Books	5
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	3 to 100
Other plant and equipment	5 to 10	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams	25 to 75	Drains	10 to 100
Reservoirs	25 to 100	Culverts	10 to 100
Bores	5 to 30	Flood control structures	10 to 100
Reticulation pipes: PVC	5 to 80		
Reticulation pipes: other	5 to 80		
Pumps and telemetry	5 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	1 to 100	Bulk earthworks	200
Sealed roads: structure	1 to 100	Swimming pools	5 to 50
Unsealed roads	20	Other open space/recreational assets	5 to 20
Bridge: concrete	10 to 100	Other infrastructure	5 to 20
Bridge: other	10 to 50		
Road pavements	60		
Kerb, gutter and footpaths	10 to 100		
Car parks	10 to 200		
Footparths	10 to 100		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Land under roads

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

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

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Crown reserves

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise the value of Rural Fire Service vehicles.

Council recognises Land on which Rural Fire Service buildings are built.

Where buildings are associated with Council depot buildings Council will recognise the value of the building.

Council does not recognise Rural Fire Service buildings where the building is stand alone.

Council does not recognise any fire fighting equipment.

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	2,130	–	2,130	3,049	–	3,049
Land						
– Operational land	656	–	656	656	–	656
– Community land	2,402	–	2,402	2,402	–	2,402
Buildings	1,472	361	1,111	1,472	325	1,147
Infrastructure	155,905	53,474	102,431	143,842	50,849	92,993
Total water supply	162,565	53,835	108,730	151,421	51,174	100,247
Sewerage services						
WIP	2,346	–	2,346	3,745	–	3,745
Land						
– Operational land	3,097	–	3,097	3,097	–	3,097
– Community land	117	–	117	117	–	117
Buildings	2,123	920	1,203	2,123	876	1,247
Infrastructure	240,727	84,435	156,292	234,534	80,593	153,941
Total sewerage services	248,410	85,355	163,055	243,616	81,469	162,147
Domestic waste management						
WIP	798	–	798	39	–	39
Land						
– Operational land	1,300	–	1,300	1,300	–	1,300
Buildings	9,138	1,647	7,491	9,131	1,448	7,683
Total DWM	11,236	1,647	9,589	10,470	1,448	9,022
TOTAL RESTRICTED IPP&E	422,211	140,837	281,374	405,507	134,091	271,416

page 37

Queanbeyan-Palerang Regional Council

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

Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Movements for the year		
– Purchases	3,059	–
Closing values:		
Gross book value (30/6)	3,059	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	3,059	–

¹ The net book value of intangible assets represent:

– Biobanking Credits	3,059	–
	3,059	–

Accounting policy for intangible assets

Biobanking Credits

Biobanking credits are held by QPRC for Yellow Box and Inland Scribbly Gum. These credits are able to be bought and sold to those wanting to invest in conservation outcomes. QPRC is required to hold these assets as part of the Ellerton Drive environmental offset. At this stage QPRC is required to hold the credits in perpetuity and unable to be sold unless further environmental work is undertaken. This further environmental work is not scheduled therefore QPRC holds the credits as Intangible Assets rather than Marketable Instruments.

Queanbeyan-Palerang Regional Council

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

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	152	–	327	–
Accrued expenses:				
– Borrowings	180	–	119	–
– Salaries and wages	1,407	–	1,530	–
– Other expenditure accruals	8,578	–	6,528	–
Security bonds, deposits and retentions	2,292	–	2,775	–
CBRJO (SEROC)	990	–	881	–
Proceeds from sale of land for unpaid rates	102	–	102	–
Other	74	–	36	–
Total payables	13,775	–	12,298	–
Income received in advance				
Payments received in advance	177	–	1,841	–
Total income received in advance	177	–	1,841	–
Borrowings				
Loans – secured ¹	1,619	35,218	1,555	36,782
Total borrowings	1,619	35,218	1,555	36,782
TOTAL PAYABLES AND BORROWINGS	15,571	35,218	15,694	36,782

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	4,333	5,495	3,528	5,852
Sewer	653	8,116	635	8,381
Other - CBRJO (SEROC)	–	–	770	–
Payables and borrowings relating to externally restricted assets	4,986	13,611	4,933	14,233
Internally restricted assets				
Nil				
Total payables and borrowings relating to restricted assets	4,986	13,611	4,933	14,233
Total payables and borrowings relating to unrestricted assets	10,585	21,607	10,761	22,549
TOTAL PAYABLES AND BORROWINGS	15,571	35,218	15,694	36,782

¹. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

Queanbeyan-Palerang Regional Council

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

Note 12. Payables and borrowings (continued)

\$ '000	2018	2017
---------	------	------

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	418	1,197
	418	1,197

(c) Changes in liabilities arising from financing activities

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	38,337	(1,555)	–	55	–	36,837
TOTAL	38,337	(1,555)	–	55	–	36,837

\$ '000	2018	2017
---------	------	------

(d) Financing arrangements

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

Bank overdraft facilities ⁽¹⁾	2,000	2,000
Credit cards/purchase cards	210	134
Total financing arrangements	2,210	2,134

Drawn facilities as at balance date:

– Credit cards/purchase cards	90	52
Total drawn financing arrangements	90	52

Undrawn facilities as at balance date:

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	120	82
Total undrawn financing arrangements	2,120	2,082

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	3,536	–	3,085	–
Long service leave	5,332	464	5,290	495
Other leave (TIL and RDOs)	387	–	343	–
Sub-total – aggregate employee benefits	9,255	464	8,718	495
Asset remediation/restoration:				
Asset remediation/restoration (future works)	2,864	3,162	3,000	3,162
Sub-total – asset remediation/restoration	2,864	3,162	3,000	3,162
TOTAL PROVISIONS	12,119	3,626	11,718	3,657

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	5,759	5,447
	5,759	5,447

Queanbeyan-Palerang Regional Council

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

Note 13. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	3,085	5,785	343	9,213
Additional provisions	2,009	461	155	2,625
Amounts used (payments)	(1,629)	(528)	(120)	(2,277)
Remeasurement effects	71	78	9	158
Total ELE provisions at end of year	3,536	5,796	387	9,719
2017				
At beginning of year	2,954	5,832	253	9,039
Additional provisions	2,167	298	139	2,604
Amounts used (payments)	(2,098)	(429)	(56)	(2,583)
Remeasurement effects	62	84	7	153
Total ELE provisions at end of year	3,085	5,785	343	9,213
			Other provisions	
2018			Asset remediation	Total
At beginning of year			6,162	6,162
Changes to provision:				
Amounts used (payments)			(168)	(168)
Unwinding of discount			32	32
Total other provisions at end of year			6,026	6,026
2017				
At beginning of year			5,014	5,014
Changes to provision:				
Additional provisions			1,098	1,098
Amounts used (payments)			(27)	(27)
Unwinding of discount			77	77
Total other provisions at end of year			6,162	6,162

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	16,176	22,612
Balance as per the Statement of Cash Flows		16,176	22,612
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		46,461	91,184
Adjust for non-cash items:			
Depreciation and amortisation		22,166	24,905
Net losses/(gains) on disposal of assets		3,557	(210)
Non-cash capital grants and contributions		(18,625)	(62,520)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(1,191)	(342)
– Revaluation decrements / impairments of IPP&E direct to P&L		2,259	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		55	71
Unwinding of discount rates on reinstatement provisions		32	77
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(3,537)	12,972
Increase/(decrease) in provision for doubtful debts		2	12
Decrease/(increase) in inventories		151	(118)
Decrease/(increase) in other assets		(276)	(1)
Increase/(decrease) in payables		(175)	(3,871)
Increase/(decrease) in accrued interest payable		61	(359)
Increase/(decrease) in other accrued expenses payable		1,927	5,432
Increase/(decrease) in other liabilities		(2,000)	(4,191)
Increase/(decrease) in employee leave entitlements		506	174
Increase/(decrease) in other provisions		(168)	(27)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		51,205	63,188
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		18,625	62,520
Total non-cash investing and financing activities		18,625	62,520

page 46

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings - QISC Extension	263	3,917
Sewer Mains Rehabilitation	536	4,210
Buildings - QHQ Design	–	455
Stormwater	443	1,041
Recreation - Aquatic Centre Wet Play Area	–	711
Ellerton Drive Extension	35,000	36,000
Other	5,845	–
Total commitments	42,087	46,334
These expenditures are payable as follows:		
Within the next year	37,087	26,334
Later than one year and not later than 5 years	5,000	20,000
Total payable	42,087	46,334
Sources for funding of capital commitments:		
Unrestricted general funds	–	455
Future grants and contributions	834	36,000
Section 94 and 64 funds/reserves	979	5,251
Unexpended grants	263	2,670
Externally restricted reserves	2,454	–
Internally restricted reserves	2,557	–
New loans (to be raised)	35,000	1,959
Total sources of funding	42,087	46,334
Details of capital commitments		
QPRC hold commitments for major projects including:		
– Ellerton Drive Extension – \$89 million Council contribution is \$36 million		
– Sewer and Stormwater Rehabilitation funded by Sewer and Stormwater reserves.		
– Aquatic Centre Wet Play area funded by Grant		
– QHQ Building Design funded by Internal Unrestricted Funds		
– QISC Extension funded by Grant and New Loan		
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	97	78
Later than one year and not later than 5 years	199	68
Total non-cancellable operating lease commitments	296	146
b. Non-cancellable operating leases include the following assets:		
QPRC hold leasing agreements in place for multi-function devices and printers.		
Contingent rentals may be payable depending on the condition of items or usage during the lease term.		
Conditions relating to operating leases:		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

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

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

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

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

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

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

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

(i) Defined benefit superannuation contribution plans (continued)

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

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

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

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$755,441. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

The expected contributions to the Fund for the next annual reporting period are \$640,911.

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

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

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

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

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

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.62% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Queanbeyan-Palerang Regional Council

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

Note 18. Financial risk management

\$ '000

Risk management

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

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

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

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

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	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	16,176	22,612	16,176	22,612
Investments				
– 'Held for trading'	22,937	11,714	22,937	11,714
– 'Held to maturity'	128,000	123,647	128,000	123,647
Receivables	15,563	12,028	15,563	12,028
Total financial assets	182,676	170,001	182,676	170,001
Financial liabilities				
Payables	13,775	12,298	13,775	12,298
Loans/advances	36,837	38,337	36,837	38,337
Total financial liabilities	50,612	50,635	50,612	50,635

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.

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

Council also receives regular advice from independent advisers and advice is reviewed 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.

2018	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	2,293	2,293	(2,293)	(2,293)
Possible impact of a 1% movement in interest rates	1,378	1,378	(1,378)	(1,378)
13/5/16 to 30/6/17				
Possible impact of a 10% movement in market values	1,171	1,171	(1,171)	(1,171)
Possible impact of a 1% movement in interest rates	1,374	1,374	(1,374)	(1,374)

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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:

	2018	2018	2017	2017
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	95%	0%	91%
Overdue	100%	5%	100%	9%
	100%	100%	100%	100%
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
< 1 year overdue			2,893	2,292
			2,893	2,292
Other receivables				
Current			12,133	9,074
0 – 30 days overdue			115	158
31 – 60 days overdue			3	119
61 – 90 days overdue			147	84
> 91 days overdue			396	423
			12,794	9,858

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	2,292	11,483	–	–	13,775	13,775
Loans and advances	5.37%	–	1,619	12,405	22,813	36,837	36,837
Total financial liabilities		2,292	13,102	12,405	22,813	50,612	50,612
2017							
Trade/other payables	0.00%	2,775	9,523	–	–	12,298	12,298
Loans and advances	5.91%	–	1,555	6,068	30,714	38,337	38,337
Total financial liabilities		2,775	11,078	6,068	30,714	50,635	50,635

Queanbeyan-Palerang Regional Council

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

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 28 July 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	66,730	66,612	(118)	(0%) U
User charges and fees	28,994	37,468	8,474	29% F
Roads and Maritime Services additional private works				
Interest and investment revenue	4,315	5,654	1,339	31% F
Capital Expenditure not utilised resulting in increased interest revenue. Tcorp Managed Investments performed better than expected.				
Other revenues	2,532	1,777	(755)	(30%) U
Insurance Claim Recovery did not occur				
Operating grants and contributions	11,577	15,951	4,374	38% F
Additional non capital developer contributions received was passed back to the Developer of Googong Township.				
Capital grants and contributions	25,407	50,596	25,189	99% F
Received Monaro Road Package - unbudgeted capital contribution.				
Net gains from disposal of assets	3	-	(3)	(100%) U
Motor vehicle sales not budgeted for.				

Queanbeyan-Palerang Regional Council

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

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	41,114	40,023	1,091	3%	F
Borrowing costs	2,525	2,188	337	13%	F
Loan not drawn for Royalla land and Indoor Sports Centre resulting in less interest expense.					
Materials and contracts	45,461	49,705	(4,244)	(9%)	U
Depreciation and amortisation	20,960	22,166	(1,206)	(6%)	U
Other expenses	10,925	11,699	(774)	(7%)	U
Net losses from disposal of assets	–	3,557	(3,557)	0%	U
Assets disposed as part of asset renewals. Asset disposal not budgeted for.					

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	19,020	51,205	32,185	169.2%	F
Monaro Road package capital grant received not budgeted for.					
Cash flows from investing activities	(45,412)	(56,086)	(10,674)	23.5%	U
Capital projects expenditure less than budget, budgets rolled over to the next year - 30.791 F Purchased more investments than budgeted due to surplus cash from capital projects - 43.090 U					
Cash flows from financing activities	26,396	(1,555)	(27,951)	(105.9%)	U
Budgeted loan not drawn down					

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. 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

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/18	–	22,937	–	22,937
Total financial assets		–	22,937	–	22,937
Infrastructure, property, plant and equipment					
Plant and Equipment	13/05/16	–	–	10,645	10,645
Office Equipment	13/05/16	–	–	4,518	4,518
Furniture and Fittings	13/05/16	–	–	155	155
Operational Land	13/05/16	–	–	57,845	57,845
Community Land	13/05/16	–	–	84,963	84,963
Land Under Roads	13/05/16	–	–	288	288
Park Structures	13/05/16	–	–	29,219	29,219
Buildings - Non Specialised	13/05/16	–	–	20,585	20,585
Buildings - Specialised	13/05/16	–	–	44,696	44,696
Roads	13/05/16	–	–	564,122	564,122
Bridges	13/05/16	–	–	40,230	40,230
Footpaths	13/05/16	–	–	25,931	25,931
Other Road Assets	13/05/16	–	–	32,828	32,828
Storm Water Drainage	13/05/16	–	–	110,979	110,979
Water Supply Network	30/06/18	–	–	102,431	102,431
Sewerage Network	30/06/18	–	–	156,883	156,883
Swimming Pools	13/05/16	–	–	2,104	2,104
Library Books	13/05/16	–	–	112	112
Tip Assets	13/05/16	–	–	843	843
Total infrastructure, property, plant and equipment		–	–	1,289,377	1,289,377

Queanbeyan-Palerang Regional Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
- 'Designated at fair value on initial recognition'	30/06/17	-	11,714	-	11,714
Total financial assets		-	11,714	-	11,714
Infrastructure, property, plant and equipment					
Plant and Equipment	13/05/16	-	-	9,266	9,266
Office Equipment	13/05/16	-	-	1,061	1,061
Furniture and Fittings	13/05/16	-	-	150	150
Operational Land	13/05/16	-	-	53,138	53,138
Community Land	13/05/16	-	-	84,911	84,911
Land Under Roads	13/05/16	-	-	255	255
Park Structures	13/05/16	-	-	27,123	27,123
Buildings - Non Specialised	13/05/16	-	-	21,082	21,082
Buildings - Specialised	13/05/16	-	-	44,706	44,706
Roads	13/05/16	-	-	550,360	550,360
Bridges	13/05/16	-	-	40,208	40,208
Footpaths	13/05/16	-	-	23,758	23,758
Other Road Assets	13/05/16	-	-	30,796	30,796
Storm Water Drainage	13/05/16	-	-	108,926	108,926
Water Supply Network	13/05/16	-	-	92,993	92,993
Sewerage Network	13/05/16	-	-	153,940	153,940
Swimming Pools	13/05/16	-	-	2,189	2,189
Library Books	13/05/16	-	-	209	209
Tip Assets	13/05/16	-	-	1,305	1,305
Total infrastructure, property, plant and equipment		-	-	1,246,376	1,246,376

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

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

Queanbeyan-Palerang Regional Council

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

Note 20. Fair value measurement (continued)

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

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

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

Financial assets

Where investments are valued at fair value through Profit or Loss. Council obtains valuations from its investment adviser (CPG) at the end of each reporting period ensuring financial statements reflect the most up to date valuation.

There has been no change to the valuation process during the reporting period.

Infrastructure, property, plant and equipment (IPP&E)

Upon amalgamation, QPRC reviewed the level 3 unobservable inputs of both former Councils. It was realised the unobservable inputs significantly differed. QPRC undertook an independent valuation through Pickles Valuation Services to gather, consolidate and provide a valuation for all infrastructure assets of QPRC.

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

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

	Plant and equipment	Office equipment	Furniture and Fittings	Operational Land	Total
Opening balance – 13/5/16	8,739	1,654	192	53,138	63,723
Purchases (GBV)	3,778	–	–	–	3,778
Disposals (WDV)	(812)	–	–	–	(812)
Depreciation and impairment	(2,439)	(593)	(42)	–	(3,074)
Closing balance – 30/6/17	9,266	1,061	150	53,138	63,615
Purchases (GBV)	4,523	4,146	38	4,707	13,414
Disposals (WDV)	(852)	–	–	–	(852)
Depreciation and impairment	(2,292)	(689)	(33)	–	(3,014)
Closing balance – 30/6/18	10,645	4,518	155	57,845	73,163

Queanbeyan-Palerang Regional Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Community land	Land under roads	Park structures	Buildings non- specialised	Total
Opening balance – 13/5/16	82,636	255	22,630	21,988	127,509
Purchases (GBV)	2,275	–	5,624	72	7,971
Depreciation and impairment	–	–	(1,131)	(978)	(2,109)
Closing balance – 30/6/17	84,911	255	27,123	21,082	133,371
Purchases (GBV)	52	33	3,231	370	3,686
Disposals (WDV)	–	–	(66)	–	(66)
Depreciation and impairment	–	–	(1,069)	(867)	(1,936)
Closing balance – 30/6/18	84,963	288	29,219	20,585	135,055

	Buildings specialised	Roads	Bridges	Footpaths	Total
Opening balance – 13/5/16	44,886	553,736	39,316	22,900	660,838
Purchases (GBV)	1,362	4,107	1,682	1,256	8,407
Depreciation and impairment	(1,542)	(7,483)	(790)	(398)	(10,213)
Closing balance – 30/6/17	44,706	550,360	40,208	23,758	659,032
Purchases (GBV)	1,392	24,270	952	2,626	29,240
Disposals (WDV)	(16)	(3,792)	(227)	(75)	(4,110)
Depreciation and impairment	(1,386)	(6,716)	(703)	(378)	(9,183)
Closing balance – 30/6/18	44,696	564,122	40,230	25,931	674,979

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Other road assets	Stormwater drainage	Water Supply network	Sewerage network	Total
Opening balance – 13/5/16	30,682	109,575	93,226	106,169	339,652
Purchases (GBV)	696	1,355	1,838	52,357	56,246
Depreciation and impairment	(582)	(2,004)	(2,071)	(4,586)	(9,243)
Closing balance – 30/6/17	30,796	108,926	92,993	153,940	386,655
Purchases (GBV)	2,626	3,755	3,242	8,831	18,454
Disposals (WDV)	(59)	(19)	(77)	–	(155)
Depreciation and impairment	(535)	(1,683)	(1,535)	(3,629)	(7,382)
FV gains – other comprehensive income	–	–	7,808	–	7,808
Revaluation Decrement	–	–	–	(2,259)	(2,259)
Closing balance – 30/6/18	32,828	110,979	102,431	156,883	403,121

	Swimming pools	Library books	Tip assets	Total
Opening balance – 13/5/16	2,287	374	207	2,868
Purchases (GBV)	–	–	1,098	1,098
Depreciation and impairment	(98)	(165)	–	(263)
Closing balance – 30/6/17	2,189	209	1,305	3,703
Disposals (WDV)	(85)	(97)	(462)	(644)
Closing balance – 30/6/18	2,104	112	843	3,059

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

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

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

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Land Operational	57,845	Market Approach	Sales of comparable properties, sales data. Market transactions of land in locality. Reserves based on market participant assumptions.
Land – Community	84,963	Market Approach	Market transactions of land in locality. Land values provided by the NSW Valuer-General.
Land under Roads	288	As per Code	Land acquired by Council for roads since 1 July 2008 has been valued at acquisition cost. Further discount has been applied for Englobo and Access.
Buildings-Specialised	44,696	Cost approach	Building construction costs from recent council projects, building cost data from “Rawlinson’s Construction Handbook”, and industry data from building cost manuals.
Buildings – Non Specialised	20,585	Cost approach	Building construction costs from recent council projects, building cost data from “Rawlinson’s Construction Handbook”, and industry data from building cost manuals.
Swimming Pools	2,104	Cost approach	Construction cost data from QPRC and “Rawlinson’s Construction Handbook”.
Infrastructure – Roads (inc Kerbs, Footpaths, & Carparks)	622,881	Cost approach	Cost data/unit rates from recent QPRC projects, and published construction cost manuals such as “Rawlinson’s Construction Handbook”.
Bridges	40,230	Cost approach	Cost data/unit rates from recent QPRC projects, and published construction cost manuals such as “Rawlinson’s Construction Handbook”.
Stormwater	110,979	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as “Rawlinson’s Construction Handbook”.

Queanbeyan-Palerang Regional Council

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

Note 20. Fair value measurement (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Water	102,431	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Sewerage	156,883	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Parks & Recreation	29,219	Cost approach	Costs sourced from recent purchases by QPRC, catalogues and product brochures from suppliers of park furniture, structures and playground equipment, and prices obtained from landscaping suppliers.

c. The valuation process for level 3 fair value measurements

Upon amalgamation, QPRC reviewed the level 3 unobservable inputs of both former Councils. It was realised the unobservable inputs significantly differed. QPRC undertook an independent valuation through Pickles Valuation Services to gather, consolidate and provide a valuation for all infrastructure assets of QPRC.

(5). Highest and best use

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

Queanbeyan-Palerang Regional Council

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

Note 21. Related party transactions

\$

a. Key management personnel

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

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

Compensation:	2018
Short-term benefits	1,758,501
Post-employment benefits	<u>185,138</u>
Total	<u>1,943,639</u>

Queanbeyan-Palerang Regional Council

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

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Payment of Insurance Premiums	1	1,508,292		14 day terms on invoice		
Rent of Premises (KMP Spouse is a Board member)	2	79,200		14 day terms on invoice		
Rent of Premises (Two KMP are volunteers of organisation)	3	475		Peppercorn rent		
KMP reimbursement of Expenses	4	2,452		Within payment terms		
Donations of facilities rental (KMP is responsible for event)	5	2,500		As per Donations policy		
Grants awarded to organisation (Two KMP on the board)	6	54,000		As per Grant Program		
Supply of motor vehicle parts (KMP is a Director)	7	233		14 day terms		
KMP development application for residence	8	7,482		Ordinary terms of application		
Spouse of KMP responsible for Leasing QPRC premises	9	475		Peppercorn rent		

- 1 KMP is a Board member (non paid) of the Mutual servicing the Local Government industry with insurance products.
- 2 Spouse of KMP is a volunteer board member of the organisation renting premises from QPRC. Rent is established at market rates.
- 3 Two KMP are volunteer board members that rent premises for operational uses for a peppercorn rent. The organisation provides services to children with disabilities.
- 4 KMP have sought reimbursement for expenses occurred as part of their role within QPRC.
- 5 KMP is responsible for an event run by Non for Profit organisation receiving the facility rental as a donation from QPRC.
- 6 QPRC awarded grants to a non profit organisation where two KMP are volunteer members of the organisations board.
- 7 KMP is a Director of an organisation that supplies motor vehicle spare parts to QPRC.
- 8 KMP submitted a development application via construction firm for their residence throughout year.
- 9 Spouse of KMP is the Business Manager of an organisation that leases premises from QPRC as a non profit organisation.

Queanbeyan-Palerang Regional Council

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

Note 22. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	4,218	948	–	69	(54)	–	5,181	–
Parking	140	–	–	2	–	–	142	–
Open space	42	73	–	1	(3)	28	141	–
Community facilities	2,927	772	–	45	(142)	–	3,602	–
Bushfire	226	15	–	3	–	–	244	–
Waste management	264	7	–	4	–	–	275	–
Rural addressing	18	–	–	–	–	–	18	–
Recreation facilities	723	67	–	11	–	–	801	–
Pathway	122	25	–	2	–	–	149	–
Street upgrade	338	70	–	4	(120)	–	292	–
Other	7,898	8,215	–	136	(4,072)	–	12,177	–
S7.11 contributions – under a plan	16,916	10,192	–	277	(4,391)	28	23,022	–
Total S7.11 revenue under plans	16,916	10,192	–	277	(4,391)	28	23,022	–
S7.11 not under plans	1,898	197	–	30	–	–	2,125	–
S7.11 planning agreements	60	–	18,625	1	–	–	61	–
S64 contributions	21,325	2,881	–	252	(6,563)	–	17,895	–
Total contributions	40,199	13,270	18,625	560	(10,954)	28	43,103	–

page 67

Queanbeyan-Palerang Regional Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (former Palerang)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,973	689	–	49	–	–	3,711	–
Community facilities	1,602	83	–	24	(39)	–	1,670	–
Bushfire	226	15	–	3	–	–	244	–
Waste management	264	7	–	4	–	–	275	–
Rural addressing	18	–	–	–	–	–	18	–
Recreation facilities	723	67	–	11	–	–	801	–
Pathway	122	25	–	2	–	–	149	–
Street upgrade	338	70	–	4	(120)	–	292	–
Total	6,266	956	–	97	(159)	–	7,160	–

CONTRIBUTION PLAN (former QCC)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1,245	259	–	20	(54)	–	1,470	–
Parking	140	–	–	2	–	–	142	–
Open space	42	73	–	1	(3)	28	141	–
Community facilities	1,325	689	–	21	(103)	–	1,932	–
Other	7,898	8,215	–	136	(4,072)	–	12,177	–
Total	10,650	9,236	–	180	(4,232)	28	15,862	–

Queanbeyan-Palerang Regional Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

(former Palerang)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1,782	197	–	28	–	–	2,007	–
Parking	57	–	–	1	–	–	58	–
Community facilities	59	–	–	1	–	–	60	–
Total	1,898	197	–	30	–	–	2,125	–

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	6,296	15,287	45,029
User charges and fees	16,653	1,744	19,071
Interest and investment revenue	536	1,945	3,173
Other revenues	622	294	861
Grants and contributions provided for operating purposes	91	90	15,770
Grants and contributions provided for capital purposes	1,578	4,235	44,783
Total income from continuing operations	25,776	23,595	128,687
Expenses from continuing operations			
Employee benefits and on-costs	1,039	2,473	36,511
Borrowing costs	211	367	1,610
Materials and contracts	15,189	4,383	30,133
Depreciation and amortisation	1,572	3,791	16,803
Other expenses	3,093	3,314	5,292
Net losses from the disposal of assets	72	–	3,485
Revaluation decrement / impairment of IPPE	–	2,259	–
Total expenses from continuing operations	21,176	16,587	93,834
Operating result from continuing operations	4,600	7,008	34,853
Net operating result for the year	4,600	7,008	34,853
Net result attributable to each council fund	4,600	7,008	34,853
Net operating result for the year before grants and contributions provided for capital purposes	3,022	2,773	(9,930)

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

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

Queanbeyan-Palerang Regional Council

Notes to the Financial Statements as at 30 June 2018

Note 23. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	5,150	10,761	265
Investments	10,477	18,498	41,712
Receivables	5,145	1,514	8,369
Inventories	–	–	266
Other	–	–	885
Non-current assets classified as 'held for sale'	–	–	120
Total current assets	20,772	30,773	51,617
Non-current assets			
Investments	10,793	36,427	33,030
Receivables	–	–	535
Infrastructure, property, plant and equipment	108,730	163,055	1,047,187
Intangible assets	–	–	3,059
Total non-current assets	119,523	199,482	1,083,811
TOTAL ASSETS	140,295	230,255	1,135,428
LIABILITIES			
Current liabilities			
Payables	3,947	397	9,431
Income received in advance	27	–	150
Borrowings	359	256	1,004
Provisions	–	–	12,119
Total current liabilities	4,333	653	22,704
Non-current liabilities			
Borrowings	5,495	8,116	21,607
Provisions	–	–	3,626
Total non-current liabilities	5,495	8,116	25,233
TOTAL LIABILITIES	9,828	8,769	47,937
Net assets	130,467	221,486	1,087,491
EQUITY			
Accumulated surplus	122,659	221,486	1,087,491
Revaluation reserves	7,808	–	–
Total equity	130,467	221,486	1,087,491

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

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

Queanbeyan-Palerang Regional Council

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

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>490</u>	0.39%	5.82%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>126,271</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>110,320</u>	62.37%	52.45%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>176,867</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>33,919</u>	2.05x	2.44x	> 1.5x
Current liabilities less specific purpose liabilities ^(3,4)	<u>16,527</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>24,844</u>	6.64x	8.01x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>3,743</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>3,535</u>	5.05%	3.39%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>70,047</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>88,176</u>	9.41 mths	9.0 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>9,367</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 12 and 13.

⁽⁴⁾ Refer to Note 12(b) and 13(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Queanbeyan-Palerang Regional Council

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

Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses							
<hr/>	-5.28%	1.52%	12.49%	6.39%	10.19%	26.62%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>	53.20%	57.83%	93.53%	92.20%	77.89%	28.10%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>	2.05x	2.44x	3.23x	5.04x	29.70x	30.01x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

^{(1) - (4)} Refer to Notes at Note 24a above.

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

Queanbeyan-Palerang Regional Council

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

Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
	4.79x	7.88x	7.08x	4.40x	13.58x	12.27x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
	5.00%	2.77%	6.93%	3.28%	4.41%	5.63%	< 10% regional & rural
Rates, annual and extra charges outstanding							
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
	10.64	10.71	3.07	2.79	11.98	6.23	> 3 months
Current year's cash and cash equivalents plus all term deposits x12							
Payments from cash flow of operating and financing activities							

Notes

(1) Refer to Notes at Note 24a above.

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

END OF AUDITED FINANCIAL STATEMENTS

page 74

Queanbeyan-Palerang Regional Council

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

Note 24(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 0.39%</p> <p>QPRC has decreased the operating performance ratio back to a lower level. Previous year was affected by the early payment of 2017-18 Financial Assistance Grant</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 62.37%</p> <p>QPRC has performed better than benchmark with the reduction in operational grants from previous years.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 2.05x</p> <p>This result indicates that QPRC is in a sound position to satisfy short term unrestricted financial obligations. The ratio is slightly lower than last year but remains above minimum benchmark requirements.</p>

Queanbeyan-Palerang Regional Council

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

Note 24(c). Statement of performance measures – consolidated results (graphs)

<p>4. Debt service cover ratio</p> <p>Benchmark: ——— Minimum ≥ 2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 6.64x</p> <p>QPRC holds significantly less borrowings than the benchmark allows. Borrowings levels below the benchmark allows for the borrowing of funding for asset renewal and enhancement within future years.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Benchmark: ——— Maximum $< 10.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 5.05%</p> <p>QPRC has continued the consistent application of its debt recovery policy whilst being mindful of its financial hardship policy.</p>
<p>6. Cash expense cover ratio</p> <p>Benchmark: ——— Minimum ≥ 3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 9.41 mths</p> <p>QPRC maintains a strong ability to fund services as required and is well ahead of the benchmark of 3 months coverage.</p>

Queanbeyan-Palerang Regional Council

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

Note 25. Council information and contact details

Principal place of business:

256 Crawford Street
Queanbeyan NSW 2620

Contact details

Mailing address:

PO Box 90
Queanbeyan NSW 2620

Opening hours:

8.30am - 5.00pm - Weekdays

Telephone: 02 6285 6000

Internet: www.qprc.nsw.gov.au

Email: council@qprc.nsw.gov.au

Officers

GENERAL MANAGER

Peter Tegart

RESPONSIBLE ACCOUNTING OFFICER

Shane Taylor

PUBLIC OFFICER

Bill Warne

AUDITORS

Audit Office of New South Wales
Level 15, 1 Margaret Street,
Sydney NSW 2000, Australia

Elected members

MAYOR

Tim Overall

COUNCILLORS

Cr Brian Brown
Cr Mark Schweikart
Cr Trudy Taylor
Cr Peter Bray AM
Cr Trevor Hicks (Deputy Mayor)
Cr Kenrick Winchester
Cr Michele Biscotti
Cr Peter Marshall
Cr Pete Harrison
Cr Radmila Noveska

Other information

ABN: 95 933 070 982



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Queanbeyan-Palerang Regional Council

To the Councillors of Queanbeyan-Palerang Regional Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

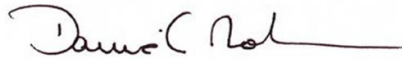
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



David Nolan
Director, Financial Audit Services

30 October 2018
SYDNEY



Cr Tim Overall
Mayor
Queanbeyan-Palerang Regional Council
PO Box 90
QUEANBEYAN NSW 2620

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1826601/1780

30 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Queanbeyan-Palerang Regional Council**

I have audited the general purpose financial statements of Queanbeyan-Palerang Regional Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

Our insights inform and challenge government to improve outcomes for citizens



INCOME STATEMENT

Operating result

	2018 \$m	2017* \$m	Variance %
Rates and annual charges revenue	66.6	68.0	2.1
Grants and contributions revenue	66.5	108.5	38.7
Operating result for the year	46.5	91.2	49
Net operating result before capital amounts	(4.1)	9.1	145.1
Gain on local government amalgamation	-	1,294	

* 13 May 2016 to 30 June 2017.

Council's operating result (\$46.5 million including the effect of depreciation and amortisation expense of \$22.2 million) was \$44.7 million lower than the 2016–17 result. The decrease from the previous period is primarily due to a reduction in grants and contributions received. Also contributing to the decrease was the differing reporting periods. Council was formed on 12 May 2016 following an amalgamation and the initial reporting period was from 13 May 2016 to 30 June 2017. The operating result for the period ended 30 June 2017 was affected by the additional expenses attributed to the extended period.

The net operating result before capital grants and contributions (a deficit of \$4.1 million) was \$13.2 million lower than the 2016–17 result. The decrease is mainly due to the additional expenses attributed to the extended prior period as noted above as well as a decrease in revenue from user charges and fees.

Rates and annual charges revenue (\$66.6 million) decreased by \$1.4 million (2.1 per cent) in 2017–2018. The variance can be attributed to a reduction in annual charges due to the differing reporting periods.

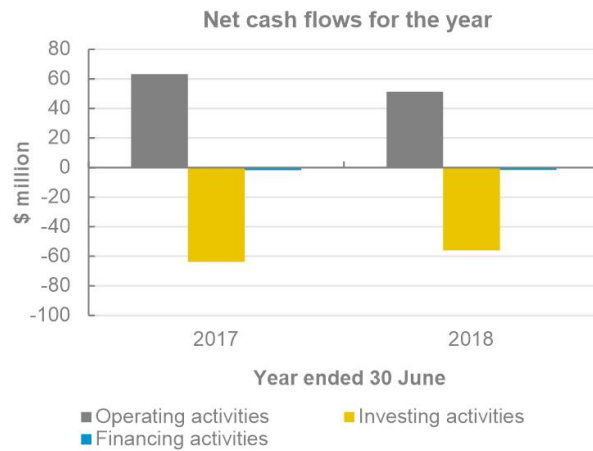
Grants and contributions revenue (\$66.5 million) decreased by \$42 million (38.7 per cent) in 2017–2018 due to the reduced receipt of developer contributed assets.

Our insights inform and challenge government to improve outcomes for citizens



STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents balance at 30 June 2018 was \$16.2 million. The net cash flow for the period was a decrease of \$6.4 million.
- The reduction is mainly due to investing in longer term deposits and holding fewer funds in cash and cash equivalents.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	142.8	125.5	• External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds.
Internal restrictions	20.6	28.3	
Unrestricted	3.6	4.2	• Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Cash and investments	167.0	158.0	• Unrestricted balances provide liquidity for day-to-day operations.

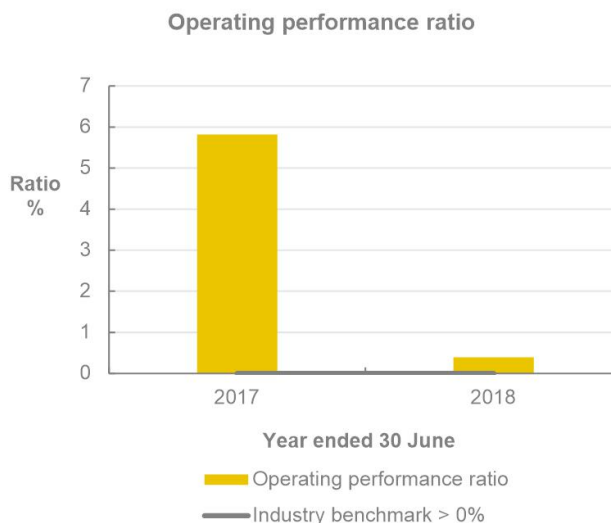
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 24 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- The indicator of 0.4 per cent was above the industry benchmark of greater than zero per cent.
- The reduction from the previous year is due to the reduced operating result before capital grants and contributions.

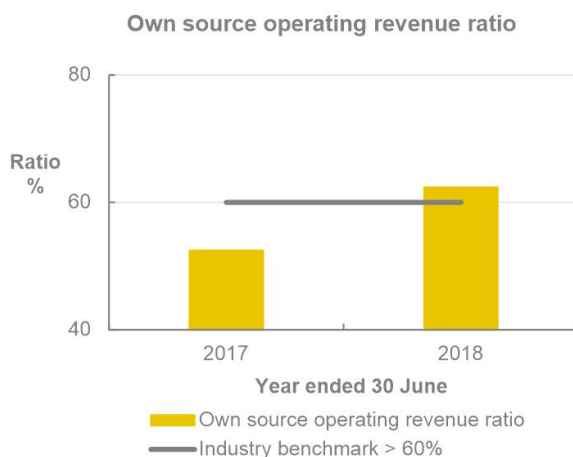
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 62.4 per cent was above the industry benchmark.
- This ratio fluctuates with movements in grants and contributions.

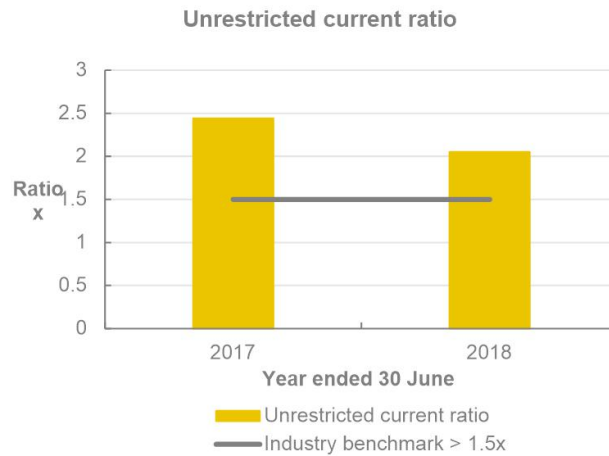
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council currently had 2.1 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.

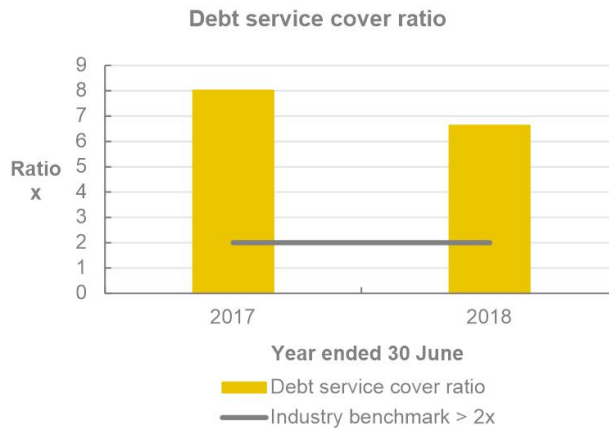
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 6.6 times exceeded the industry benchmark.

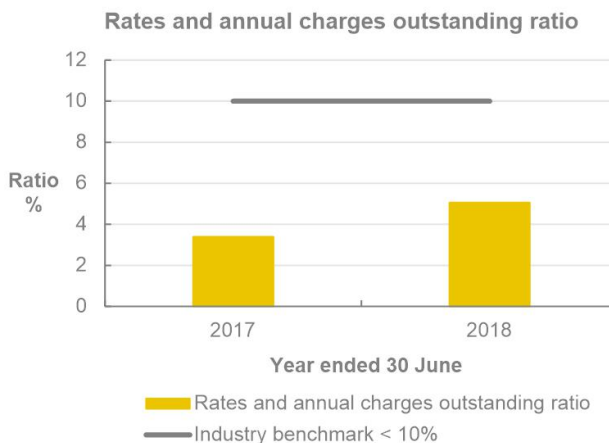
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 5 per cent was within the industry benchmark of less than ten per cent.

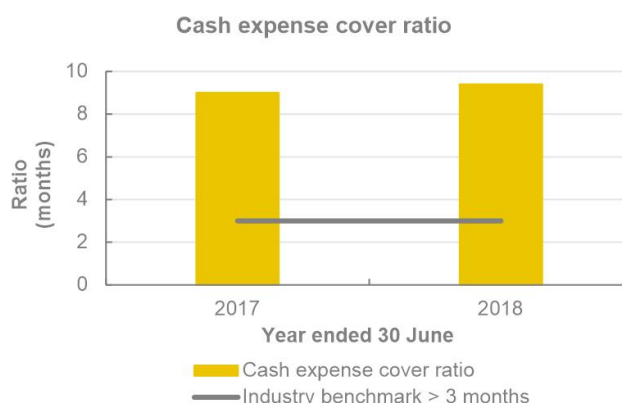
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 9.4 months well exceeded the benchmark of greater than three months due to the significant cash reserves and investment balances at the end of the year.

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

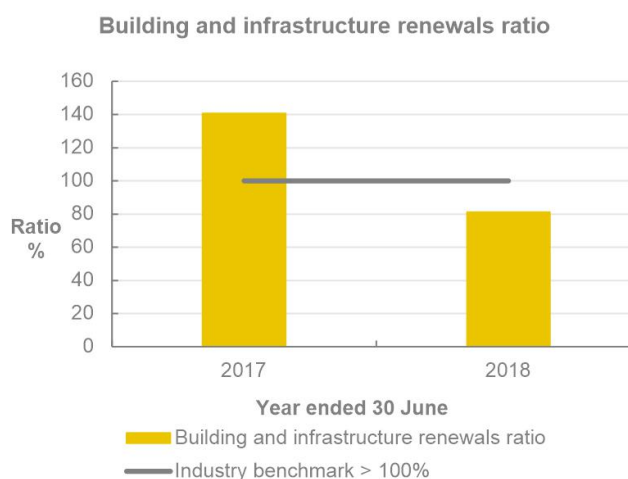


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 81 per cent did not meet the benchmark as there was a focus on completing new grant funded projects.

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

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



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

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

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

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

Our insights inform and challenge government to improve outcomes for citizens



Legislative compliance

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

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

A handwritten signature in black ink, appearing to read 'David Nolan'.

David Nolan
Director, Financial Audit Services

cc: Peter Tegart, Chief Executive Officer
Andrew Cox, Chair of Audit, Risk and Improvement Committee
Tim Hurst, Chief Executive of the Office of Local Government

Queanbeyan-Palerang Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 September 2018.



Tim Overall
Mayor
26 September 2018



Mark Schweikert
Councillor
26 September 2018



Peter Tegart
Chief Executive Officer
26 September 2018



Shane Taylor
Responsible accounting officer
26 September 2018

Queanbeyan-Palerang Regional Council

Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	6,296	7,745
User charges	16,448	14,943
Fees	205	221
Interest	536	570
Grants and contributions provided for non-capital purposes	91	97
Other income	622	412
Total income from continuing operations	24,198	23,988
Expenses from continuing operations		
Employee benefits and on-costs	1,039	1,666
Borrowing costs	211	417
Materials and contracts	1,728	1,600
Depreciation, amortisation and impairment	1,572	2,112
Water purchase charges	13,461	13,437
Loss on sale of assets	72	-
Other expenses	3,093	3,223
Total expenses from continuing operations	21,176	22,455
Surplus (deficit) from continuing operations before capital amounts	3,022	1,533
Grants and contributions provided for capital purposes	1,578	1,827
Surplus (deficit) from continuing operations after capital amounts	4,600	3,360
Surplus (deficit) from all operations before tax	4,600	3,360
Less: corporate taxation equivalent (30%) [based on result before capital]	(907)	(460)
SURPLUS (DEFICIT) AFTER TAX	3,693	2,900
Plus opening retained profits	118,059	114,699
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	907	460
Closing retained profits	122,659	118,059
Return on capital %	3.0%	1.9%
Subsidy from Council	-	436
Calculation of dividend payable:		
Surplus (deficit) after tax	3,693	2,900
Less: capital grants and contributions (excluding developer contributions)	(659)	(1,245)
Surplus for dividend calculation purposes	3,034	1,655
Potential dividend calculated from surplus	1,517	828

Queanbeyan-Palerang Regional Council

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	15,287	16,395
User charges	618	884
Liquid trade waste charges	42	188
Fees	1,084	461
Interest	1,945	1,748
Grants and contributions provided for non-capital purposes	90	378
Other income	294	334
Total income from continuing operations	19,360	20,388
Expenses from continuing operations		
Employee benefits and on-costs	2,473	2,370
Borrowing costs	367	554
Materials and contracts	4,383	3,110
Depreciation, amortisation, impairment and revaluation decrement	6,050	4,664
Other expenses	3,314	4,262
Total expenses from continuing operations	16,587	14,960
Surplus (deficit) from continuing operations before capital amounts	2,773	5,428
Grants and contributions provided for capital purposes	4,235	50,811
Surplus (deficit) from continuing operations after capital amounts	7,008	56,239
Surplus (deficit) from all operations before tax	7,008	56,239
Less: corporate taxation equivalent (30%) [based on result before capital]	(832)	(1,628)
SURPLUS (DEFICIT) AFTER TAX	6,176	54,611
Plus opening retained profits	214,478	158,239
Plus adjustments for amounts unpaid: – Corporate taxation equivalent	832	1,628
Closing retained profits	221,486	214,478
Return on capital %	1.9%	3.7%
Calculation of dividend payable:		
Surplus (deficit) after tax	6,176	54,611
Less: capital grants and contributions (excluding developer contributions)	(2,274)	(50,228)
Surplus for dividend calculation purposes	3,902	4,383
Potential dividend calculated from surplus	1,951	2,191

Queanbeyan-Palerang Regional Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	5,150	4,855
Investments	10,477	14,416
Receivables	5,145	4,715
Inventories	–	185
Total current assets	20,772	24,171
Non-current assets		
Investments	10,793	3,021
Infrastructure, property, plant and equipment	108,730	100,247
Total non-current assets	119,523	103,268
TOTAL ASSETS	140,295	127,439
LIABILITIES		
Current liabilities		
Payables	3,947	2,905
Income received in advance	27	144
Borrowings	359	479
Total current liabilities	4,333	3,528
Non-current liabilities		
Borrowings	5,495	5,852
Total non-current liabilities	5,495	5,852
TOTAL LIABILITIES	9,828	9,380
NET ASSETS	130,467	118,059
EQUITY		
Accumulated surplus	122,659	118,059
Revaluation reserves	7,808	–
Council equity interest	130,467	118,059
TOTAL EQUITY	130,467	118,059

Queanbeyan-Palerang Regional Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	10,761	5,515
Investments	18,498	27,252
Receivables	1,514	1,497
Inventories	–	3
Total current Assets	30,773	34,267
Non-current assets		
Investments	36,427	27,080
Infrastructure, property, plant and equipment	163,055	162,147
Total non-current assets	199,482	189,227
TOTAL ASSETS	230,255	223,494
LIABILITIES		
Current liabilities		
Payables	397	391
Borrowings	256	244
Total current liabilities	653	635
Non-current liabilities		
Borrowings	8,116	8,381
Total non-current liabilities	8,116	8,381
TOTAL LIABILITIES	8,769	9,016
NET ASSETS	221,486	214,478
EQUITY		
Accumulated surplus	221,486	214,478
Council equity interest	221,486	214,478
TOTAL EQUITY	221,486	214,478

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

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

Queanbeyan-Palerang Regional Council

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

Note 1. Significant accounting policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

b. Sewerage Services

Queanbeyan-Palerang Regional Council

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

Note 1. Significant accounting policies (continued)

Category 2

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

Nil

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

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

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

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

Income tax

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

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

Queanbeyan-Palerang Regional Council

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

Note 1. Significant accounting policies (continued)

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Queanbeyan-Palerang Regional Council

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

Note 1. Significant accounting policies (continued)

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Queanbeyan-Palerang Regional Council

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

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

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

1. Calculation and payment of tax-equivalents

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

(i) Calculated tax equivalents	-
(ii) Number of assessments multiplied by \$3/assessment	65,490
(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]	1,517,200
(ii) Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	654,900
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	4,689,500

2018 Surplus	3,034,400	2017 Surplus	1,655,100	2016 Surplus	-
		2017 Dividend	-	2016 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	654,900
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the water business fair and reasonable? ^a	<input type="checkbox"/>

3. Required outcomes for 6 criteria

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

(i) Completion of strategic business plan (including financial plan)	<input type="checkbox"/>
(ii) Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="checkbox"/>
– Complying charges [item 2 (b) in table 1]	<input type="checkbox"/>
– DSP with commercial developer charges [item 2 (e) in table 1]	<input type="checkbox"/>
– If dual water supplies, complying charges [item 2 (g) in table 1]	<input type="checkbox"/>
(iii) Sound water conservation and demand management implemented	<input type="checkbox"/>
(iv) Sound drought management implemented	<input type="checkbox"/>
(v) Complete performance reporting form (by 15 September each year)	<input type="checkbox"/>
(vi) a. Integrated water cycle management evaluation	<input type="checkbox"/>
b. Complete and implement integrated water cycle management strategy	<input type="checkbox"/>

Queanbeyan-Palerang Regional Council

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

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

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

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	25,240
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	72.71%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	108,730
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	19,368
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,242
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	3.96%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Queanbeyan-Palerang Regional Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

1. Calculation and payment of tax-equivalents

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

(i) Calculated tax equivalents	-
(ii) Number of assessments multiplied by \$3/assessment	61,890
(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]	1,951,050
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	618,900
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	8,284,700

2018 Surplus	3,902,100	2017 Surplus	4,382,600	2016 Surplus	-
		2017 Dividend	-	2016 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	618,900
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="checkbox"/>

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)	<input type="checkbox"/>
(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]	<input type="checkbox"/>
Complying charges	
(a) Residential [item 2 (c) in table 1]	<input type="checkbox"/>
(b) Non-residential [item 2 (c) in table 1]	<input type="checkbox"/>
(c) Trade waste [item 2 (d) in table 1]	<input type="checkbox"/>
DSP with commercial developer charges [item 2 (e) in table 1]	<input type="checkbox"/>
Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="checkbox"/>
(iii) Complete performance reporting form (by 15 September each year)	<input type="checkbox"/>
(iv) a. Integrated water cycle management evaluation	<input type="checkbox"/>
b. Complete and implement integrated water cycle management strategy	<input type="checkbox"/>

Queanbeyan-Palerang Regional Council

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

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

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

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	21,650
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	163,055
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	10,147
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	8,831
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	4.73%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	46,890
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.39%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	12,073
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	4.42%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Queanbeyan-Palerang Regional Council

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

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated)		2018
National Water Initiative (NWI) financial performance indicators Water and sewer (combined)		
NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	% -22.13%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 12,013 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: (1,903) Interest expense (w4a + s4a) – interest income (w9 + s10)	> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000 11,608
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000 181

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial report
Queanbeyan-Palerang Regional Council

To the Councillors of Queanbeyan-Palerang Regional Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

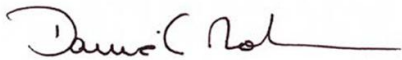
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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



David Nolan
Director, Financial Audit Services

30 October 2018

SYDNEY

Queanbeyan-Palerang Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2018



Queanbeyan-Palerang Regional Council

Special Schedules for the year ended 30 June 2018

Contents	Page
Special Schedules ¹	
Special Schedule 1	Net Cost of Services 2
Special Schedule 2	Permissible income for general rates 4
Special Schedule 2	Independent Auditors Report 6
Special Schedule 3	Water Supply Operations – incl. Income Statement 9
Special Schedule 4	Water Supply – Statement of Financial Position 12
Special Schedule 5	Sewerage Service Operations – incl. Income Statement 13
Special Schedule 6	Sewerage Service – Statement of Financial Position 16
Notes to Special Schedules 3 and 5	17
Special Schedule 7	Report on Infrastructure Assets 18

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

Background

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

Queanbeyan-Palerang Regional Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,056	2,651	–	(405)
Administration	25,462	–	392	(25,070)
Public order and safety				
Fire service levy, fire protection, emergency services	1,448	535	–	(913)
Beach control	–	–	–	–
Enforcement of local government regulations	7	–	–	(7)
Animal control	118	154	–	36
Other	199	281	–	82
Total public order and safety	1,772	970	–	(802)
Health	1,266	81	–	(1,185)
Environment				
Noxious plants and insect/vermin control	932	302	–	(630)
Other environmental protection	5,135	2,233	–	(2,902)
Solid waste management	8,350	12,039	–	3,689
Street cleaning	1,020	–	–	(1,020)
Drainage	–	–	–	–
Stormwater management	1,820	356	2,099	635
Total environment	17,257	14,930	2,099	(228)
Community services and education				
Administration and education	794	216	–	(578)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	2,072	1,379	–	(693)
Total community services and education	2,866	1,595	–	(1,271)
Housing and community amenities				
Public cemeteries	474	845	–	371
Public conveniences	273	–	–	(273)
Street lighting	–	–	–	–
Town planning	6,293	4,612	29,537	27,856
Other community amenities	–	–	–	–
Total housing and community amenities	7,040	5,457	29,537	27,954
Water supplies	19,033	23,588	1,335	5,890
Sewerage services	9,412	20,397	1,597	12,582

Queanbeyan-Palerang Regional Council

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

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,378	239	37	(2,102)
Museums	41	–	–	(41)
Art galleries	–	–	–	–
Community centres and halls	1,472	271	–	(1,201)
Performing arts venues	1,920	1,684	–	(236)
Other performing arts	–	–	–	–
Other cultural services	481	23	–	(458)
Sporting grounds and venues	803	69	–	(734)
Swimming pools	2,481	1,322	–	(1,159)
Parks and gardens (lakes)	1,657	32	–	(1,625)
Other sport and recreation	6,213	167	–	(6,046)
Total recreation and culture	17,446	3,807	37	(13,602)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	847	1,155	–	308
Other mining, manufacturing and construction	116	–	–	(116)
Total mining, manufacturing and const.	963	1,155	–	192
Transport and communication				
Urban roads (UR) – local	5,069	188	11,817	6,936
Urban roads – regional	2,995	1,931	–	(1,064)
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	930	–	–	(930)
Bridges on SRR – local	109	–	–	(109)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	116	–	–	(116)
Footpaths	1,876	–	1,851	(25)
Aerodromes	–	–	–	–
Other transport and communication	13,697	7,436	1,931	(4,330)
Total transport and communication	24,792	9,555	15,599	362
Economic affairs				
Camping areas and caravan parks	8	29	–	21
Other economic affairs	1,224	285	–	(939)
Total economic affairs	1,232	314	–	(918)
Totals – functions	131,597	84,500	50,596	3,499
General purpose revenues ⁽¹⁾		42,962		42,962
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	131,597	127,462	50,596	46,461

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

(2) As reported in the Income Statement

Queanbeyan-Palerang Regional Council

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

\$'000		2018/19			2017/18			
		Palerang	Queanbeyan City	Queanbeyan- Palering Regional Council	Palerang	Queanbeyan City	Queanbeyan- Palering Regional Council	
Notional general income calculation ⁽¹⁾								
	Last year notional general income yield	a	8,987	25,896	34,883	8,798	24,373	33,171
	Plus or minus adjustments ⁽²⁾	b	75	571	646	45	1,088	1,133
	Notional general income	c = (a + b)	9,062	26,467	35,529	8,843	25,461	34,304
Permissible income calculation								
	Special variation percentage ⁽³⁾	d	0.00%	0.00%		0.00%	0.00%	
Or	rate peg percentage	e	2.30%	2.30%		1.50%	1.50%	
Or	crown land adjustment (incl. rate peg percentag	f	0.00%	0.00%		0.00%	0.00%	
	Less expiring special variation amount	g	–	–	–	–	–	–
	Plus special variation amount	h = d x (c – g)	–	–	–	–	–	–
Or	plus rate peg amount	i = c x e	208	609	817	133	382	515
Or	plus Crown land adjustment and rate peg amour	j = c x f	–	–	–	–	–	–
	Sub-total	k = (c + g + h + i + j)	9,270	27,076	36,346	8,976	25,843	34,819
	Plus (or minus) last year's carry forward total	l	2	5	7	8	(21)	(13)
	Less valuation objections claimed in the previous	m	(5)	(79)	(84)	–	–	–
	Sub-total	n = (l + m)	(3)	(74)	(77)	8	(21)	(13)
	Total permissible income	o = k + n	9,267	27,002	36,269	8,984	25,822	34,806
	Less notional general income yield	p	9,272	27,056	36,328	8,987	25,896	34,883
	Catch-up or (excess) result	q = o – p	(5)	(54)	(59)	(3)	(74)	(77)
	Plus income lost due to valuation objections clair	r	1	62	63	5	79	84
	Less unused catch-up ⁽⁵⁾	s	–	–	–	–	–	–
	Carry forward to next year	t = q + r – s	(4)	8	4	2	5	7

Queanbeyan-Palerang Regional Council

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

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a return (FDR) to administer this process.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Queanbeyan-Palerang Regional Council

To the Councillors of Queanbeyan-Palerang Regional Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

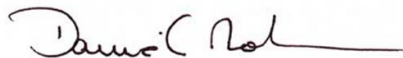
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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



David Nolan
Director, Financial Audit Services

30 October 2018
SYDNEY

Queanbeyan-Palerang Regional Council

Special Schedule 3 – Water Supply Income Statement

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

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,324	3,366
b. Engineering and supervision	1,741	151
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	322	784
b. Maintenance expenses	165	24
– Mains		
c. Operation expenses	304	661
d. Maintenance expenses	1,365	908
– Reservoirs		
e. Operation expenses	251	141
f. Maintenance expenses	134	16
– Pumping stations		
g. Operation expenses (excluding energy costs)	38	23
h. Energy costs	8	–
i. Maintenance expenses	51	24
– Treatment		
j. Operation expenses (excluding chemical costs)	141	266
k. Chemical costs	89	3
l. Maintenance expenses	–	16
– Other		
m. Operation expenses	273	44
n. Maintenance expenses	56	48
o. Purchase of water	13,106	13,437
3. Depreciation expenses		
a. System assets	1,528	2,085
b. Plant and equipment	43	27
4. Miscellaneous expenses		
a. Interest expenses	211	417
b. Revaluation decrements	–	–
c. Other expenses	26	14
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	21,176	22,455

Queanbeyan-Palerang Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges		
a. Access (including rates)	6,296	7,745
b. Usage charges	16,775	14,870
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	121	73
8. Extra charges	–	–
9. Interest income	536	570
10. Other income	380	543
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	91	97
c. Other grants	–	90
12. Contributions		
a. Developer charges	918	568
b. Developer provided assets	659	1,259
c. Other contributions	–	–
13. Total income	25,776	25,815
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	4,600	3,360
15a. Operating result (less grants for acquisition of assets)	4,600	3,360

Queanbeyan-Palerang Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	659	1,245
c. Renewals	2,583	593
d. Plant and equipment	–	–
17. Repayment of debt	468	506
18. Totals	<u>3,710</u>	<u>2,344</u>
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	19,455	18,610
b. Residential (unoccupied, ie. vacant lot)	898	663
c. Non-residential (occupied)	1,452	1,312
d. Non-residential (unoccupied, ie. vacant lot)	25	25
23. Number of ETs for which developer charges were received	95 ET	66 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 144,525	\$ 150,956

Queanbeyan-Palerang Regional Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	6,515	–	6,515
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	269	–	269
e. Sinking fund	–	–	–
f. Other	8,843	10,793	19,636
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	436	–	436
c. User charges	3,933	–	3,933
d. Other	776	–	776
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	108,730	108,730
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	<u>20,772</u>	<u>119,523</u>	<u>140,295</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	3,974	–	3,974
33. Borrowings	359	5,495	5,854
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>4,333</u>	<u>5,495</u>	<u>9,828</u>
36. NET ASSETS COMMITTED	<u>16,439</u>	<u>114,028</u>	<u>130,467</u>
EQUITY			
37. Accumulated surplus			122,659
38. Asset revaluation reserve			7,808
39. Other reserves			–
40. TOTAL EQUITY			<u>130,467</u>
Note to system assets:			
41. Current replacement cost of system assets			162,565
42. Accumulated current cost depreciation of system assets			(53,835)
43. Written down current cost of system assets			<u>108,730</u>

Queanbeyan-Palerang Regional Council

Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,264	1,352
b. Engineering and supervision	1,160	976
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	1,147	1,079
b. Maintenance expenses	669	1,325
– Pumping stations		
c. Operation expenses (excluding energy costs)	150	122
d. Energy costs	25	–
e. Maintenance expenses	1,356	352
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	2,261	1,962
g. Chemical costs	155	428
h. Energy costs	631	544
i. Effluent management	5	5
j. Biosolids management	37	27
k. Maintenance expenses	1,032	884
– Other		
l. Operation expenses	255	607
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	3,673	4,635
b. Plant and equipment	118	29
4. Miscellaneous expenses		
a. Interest expenses	367	544
b. Revaluation decrements	2,259	–
c. Other expenses	23	89
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	16,587	14,960

Queanbeyan-Palerang Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges (including rates)	15,904	16,735
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	74	569
8. Trade waste charges		
a. Annual fees	42	188
b. Usage charges	119	451
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,945	1,748
11. Other income	295	319
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	90	378
c. Other grants	–	–
13. Contributions		
a. Developer charges	2,927	569
b. Developer provided assets	2,199	50,242
c. Other contributions	–	–
14. Total income	<u>23,595</u>	<u>71,199</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>7,008</u>	<u>56,239</u>
16a. Operating result (less grants for acquisition of assets)	7,008	56,239

Queanbeyan-Palerang Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	2018	13/5/16 to 30/6/17
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	2,421	49,705
c. Renewals	6,410	2,651
d. Plant and equipment	–	–
18. Repayment of debt	244	323
19. Totals	9,075	52,679
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	18,192	18,155
b. Residential (unoccupied, ie. vacant lot)	1,017	663
c. Non-residential (occupied)	1,396	1,288
d. Non-residential (unoccupied, ie. vacant lot)	25	25
24. Number of ETs for which developer charges were received	128 ET	81 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 142,977	\$ 150,017

Queanbeyan-Palerang Regional Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	11,380	–	11,380
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	17,879	36,427	54,306
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	674	–	674
c. User charges	–	–	–
d. Other	840	–	840
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	163,055	163,055
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>30,773</u>	<u>199,482</u>	<u>230,255</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	397	–	397
34. Borrowings	256	8,116	8,372
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>653</u>	<u>8,116</u>	<u>8,769</u>
37. NET ASSETS COMMITTED	<u>30,120</u>	<u>191,366</u>	<u>221,486</u>
EQUITY			
38. Accumulated surplus			221,486
39. Asset revaluation reserve			–
40. Other reserves			–
41. TOTAL EQUITY			<u>221,486</u>
Note to system assets:			
42. Current replacement cost of system assets			248,410
43. Accumulated current cost depreciation of system assets			(85,355)
44. Written down current cost of system assets			<u>163,055</u>

Queanbeyan-Palerang Regional Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Queanbeyan-Palerang Regional Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	400	400	2,035	2,468	65,281	120,254	19%	42%	34%	5%	0%
	Sub-total	400	400	2,035	2,468	65,281	120,254	19.0%	42.0%	34.0%	5.0%	0.0%
Roads	Sealed roads	779	779	4,320	5,238	564,122	642,116	87%	7%	5%	1%	0%
	Bridges	7,029	7,029	–	–	40,230	70,147	18%	28%	44%	8%	2%
	Footpaths	3	3	163	198	25,931	35,797	45%	32%	21%	2%	0%
	Other road assets	92	92	–	–	32,828	55,908	37%	36%	26%	1%	0%
	Sub-total	7,903	7,903	4,483	5,436	663,111	803,968	75.6%	12.0%	10.6%	1.7%	0.2%
Water supply network	Water supply network	1,121	1,121	2,999	2,025	102,431	157,056	33%	37%	29%	1%	0%
	Sub-total	1,121	1,121	2,999	2,025	102,431	157,056	33.0%	37.0%	29.0%	1.0%	0.0%
Sewerage network	Sewerage network	5,407	5,407	4,967	3,355	156,883	240,168	52%	17%	21%	8%	3%
	Sub-total	5,407	5,407	4,967	3,355	156,883	240,168	52.0%	16.9%	21.0%	7.6%	2.5%

Queanbeyan-Palerang Regional Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	11,369	11,369	47	57	110,979	175,678	68%	22%	3%		7%
	Sub-total	11,369	11,369	47	57	110,979	175,678	68.0%	22.0%	3.0%	0.0%	7.0%
Open space/recreational assets	Swimming pools	2,040	2,040	–	–	2,104	11,576	0%	0%	82%	18%	0%
	Sub-total	2,040	2,040	–	–	2,104	11,576	0.0%	0.0%	82.0%	18.0%	0.0%
Park structures	Park Structure	355	355	101	123	26,866	30,365	44%	48%	7%	1%	0%
	Sub-total	355	355	101	123	26,866	30,365	44.0%	48.0%	7.0%	1.0%	0.0%
Waste	Waste Management	–	–	–	–	2,353	2,809	0%	100%	0%	0%	0%
	Sub-total	–	–	–	–	2,353	2,809	0.0%	100.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	28,595	28,595	14,632	13,464	1,130,008	1,541,874	61.0%	19.5%	15.5%	2.7%	1.3%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Queanbeyan-Palerang Regional Council

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

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>16,023</u>	81.01%	140.66%	>= 100%
Depreciation, amortisation and impairment	<u>19,778</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>28,595</u>	2.60%	2.89%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,100,789</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>13,464</u>	92.02%	67.26%	> 100%
Required asset maintenance	<u>14,632</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>28,595</u>	1.85%	2.11%	
Gross replacement cost	<u>1,541,874</u>			

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

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

Queanbeyan-Palerang Regional Council

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

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 75.51%</p> <p>Previous year QPRC utilised capital grants to fund asset renewal activities. 2017/18 allowed for a reduction in renewal activity whilst focussing on asset enhancements.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 2.60%</p> <p>Addressing the infrastructure backlog has continued to be a priority of QPRC. The increase in this ratio is largely as a result of an increase expenditure of asset enhancements and increase of gifted assets. Council endeavours to continue reducing this backlog in line with benchmark.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 92.02%</p> <p>QPRC is continuing to address the former Councils lower levels of asset maintenance. Through the Percy Allan review and development of the Long Term Financial, QPRC is planning to increase asset maintenance to the required levels within the next three years.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 1.85%</p> <p>QPRC is continuing to decrease the cost asset to an agreed service level through asset renewals. The decrease has been affected through the increasing efforts of asset enhancements and increased level of gifted assets.</p>