

The former Palerang Council

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

“a rural lifestyle between capital and coast”



The former Palerang Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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])	87
– On the Conduct of the Audit (Sect 417 [3])	89

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for the former Palerang Council.
- (ii) The former Palerang Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the Local Government Act 1993 (LGA).

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by Queanbeyan-Palerang Regional Council on 29 March 2017. Council has the power to amend and reissue these financial statements.
-

The former Palerang Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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 reporting period 1/7/15 to 12/5/16.

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 period, 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

This statement summarises Council's financial performance for the period, 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

This statement is an end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

This statement 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 financial statements are required to be audited by external accountants (that generally specialise in local government). 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.

The Former Palerang Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

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

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

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

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

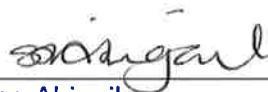
Signed in accordance with a resolution of Queanbeyan Palerang Regional Council made on 22 March 2017.



Tim Overall
Administrator



Peter Tegart
Interim General Manager



Sally-Jane Abigail
Responsible Accounting Officer

The former Palerang Council

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget ¹			Actual	Actual
1/7/15			1/7/15	1/7/14
to 30/6/16	\$ '000	Notes	to 12/5/16	to 30/6/15
Income from continuing operations				
Revenue:				
n/a	Rates and annual charges	3a	14,507 ²	14,745
n/a	User charges and fees	3b	14,139	10,994
n/a	Interest and investment revenue	3c	1,094	1,266
n/a	Other revenues	3d	452	569
n/a	Grants and contributions provided for operating purposes	3e,f	6,762 ³	5,911
n/a	Grants and contributions provided for capital purposes	3e,f	3,014	5,810
Other income:				
n/a	Net gains from the disposal of assets	5	—	231
n/a	Net share of interests in joint ventures and associates using the equity method	19	—	—
n/a	Total income from continuing operations		39,968	39,526
Expenses from continuing operations				
n/a	Employee benefits and on-costs	4a	9,748	9,984
n/a	Borrowing costs	4b	1,498	1,549
n/a	Materials and contracts	4c	13,015	10,838
n/a	Depreciation and amortisation	4d	6,626	6,953
n/a	Impairment	4d	—	—
n/a	Other expenses	4e	2,606	2,866
n/a	Net losses from the disposal of assets	5	169	—
n/a	Total expenses from continuing operations		33,662	32,190
n/a	Operating result from continuing operations		6,306	7,336
n/a	Net operating result for the period		6,306	7,336
n/a	Net operating result attributable to Council		6,306	7,336
n/a	Net operating result attributable to non-controlling interests		—	—
n/a	Net operating result for the period before grants and contributions provided for capital purposes		3,292	1,526
Alternative net operating result for the period before grants and contributions provided for capital purposes ⁴				
			2,175	1,526

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

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

³ Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

⁴ Alternative Net operating result before capital income if rates income had been pro rata'd for the period 1/7/15 - 12/5/16

The former Palerang Council

Statement of Comprehensive Income for the period 1 July 2015 to 12 May 2016

		Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
Net operating result for the period (as per Income Statement)		6,306	7,336
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	5,666	58,294
Total items which will not be reclassified subsequently to the operating result		5,666	58,294
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the period		5,666	58,294
Total comprehensive income for the period		11,972	65,630
Total comprehensive income attributable to Council		11,972	65,630
Total comprehensive income attributable to non-controlling interests		—	—

The former Palerang Council

Statement of Financial Position as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	8,320	11,135
Investments	6b	30,698	27,308
Receivables	7	5,373	3,028
Inventories	8	3	2
Other	8	—	—
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		44,394	41,473
Non-current assets			
Investments	6b	—	—
Receivables	7	—	—
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	619,808	609,419
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		619,808	609,419
TOTAL ASSETS		664,202	650,892
LIABILITIES			
Current liabilities			
Payables	10	6,765	5,388
Borrowings	10	1,485	959
Provisions	10	2,545	2,958
Total current liabilities		10,795	9,305
Non-current liabilities			
Payables	10	—	5
Borrowings	10	24,843	25,988
Provisions	10	5,243	4,245
Total non-current liabilities		30,086	30,238
TOTAL LIABILITIES		40,881	39,543
Net assets		623,321	611,349
EQUITY			
Retained earnings	20	166,122	159,816
Revaluation reserves	20	457,199	451,533
Council equity interest		623,321	611,349
Non-controlling equity interests		—	—
Total equity		623,321	611,349

The former Palerang Council

Statement of Changes in Equity for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
1/7/15 to 12/5/16						
Opening balance (as per last year's audited accounts)		159,816	451,533	611,349	—	611,349
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		159,816	451,533	611,349	—	611,349
c. Net operating result for the period		6,306	—	6,306	—	6,306
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	5,666	5,666	—	5,666
Other comprehensive income		—	5,666	5,666	—	5,666
Total comprehensive income (c&d)		6,306	5,666	11,972	—	11,972
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		166,122	457,199	623,321	—	623,321

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
1/7/14 to 30/6/15						
Opening balance (as per last year's audited accounts)		152,480	393,239	545,719	—	545,719
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		152,480	393,239	545,719	—	545,719
c. Net operating result for the year		7,336	—	7,336	—	7,336
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	58,294	58,294	—	58,294
Other comprehensive income		—	58,294	58,294	—	58,294
Total comprehensive income (c&d)		7,336	58,294	65,630	—	65,630
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the year		159,816	451,533	611,349	—	611,349

The former Palerang Council

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget ¹ 1/7/15 to 30/6/16 \$ '000		Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Cash flows from operating activities				
<u>Receipts:</u>				
n/a	Rates and annual charges		12,072	14,582
n/a	User charges and fees		17,783	13,699
n/a	Investment and interest revenue received		1,078	1,431
n/a	Grants and contributions		9,508	10,488
n/a	Bonds, deposits and retention amounts received		285	58
n/a	Other		1,507	2,354
<u>Payments:</u>				
n/a	Employee benefits and on-costs		(9,629)	(9,847)
n/a	Materials and contracts		(17,574)	(14,810)
n/a	Borrowing costs		(856)	(1,397)
n/a	Bonds, deposits and retention amounts refunded		(42)	–
n/a	Other		(1,334)	(2,568)
n/a	Net cash provided (or used in) operating activities	11b	12,798	13,990
Cash flows from investing activities				
<u>Receipts:</u>				
n/a	Sale of investment securities		42,647	34,100
n/a	Sale of infrastructure, property, plant and equipment		522	1,271
<u>Payments:</u>				
n/a	Purchase of investment securities		(46,037)	(27,308)
n/a	Purchase of infrastructure, property, plant and equipment		(12,040)	(15,369)
n/a	Net cash provided (or used in) investing activities		(14,908)	(7,306)
Cash flows from financing activities				
<u>Receipts:</u>				
n/a	Proceeds from borrowings and advances		–	2,225
<u>Payments:</u>				
n/a	Repayment of borrowings and advances		(705)	(838)
n/a	Net cash flow provided (used in) financing activities		(705)	1,387
n/a	Net increase/(decrease) in cash and cash equivalents		(2,815)	8,071
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	11,135	3,064
n/a	Cash and cash equivalents – end of reporting period	11a	8,320	11,135
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	30,698	27,308
	Total cash, cash equivalents and investments		39,018	38,443

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

Please refer to Note 11 for additional cash flow information.

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	29
2(b)	Council functions/activities – component descriptions	30
3	Income from continuing operations	31
4	Expenses from continuing operations	36
5	Gains or losses from the disposal of assets	39
6(a)	Cash and cash equivalent assets	40
6(b)	Investments	40
6(c)	Restricted cash, cash equivalents and investments – details	41
7	Receivables	43
8	Inventories and other assets	44
9(a)	Infrastructure, property, plant and equipment	45
9(b)	Externally restricted infrastructure, property, plant and equipment	46
9(c)	Infrastructure, property, plant and equipment – current period impairments	46 n/a
10(a)	Payables, borrowings and provisions	47
10(b)	Description of (and movements in) provisions	48
11	Statement of cash flows – additional information	49
12	Commitments for expenditure	51
13	Statement of performance measures:	
13a (i)	Local government industry indicators (consolidated)	52
13a (ii)	Local government industry graphs (consolidated)	53
13b	Local government industry indicators (by fund)	55
14	Investment properties	56 n/a
15	Financial risk management	56
16	Material budget variations	59 n/a
17	Statement of developer contributions	60
18	Contingencies and other liabilities/assets not recognised	65
19	Interests in other entities	67 n/a
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	67
21	Financial result and financial position by fund	68
22	'Held for sale' non-current assets and disposal groups	70 n/a
23	Events occurring after the reporting date	70
24	Discontinued operations	71 n/a
25	Intangible assets	71 n/a
26	Reinstatement, rehabilitation and restoration liabilities	71
27	Fair value measurement	72

Additional council disclosures

28	Council information and contact details	86
----	---	----

n/a – not applicable

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

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

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

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

- The business of the Council is continuing through the Queanbeyan-Palerang Regional Council

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

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

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

(ii) Estimated fair values of investment properties

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

(iv) Estimated remediation provisions.

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

(b) Revenue recognition

Income recognition as a result of Council's amalgamation

The former Palerang Council was amalgamated on 12 May 2016 with the former Queanbeyan City Council to form the new Queanbeyan-Palerang Regional Council.

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

The former Palerang Council has also recognised 100% of the Federal Assistance Grants (FAGs)

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured.

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

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

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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

Rates levies are recognised as revenue for the period 1 July to 30 June 2016. No adjustment have been made for rates not earned during the period 13/05/2016 to 30/06/2016 in accordance with a directive from the Office of Local Government.

Annual Charges are recognised as revenue proportionate to 1 July 2015 to 30 June 2016.

Rates relating to the period 13th May 2016 to 30th June 2016 are at the value of \$1.117 million.

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

Control over contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer. There are no contributed assets being recognised during the 1st July 2015 to 13th May 2016 financial year as revenue.

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

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

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

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

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

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water supply
- Sewerage service

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- Araluen Area Committee
- Braidwood National Theatre Community Centre
- Braidwood Gymnasium
- Braidwood Historic Old Cemetery
- Braidwood Recreation Ground
- Braidwood Saleyards
- Braidwood Showground Reserve Trust
- Bungendore Multi-purpose Hall
- Bungendore School of Arts
- Bungendore Town Centre and Environs
- Bungendore War Memorial
- Burra (Cargill Park)
- Canning Close Reserve
- Captains Flat Area Committee
- Carwoola /Stoney Creek Area
- Greenways
- Hoskinstown Hall
- Les Reardon Reserve
- Mick Sherd Oval Shed Committee
- Nerriga Sports Ground Reserve Trust
- Palerang Heritage Advisory
- Palerang Climate Change Committee
- Royalla Common
- Wamboin Community Hall

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is considered to be immaterial and is estimated to be approximately less than \$60,000 in a normal year.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(ii) The trust fund

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

Trust monies and property subject to Council's control have been included in these statements.

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

Leases of property, plant and equipment where the Council 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 lower of the fair value of the leased

property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed 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.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

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

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

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

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

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

(ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in

some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

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

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

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(iii) Types of investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

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

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

(i) Inventories

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

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

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

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

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

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

Acquisition of assets

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

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

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (internal valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)

The former Palerang Council

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

Note 1. Summary of significant accounting policies (continued)

- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (external / internal valuation)
- **Bulk earthworks** (external / internal valuation)
- **Stormwater drainage** (external / internal valuation)
- **Water and sewerage networks** (internal valuation)
- **Swimming pools** (internal valuation)
- **Other open space/recreational assets**
(external / internal valuation)
- **Other infrastructure** (external valuation)
- **Other assets**
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

Initial recognition

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future

economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset revaluations (including indexation)

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

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided by DPI Water.

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

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

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

Capitalisation thresholds

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

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (post 1/7/08 purchases)	100% Capitalised

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Plant and Equipment

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

Buildings and Land Improvements

Park Furniture and Equipment	> \$1,000
------------------------------	-----------

Building	
- construction/extensions	100% Capitalised
- renovations	> \$1,000

Other Structures	> \$1,000
------------------	-----------

Water and Sewer Assets

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

Stormwater Assets

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

Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs:	100% Capitalised

Bridge construction and reconstruction	> \$10,000
--	------------

Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

- Benches, seats etc	10 years
----------------------	----------

Buildings

- Buildings: various according to the type of structure and its componentisation.

Stormwater Drainage

- Drains	100 years
- Culverts	80 years

Transportation Assets

- Sealed Roads: Surface	20 years
- Sealed Roads: Structure	80 years
- Unsealed roads	10 years
- Bridges	20 to 100 years
- Kerb, Gutter and Paths	20 to 80 years

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	40 years
- Reticulation pipes: PVC	50 to 80 years
- Reticulation pipes: Other	15 to 80 years
- Pumps and telemetry	15 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	60 years
- Other Open Space/ Recreational Assets	15-100 years

Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's IPP and E include:

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 years
- Computer Equipment	4 years
- Vehicles	5 years
- Heavy Plant/Road Making equip.	10 years

Other Equipment

- Playground equipment	10 years
------------------------	----------

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

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

Disposal and derecognition

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Representations are currently being sought across state and local government to develop a consistent

accounting treatment for Crown Reserves across both tiers of government.

(o) Rural fire service assets

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

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

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

(p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Council does not hold any investment properties.

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

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

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

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation 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.

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 balance sheet 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 balance sheet 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 unwind 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.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

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

Council does not hold any Non-current assets (or disposal groups) 'held for sale'.

(s) Impairment of assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed to the income statement except for funds that have been utilised in construction of an asset.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the 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.

(x) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

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

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

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

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

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

(ii) Other long-term obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than

4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

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

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

The amount of additional contributions included in the total employer contribution advised above is \$72,215.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

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

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

principles of AASB 15 to income from certain transactions.

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

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

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

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

AASB16 – Leases

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

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

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

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

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

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

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

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

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

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

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

The amendments require:

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

(ac) Rounding of amounts

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

(ad) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items

The former Palerang Council

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

Note 1. Summary of significant accounting policies (continued)

and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(ae) Disclaimer

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget ¹ 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Original budget ¹ 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Original budget ¹ 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Governance	n/a	665	39	n/a	1,421	795	n/a	(756)	(756)	54	–	12,200	–
Community and Cultural	n/a	–	1,175	n/a	–	1,382	n/a	–	(207)	–	1,009	–	3,427
Infrastructure and Transport	n/a	–	22,944	n/a	–	17,503	n/a	–	5,441	–	1,086	–	618,734
Council Governance and Finance	n/a	–	893	n/a	–	9,692	n/a	–	(8,799)	–	–	–	26,786
Local Economy	n/a	–	1,006	n/a	–	609	n/a	–	397	–	140	–	325
Natural Environment	n/a	–	272	n/a	–	535	n/a	–	(263)	–	194	–	–
Recreation and Open Space	n/a	–	290	n/a	–	748	n/a	–	(458)	–	224	–	1,620
Rural and Urban Development	n/a	–	982	n/a	–	926	n/a	–	56	–	50	–	–
Administration	n/a	702	–	n/a	3,931	–	n/a	(3,229)	–	–	–	49,305	–
Public order and safety	n/a	437	–	n/a	769	–	n/a	(332)	–	406	–	–	–
Environment	n/a	4,107	–	n/a	3,908	–	n/a	199	–	139	–	5,522	–
Community services and education	n/a	321	–	n/a	92	–	n/a	229	–	106	–	–	–
Housing and community amenities	n/a	1,249	–	n/a	1,339	–	n/a	(90)	–	–	–	14,031	–
Water supplies	n/a	2,633	–	n/a	2,058	–	n/a	575	–	12	–	30,449	–
Sewerage services	n/a	3,144	–	n/a	2,318	–	n/a	826	–	12	–	39,099	–
Recreation and culture	n/a	617	–	n/a	1,203	–	n/a	(586)	–	525	–	910	–
Transport and communication	n/a	4,016	–	n/a	6,446	–	n/a	(2,430)	–	1,739	–	500,422	–
Economic affairs	n/a	10,077	–	n/a	10,177	–	n/a	(100)	–	9	–	12,264	–
Total functions and activities	n/a	27,968	27,601	n/a	33,662	32,190	n/a	(5,694)	(4,589)	3,002	2,703	664,202	650,892
General purpose income ²	n/a	12,000	11,925	n/a	–	–	n/a	12,000	11,925	3,024	3,042	–	–
Operating result from continuing operations	n/a	39,968	39,526	n/a	33,662	32,190	n/a	6,306	7,336	6,026	5,745	664,202	650,892

1. Original Budget disclosures are not required for these financial statements.

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

GOVERNANCE

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

COMMUNITY & CULTURAL

Heritage Activities, Library, Community Services, Out of School Hours Care, Fire and Emergency Services, Flood Mitigation, Public Conveniences, Cemeteries, Public Halls

INFRASTRUCTURE & TRANSPORT

Roads Maintenance and Construction, Car Parks, Drainage Maintenance and Construction, Waste Management, Water and Sewerage Services, Other Buildings.

COUNCIL GOVERNANCE & FINANCE

Administration, Information and Communication Technology, Risk Management, Employment Management and Welfare, Customer Services, Finance Operations, Revenue Generation, Fleet Management, Depot Operations, costs not otherwise attributed to other functions.

LOCAL ECONOMY

State Roads Maintenance Contract, Private Works, Saleyards, Other Business Activities.

NATURAL ENVIRONMENT

Environmental Services, Noxious Weeds Management

RECREATION AND OPEN SPACE

Swimming Pools, Parks and Recreation Management, Recreation Grounds, Impoundment Management and Operations

RURAL & URBAN DEVELOPMENT

Development and Building Operations, Strategic Landuse Planning

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations

		Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
(a) Rates and annual charges ^{1,2}			
Ordinary rates			
Residential		6,089	5,906
Farmland		2,187	2,149
Mining		23	16
Business		193	186
Total ordinary rates		8,492	8,257
Special rates			
Nil			
		Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		800	753
Water supply services		888	978
Sewerage services		1,909	2,098
Waste management services (non-domestic)		2,418	2,659
Total annual charges		6,015	6,488
TOTAL RATES AND ANNUAL CHARGES		14,507	14,745

¹ Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

² Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/05/16 to 30/06/16.

Had Council apportioned rates income across the 12/5/16 Proclamation date, then the following alternative income amounts would have been accounted for within these Statements:

Ordinary rates	7,375
Special rates	—
Annual charges	6,015
	13,390

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	1,052	881
Sewerage services	131	118
Waste management services (non-domestic)	35	32
Total user charges	1,218	1,031
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	472	474
Private works – section 67	43	179
Registration fees	17	8
Section 149 certificates (EPA Act)	41	45
Section 603 certificates	30	29
Town planning inspection fees	388	401
Total fees and charges – statutory/regulatory	991	1,136
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	47	52
Community centres	9	4
Hall rents	40	12
Lease rentals	46	77
Leaseback fees – Council vehicles	140	148
Library and art gallery	7	8
Park rents	17	13
Recycling income (non-domestic)	115	–
RMS (formerly RTA) charges (state roads not controlled by Council)	10,474	7,919
Saleyards	180	186
Swimming centres	62	47
Waste disposal tipping fees	762	292
Other	31	69
Total fees and charges – other	11,930	8,827
TOTAL USER CHARGES AND FEES	14,139	10,994

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)	80	86
– Interest earned on investments (interest and coupon payment income)	1,014	1,180
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,094</u>	<u>1,266</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	54	56
General Council cash and investments	430	570
Restricted investments/funds – external:		
Development contributions		
– Section 94	214	204
– Section 64	67	65
Water fund operations	138	150
Sewerage fund operations	191	221
<u>Total interest and investment revenue recognised</u>	<u>1,094</u>	<u>1,266</u>
(d) Other revenues		
Fines	31	22
Legal fees recovery – rates and charges (extra charges)	107	54
Commissions and agency fees	3	3
Diesel rebate	69	94
Fit for Future reimbursements	–	39
Insurance claim recoveries	68	141
Insurance incentives	54	72
Other reimbursements	7	20
Recycling income (non-domestic)	4	18
RFS reimbursements	3	21
Sales – general	45	5
Share dividends – Southern Phone	53	52
Other	8	28
<u>TOTAL OTHER REVENUE</u>	<u>452</u>	<u>569</u>

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
\$ '000				
(e) Grants				
General purpose (untied)				
Financial assistance – general component	1,645 ¹	1,654	–	–
Financial assistance – local roads component	1,310 ¹	1,317	–	–
Pensioners' rates subsidies – general component	69	71	–	–
Total general purpose	3,024	3,042	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	12	11	–	–
– Sewerage	12	12	–	–
– Domestic waste management	17	11	–	–
Sewerage services	–	–	74	75
Bushfire and emergency services	369	372	38	162
Community care	1	1	–	–
Community centres	–	–	22	–
Environmental protection	18	63	–	225
Health centre	–	–	57	373
Heritage and cultural	–	6	–	–
Library – per capita	55	55	–	–
Library – special projects	14	14	–	–
Noxious weeds	30	194	–	–
Public halls	25	25	–	–
Recreation and culture	–	–	456	224
Saleyards	–	–	9	140
Street lighting	19	19	–	–
Transport (roads to recovery)	1,774	621	–	–
Transport (other roads and bridges funding)	–	100	–	–
Total specific purpose	2,346	1,504	656	1,199
Total grants	5,370	4,546	656	1,199
Grant revenue is attributable to:				
– Commonwealth funding	4,729	3,592	27	373
– State funding	596	929	599	732
– Other funding	45	25	30	94
	5,370	4,546	656	1,199

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

		1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
\$ '000					
(f) Contributions					
Developer contributions:					
(s93 & s94 – EP&A Act, s64 of the LGA):					
S 94 – contributions towards amenities/services		–	–	1,019	2,150
S 64 – water supply contributions		–	–	342	377
S 64 – sewerage service contributions		–	–	428	492
Total developer contributions	17	–	–	1,789	3,019
Other contributions:					
RMS contributions (regional roads, block grant)		1,392	1,365	569	1,592
Total other contributions		1,392	1,365	569	1,592
Total contributions		1,392	1,365	2,358	4,611
TOTAL GRANTS AND CONTRIBUTIONS		6,762	5,911	3,014	5,810

		Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000			
(g) Restrictions relating to grants and contributions			
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:			
Unexpended at the close of the previous reporting period		9,920	8,873
Add: grants and contributions recognised in the current period but not yet spent:		3,028	2,430
Less: grants and contributions recognised in a previous reporting period now spent:		(2,685)	(1,383)
Net increase (decrease) in restricted assets during the period		343	1,047
Unexpended and held as restricted assets		10,263	9,920
Comprising:			
– Specific purpose unexpended grants		966	563
– Developer contributions		9,297	9,357
		10,263	9,920

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000		
Notes		
(a) Employee benefits and on-costs		
Salaries and wages	7,309	7,671
Travel expenses	1	2
Employee leave entitlements (ELE)	1,446	1,547
Superannuation	815	910
Workers' compensation insurance	418	331
Fringe benefit tax (FBT)	84	136
Payroll tax	10	8
Training costs (other than salaries and wages)	103	132
Protective clothing	39	38
Other	4	11
Total employee costs	10,229	10,786
Less: capitalised costs	(481)	(802)
TOTAL EMPLOYEE COSTS EXPENSED	9,748	9,984
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016	117	120
Number of 'full-time equivalent' employees (FTE) at 12/5/2016 (incl. vacancies)	123	–
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	1,334	1,397
Total interest bearing liability costs expensed	1,334	1,397
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	78	52
Interest applicable on interest free (and favourable) loans to Council	86	100
Total other borrowing costs	164	152
TOTAL BORROWING COSTS EXPENSED	1,498	1,549
(c) Materials and contracts		
Raw materials and consumables	2,826	3,467
Contractor and consultancy costs	9,915	7,192
– Contractor and consultancy costs (Internal Audit Services)	17	–
Auditors remuneration ⁽¹⁾	61	32
Legal expenses:		
– Legal expenses: planning and development	123	35
– Legal expenses: other	43	78
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾	30	34
TOTAL MATERIALS AND CONTRACTS	13,015	10,838
(continued on the next page...)		

(continued on the next page...)

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

		Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes		
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		61	32
Remuneration for audit and other assurance services		61	32
Total Auditor remuneration		61	32
2. Operating lease payments are attributable to:			
Computers and printers		30	34
		30	34

	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
\$ '000					
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	1,030	1,174
Office equipment		—	—	302	315
Furniture and fittings		—	—	3	4
Land improvements (depreciable)		—	—	1	1
Infrastructure:					
– Buildings – non-specialised		—	—	16	14
– Buildings – specialised		—	—	525	520
– Other structures		—	—	83	73
– Roads		—	—	2,382	2,903
– Bridges		—	—	441	248
– Footpaths		—	—	39	43
– Stormwater drainage		—	—	63	69
– Water supply network		—	—	510	577
– Sewerage network		—	—	733	829
– Swimming pools		—	—	45	48
– Other open space/recreational assets		—	—	56	69
Other assets					
– Library books		—	—	38	34
Asset reinstatement costs	9 & 26	—	—	359	32
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		—	—	6,626	6,953

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000	Notes	
(e) Other expenses		
Other expenses for the period include the following:		
Advertising	76	65
Bad and doubtful debts	—	49
Bank charges	46	54
Cleaning	100	118
Computer software charges	124	204
Contributions/levies to other levels of government		
– Emergency Services levy (includes FRNSW, SES, and RFS levies)	25	22
– NSW Fire Brigade levy	19	18
– NSW Rural Fire Service levy	308	302
– SEROC	16	15
– Q.C.C library	40	87
Councillor expenses – mayoral fee	21	25
Councillor expenses – councillors' fees	89	105
Councillors' expenses (incl. mayor) – other (excluding fees above)	11	31
Donations, contributions and assistance to other organisations (Section 356)	57	41
Electricity and heating	360	366
Insurance	532	573
Licence fees	—	6
Postage	41	41
Printing and stationery	72	80
Rent	37	42
Street lighting	62	80
Subscriptions and publications	66	81
Telephone and communications	450	407
Valuation fees	54	54
TOTAL OTHER EXPENSES	2,606	2,866

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
Property (excl. investment property)			
Proceeds from disposal – property		–	388
Less: carrying amount of property assets sold/written off		–	(283)
Net gain/(loss) on disposal		–	105
Plant and equipment			
Proceeds from disposal – plant and equipment		522	883
Less: carrying amount of plant and equipment assets sold/written off		(488)	(757)
Net gain/(loss) on disposal		34	126
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(203)	–
Net gain/(loss) on disposal		(203)	–
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		42,647	34,100
Less: carrying amount of financial assets sold/redeemed/matured		(42,647)	(34,100)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(169)	231

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

		12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
\$ '000	Notes				
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		3,519	–	4,413	–
Cash-equivalent assets ¹					
– Deposits at call		2,774	–	660	–
– Short-term deposits		2,027	–	6,062	–
Total cash and cash equivalents		8,320	–	11,135	–
Investments (Note 6b)					
– Long term deposits		30,698	–	27,308	–
Total investments		30,698	–	27,308	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		39,018	–	38,443	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		8,320	–	11,135	–
---	--	--------------	----------	---------------	----------

Investments

b. 'Held to maturity'	6(b-i)	30,698	–	27,308	–
Investments		30,698	–	27,308	–

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at beginning of period		27,308	–	34,100	–
Additions		46,037	–	27,308	–
Disposals (sales and redemptions)		(42,647)	–	(34,100)	–
Balance at end of period		30,698	–	27,308	–

Comprising:

– Long term deposits		30,698	–	27,308	–
Total		30,698	–	27,308	–

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	39,018	–	38,443	–
attributable to:				
External restrictions (refer below)	25,445	–	24,943	–
Internal restrictions (refer below)	11,867	–	12,545	–
Unrestricted	1,706	–	955	–
	39,018	–	38,443	–

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	746	–	(215)	531
Specific purpose unexpended loans – water (A)	603	–	(319)	284
External restrictions – included in liabilities	1,349	–	(534)	815

External restrictions – other

Developer contributions – general (D)	7,232	1,234	(591)	7,875
Developer contributions – water fund (D)	493	359	(571)	281
Developer contributions – sewer fund (D)	1,632	477	(968)	1,141
Specific purpose unexpended grants (F)	563	503	(553)	966
Water supplies (G)	3,820	–	(32)	3,915
Water supplies – asset renewal (G)	877	–	(62)	815
Sewerage services (G)	5,048	467	–	5,515
Sewerage services – asset renewal (G)	2,062	–	–	2,062
Domestic waste management (G)	450	–	(10)	440
Sale of land for unpaid rates	441	12	–	453
CBRJO (SERO)	965	230	(39)	1,156
Other	11	–	–	11
External restrictions – other	23,594	3,282	(2,826)	24,630
Total external restrictions	24,943	3,282	(3,360)	25,445

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

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

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

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,985	–	–	1,985
Infrastructure replacement	2,370	771	(1,024)	2,117
Employees leave entitlement	1,850	–	–	1,850
Carry over works	1,127	366	(971)	522
Computer and IT services	500	–	(39)	461
Elections	76	26	–	102
Fire services	20	–	–	20
Flood mitigation	135	–	–	135
Interest Equalisation	–	90	–	90
Merger Savings	–	49	–	49
Planning	30	–	–	30
Property development	456	–	(59)	397
Saleyards capital improvements	17	–	–	17
State of environment	10	–	–	10
Waste management non-domestic	2,705	–	(31)	2,674
Waste management non-domestic asset renewals	626	–	(126)	500
Deposits bonds and retentions	527	270	–	797
Private works	111	–	–	111
Total internal restrictions	12,545	1,572	(2,250)	11,867
TOTAL RESTRICTIONS	37,488	4,854	(5,610)	37,312

The former Palerang Council

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

Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Purpose					
Rates and annual charges		3,407 ¹	—	983	—
Interest and extra charges		216	—	172	—
User charges and fees		669	—	1,452	—
Accrued revenues					
– Interest on investments		253	—	281	—
– Other income accruals		515	—	—	—
Government grants and subsidies		370	—	25	—
Net GST receivable		—	—	178	—
Other debtors		—	—	6	—
Total		5,430	—	3,097	—
Less: provision for impairment					
Rates and annual charges		(49)	—	(60)	—
Interest and extra charges		(5)	—	(5)	—
User charges and fees		(3)	—	(4)	—
Total provision for impairment – receivables		(57)	—	(69)	—
TOTAL NET RECEIVABLES		5,373	—	3,028	—
Externally restricted receivables					
Water supply					
– Rates and availability charges		236	—	73	—
– Other		389	—	164	—
Sewerage services					
– Rates and availability charges		530	—	170	—
– Other		50	—	24	—
Domestic waste management		212	—	52	—
Total external restrictions		1,417	—	483	—
Internally restricted receivables					
Nil					
Unrestricted receivables		3,956	—	2,545	—
TOTAL NET RECEIVABLES		5,373	—	3,028	—

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

Notes on debtors above:

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

The former Palerang Council

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

Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		3	–	2	–
Total inventories at cost		3	–	2	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>3</u>	<u>–</u>	<u>2</u>	<u>–</u>

(b) Other assets Nil

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures

Inventory write downs

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

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

The former Palerang Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 12/5/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	2,702	–	–	–	2,702	7,327	2,609	–	–	(762)	–	–	11,868	–	–	–	11,868
Plant and equipment	–	11,332	5,167	–	6,165	–	1,583	(488)	(1,030)	–	–	–	–	12,040	5,811	–	6,229
Office equipment	–	2,766	1,891	–	875	–	–	–	(302)	225	–	–	–	2,991	2,193	–	798
Furniture and fittings	–	294	262	–	32	–	–	–	(3)	–	–	–	–	294	265	–	29
Land:																	
– Operational land	–	12,264	–	–	12,264	–	–	–	–	–	(502)	–	–	11,762	–	–	11,762
– Community land	–	14,031	–	–	14,031	–	–	–	–	–	47	4,915	–	18,983	–	–	18,983
– Land under roads (post 30/6/08)	–	289	–	–	289	–	–	–	–	–	455	–	–	744	–	–	744
Land improvements – depreciable	–	39	3	–	36	–	–	–	(1)	–	–	–	–	40	5	–	35
Infrastructure:																	
– Buildings – non-specialised	–	396	231	–	165	–	–	–	(16)	–	–	–	–	396	247	–	149
– Buildings – specialised	–	27,543	10,272	–	17,271	–	–	–	(525)	–	–	–	–	27,543	10,797	–	16,746
– Other structures	–	3,868	706	–	3,162	–	–	–	(83)	–	–	–	–	3,868	789	–	3,079
– Roads	–	155,591	45,578	–	110,013	–	–	(203)	(2,382)	537	–	–	–	155,704	47,722	–	107,982
– Bridges	–	48,990	23,209	–	25,781	–	–	–	(441)	–	–	–	–	48,990	23,650	–	25,340
– Footpaths	–	3,213	685	–	2,528	–	–	–	(39)	–	–	–	–	3,213	724	–	2,489
– Bulk earthworks (non-depreciable)	–	354,193	–	–	354,193	–	–	–	–	–	–	–	–	354,194	–	–	354,194
– Stormwater drainage	–	7,233	2,042	–	5,191	–	–	–	(63)	–	–	–	–	7,233	2,105	–	5,128
– Water supply network	–	39,538	15,813	–	23,725	–	–	–	(510)	–	–	235	–	39,773	16,323	–	23,450
– Sewerage network	–	42,398	13,240	–	29,158	–	–	–	(733)	–	–	516	–	42,914	13,973	–	28,941
– Swimming pools	–	2,886	2,068	–	818	–	–	–	(45)	–	–	–	–	2,886	2,113	–	773
– Other open space/recreational assets	–	1,683	881	–	802	–	–	–	(56)	–	–	–	–	1,683	937	–	746
Other assets:																	
– Library books	–	297	157	–	140	–	33	–	(38)	–	–	–	–	330	195	–	135
Reinstatement, rehabilitation and restoration assets (refer Note 26):																	
– Tip assets	–	3,502	3,424	–	78	–	488	–	(359)	–	–	–	–	3,992	3,784	–	208
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,702	732,346	125,629	–	609,419	7,327	4,713	(691)	(6,626)	–	–	5,666	11,868	739,573	131,633	–	619,808

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000 Class of asset	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	2,074	–	–	2,074	–	–	–	–
Land								
– Operational land	–	832	–	832	–	832	–	832
Buildings	–	1,336	118	1,218	–	1,337	95	1,242
Infrastructure	–	39,773	16,323	23,450	–	40,617	15,813	24,804
Total water supply	2,074	41,941	16,441	27,574	–	42,786	15,908	26,878
Sewerage services								
WIP	1,951	–	–	1,951	–	–	–	–
Land								
– Operational land	–	1,359	–	1,359	–	1,359	–	1,359
Buildings	–	1,117	150	967	–	1,117	131	986
Infrastructure	–	42,914	13,973	28,941	–	43,258	13,240	30,018
Total sewerage services	1,951	45,390	14,123	33,218	–	45,734	13,371	32,363
TOTAL RESTRICTED I,PP&E	4,025	87,331	30,564	60,792	–	88,520	29,279	59,241

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

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

The former Palerang Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Payables					
Goods and services – operating expenditure		805	–	2,772	–
Payments received in advance		1,644	–	122	–
Accrued expenses:					
– Borrowings		478	–	–	–
– Salaries and wages		158	–	147	5
– Other expenditure accruals		1,673	–	132	–
ATO – net GST payable		61	–	–	–
CBRJO (SERO)C		681	–	965	–
Overpaid rates		–	–	232	–
Payable to other councils		23	–	23	–
Proceeds from sale of land for unpaid rates		440	–	441	–
Security bonds, deposits and retentions		797	–	554	–
Other		5	–	–	–
Total payables		6,765	–	5,388	5
Borrowings					
Loans – secured ¹		1,485	24,843	959	25,988
Total borrowings		1,485	24,843	959	25,988
Provisions					
Employee benefits:					
Annual leave		898	–	816	–
Long service leave		1,607	229	1,668	145
Other leave (TIL & RDOs)		40	–	–	–
Sub-total – aggregate employee benefits		2,545	229	2,484	145
Asset remediation/restoration (future works)	26	–	5,014	474	4,100
Total provisions		2,545	5,243	2,958	4,245
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		10,795	30,086	9,305	30,238
(i) Liabilities relating to restricted assets					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Externally restricted assets					
Water		851	6,208	507	6,623
Sewer		711	8,530	219	8,847
CBRJO (SERO)C		681	–	965	–
Sale of land unpaid rates		440	–	441	–
Unexpended water fund loan		284	–	603	–
Other		3	–	–	–
Liabilities relating to externally restricted assets		2,970	14,738	2,735	15,470
Total liabilities relating to restricted assets		2,970	14,738	2,735	15,470
Total liabilities relating to unrestricted assets		7,825	15,348	6,570	14,768
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		10,795	30,086	9,305	30,238

¹ Loans are secured over the general rating income of Council

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

	Actual 12/5/16	Actual 30/6/15
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,448	1,629
Payables – security bonds, deposits and retentions	650	400
	2,098	2,029

Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16				Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	816	590	(528)	20	–	898
Long service leave	1,813	110	(125)	38	–	1,836
Other leave (TIL & RDOs)	–	71	(32)	1	–	40
Asset remediation	4,574	488	(126)	78	–	5,014
TOTAL	7,203	1,259	(811)	137	–	7,788

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	8,320	11,135
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		8,320	11,135
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,306	7,336
Adjust for non-cash items:			
Depreciation and amortisation		6,626	6,953
Net losses/(gains) on disposal of assets		169	(231)
Non-cash capital grants and contributions		–	(1,421)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		86	100
Unwinding of discount rates on reinstatement provisions		78	52
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,333)	1,724
Increase/(decrease) in provision for doubtful debts		(12)	50
Decrease/(increase) in inventories		(1)	–
Decrease/(increase) in other assets		–	5
Increase/(decrease) in payables		(1,967)	(1,481)
Increase/(decrease) in accrued interest payable		478	–
Increase/(decrease) in other accrued expenses payable		1,547	(37)
Increase/(decrease) in other liabilities		1,314	1,135
Increase/(decrease) in employee leave entitlements		145	141
Increase/(decrease) in other provisions		362	(336)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,798	13,990

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(c) Non-cash investing and financing activities			
Other dedications		–	1,421
Total non-cash investing and financing activities		–	1,421
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		1,000	1,000
Credit cards/purchase cards		50	50
Total financing arrangements		1,050	1,050
Amounts utilised as at balance date:			
– Credit cards/purchase cards		24	21
Total financing arrangements utilised		24	21

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Braidwood recreation ground amenities		—	893
Braidwood reservoir		—	254
Bungendore STP refurbishment		95	239
Reservoirs upgrades		1	295
Braidwood Reservoir – Supervision		2	—
Roads – Quarry Products/Resurfacing		2,238	—
Organic Waste Disposal		56	—
Total commitments		2,392	1,681
These expenditures are payable as follows:			
Within the next year		2,392	1,681
Total payable		2,392	1,681
Sources for funding of capital commitments:			
Future grants and contributions		765	533
Sect 64 and 94 funds/reserves		766	534
Unexpended grants		227	160
Unexpended loans		502	354
New loans (to be raised)		132	100
Total sources of funding		2,392	1,681

(b) Finance lease commitments

Nil

(c) 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	15	15
Later than one year and not later than 5 years	20	35
Later than 5 years	—	—
Total non-cancellable operating lease commitments	35	50

b. Non-cancellable operating leases include the following assets:

Various computer equipment and photocopiers

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.

The former Palerang Council

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

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

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods	
			30/6/15	30/6/14
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3,461	9.37%	3.87%	-9.40%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	36,954			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	30,192	75.54%	70.17%	76.88%
Total continuing operating revenue ⁽¹⁾	39,968			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	17,532	3.06x	3.53x	2.70x
Current liabilities less specific purpose liabilities ^(3, 4)	5,727			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	11,585	5.26x	4.10x	3.68x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,203			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	3,569	22.61%	6.91%	5.94%
Rates, annual and extra charges collectible	15,784			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	39,018	15.53 mths	15.7 mths	17.9 mths
Payments from cash flow of operating and financing activities	2,512			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

The former Palerang Council

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

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

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 9.37%</p> <p>Council's Operating Performance ratio has increased in 2015/16 to 9.37 % from - 3.87% in 2014/15. This is mainly due to Rates and annual chargers has recognised for full 52 weeks while expence was incurred for 46 weeks.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 75.54%</p> <p>With a ratio of 75.54%, Council's ability to generate its own sources of funding from rates and user fees is sound and in excess of the NSW Treasury Corporations benchmark of 60%. This ratio has remained consistent throughout the comparative years.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 3.06x</p> <p>This ratio indicates that Council currently has \$3.06 of unrestricted assets available to service every \$1.00 of debt as it falls due. A ratio of 3.06 is considered sound and clearly demonstrates Council's ability to satisfy short term obligations. This ratio has been consistently above the minimum requirements of 1.50.</p>

The former Palerang Council

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

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

<p>4. Debt service cover ratio</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 5.26x</p> <p>With a ratio of 5.26 x, Council's ability to generate sufficient cash to cover its debt payments is sound and is above the NSW Treasury Corporations benchmark of 2.00x.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Benchmark: — Maximum $< 10.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 22.61%</p> <p>This ratio indicates the percentage of outstanding Rates & Annual Charges at the end of the financial year. This ratio has increase from 6.91% in 2014/15 to 22.61% in 2015/16. This is primarily due to Council's 4th instalment of rates was due on 30th May 2016 that occurred after the close of Financial Statements being 12th May 2016.</p>
<p>6. Cash expense cover ratio</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 15.53 mths</p> <p>As indicated with the ratio of 15.53 months, Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and is in excess of the NSW Treasury Corporations benchmark of 3.00 months.</p>

The former Palerang Council

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

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

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁵ 12/5/16
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3.74%	1.02%	10.34%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: -5.34%	1.63%	4.71%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	85.77%	81.93%	74.28%
Total continuing operating revenue ⁽¹⁾	prior period: 83.95%	81.24%	68.17%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	6.29x	11.47x	3.06x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 9.73x	33.35x	3.53x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	1.43x	2.15x	7.78x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 1.00x	1.90x	7.93x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	26.19%	27.58%	21.63%
Rates, annual and extra charges collectible	prior period: 8.52%	8.38%	6.51%
6. Cash expense cover ratio			
Current period's cash and cash equivalents plus all term deposits	8.96 mths	22.70 mths	15.54 mths
Payments from cash flow of operating and financing activities	prior period: 35.84 mths	57.01 mths	11.17 mths

Notes

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

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

The former Palerang Council

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
Financial assets				
Cash and cash equivalents	8,320	11,135	8,320	11,135
Investments				
– 'Held to maturity'	30,698	27,308	30,698	27,308
Receivables	5,373	3,028	5,373	3,028
Total financial assets	44,391	41,471	44,391	41,471
Financial liabilities				
Payables	5,121	5,271	5,121	5,271
Loans/advances	26,328	26,947	26,328	26,947
Total financial liabilities	31,449	32,218	31,449	32,218

Fair value is determined as follows:

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

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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 seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
1/7/15 to 12/5/16				
Possible impact of a 1% movement in interest rates	390	390	(390)	(390)
1/7/14 to 30/6/15				
Possible impact of a 1% movement in interest rates	384	384	(384)	(384)

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

		12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		0%	62%	0%	98%
Overdue		100%	38%	100%	2%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	–	1,278	–	2,067
< 1 year overdue	0 – 30 days overdue	3,407	692	983	18
1 – 2 years overdue	30 – 60 days overdue	–	–	–	3
2 – 5 years overdue	60 – 90 days overdue	–	6	–	26
> 5 years overdue	> 90 days overdue	–	47	–	–
		3,407	2,023	983	2,114
(iii) Movement in provision for impairment of receivables					
				12/5/16	30/6/15
Balance at the beginning of the period				69	19
+ new provisions recognised during the period				–	52
– amounts already provided for and written off this period				(12)	–
– amounts provided for but recovered during the period				–	(2)
Balance at the end of the period				57	69

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	797	4,524	–	–	–	–	–	5,321	5,121
Loans and advances	–	3,161	2,365	2,357	2,359	2,321	27,875	40,438	26,328
Total financial liabilities	797	7,685	2,365	2,357	2,359	2,321	27,875	45,759	31,449
1/7/14 to 30/6/15									
Trade/other payables	554	4,717	–	–	–	–	–	5,271	5,271
Loans and advances	–	2,363	2,362	2,365	2,357	2,349	33,853	45,649	26,947
Total financial liabilities	554	7,080	2,362	2,365	2,357	2,349	33,853	50,920	32,218

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

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	5,121	0.00%	5,271	0.00%
Loans and advances – fixed interest rate	26,328	5.37%	26,947	5.30%
	<u>31,449</u>		<u>32,218</u>	

Note 16. Material budget variations

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,792	433	—	83	(525)	—	2,783	—
Community facilities	1,475	120	—	43	(34)	—	1,604	—
Bushfire	209	4	—	6	—	—	219	—
Waste management	248	4	—	6	—	—	258	—
Rural addressing	17	—	—	1	—	—	18	—
Recreation facilities	476	104	—	14	—	—	594	—
Pathway	27	46	—	1	—	—	74	—
Street upgrade	391	162	—	13	—	—	566	—
S94 contributions – under a plan	5,635	873	—	167	(559)	—	6,116	—
Total S94 revenue under plans	5,635	873	—	167	(559)	—	6,116	—
S94 not under plans	1,540	146	—	45	(31)	—	1,700	—
S93F planning agreements	57	—	—	2	—	—	59	—
S64 contributions	2,125	770	—	67	(1,540)	—	1,422	—
Total contributions	9,357	1,789	—	281	(2,130)	—	9,297	—

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	1,204	116	–	35	(34)	–	1,321	–
Total	1,204	116	–	35	(34)	–	1,321	–

CONTRIBUTION PLAN NUMBER 2

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	885	114	–	26	(220)	–	805	–
Total	885	114	–	26	(220)	–	805	–

CONTRIBUTION PLAN NUMBER 3

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	271	4	–	8	–	–	283	–
Total	271	4	–	8	–	–	283	–

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 5

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1,773	236	–	53	(302)	–	1,760	–
Bushfire	209	4	–	6	–	–	219	–
Waste management	234	4	–	6	–	–	244	–
Rural addressing	17	–	–	1	–	–	18	–
Total	2,233	244	–	66	(302)	–	2,241	–

CONTRIBUTION PLAN NUMBER 6 Goulburn

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Waste management	14	–	–	–	–	–	14	–
Total	14	–	–	–	–	–	14	–

CONTRIBUTION PLAN NUMBER 7 Bungendore Recreation Facilities

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Recreation facilities	476	104	–	14	–	–	594	–
Total	476	104	–	14	–	–	594	–

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 8 Bungendore Pathway Network

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Pathway	27	46	–	1	–	–	74	–
Total	27	46	–	1	–	–	74	–

CONTRIBUTION PLAN NUMBER 9 Bungendore Street Upgrade

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Street upgrade	391	162	–	13	–	–	566	–
Total	391	162	–	13	–	–	566	–

CONTRIBUTION PLAN NUMBER Former Mulwaree Shire Council S94 Plan

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	44	6	–	1	–	–	51	–
Total	44	6	–	1	–	–	51	–

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 10 Kings Highway Culvert

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	90	77	–	3	(3)	–	167	–
Total	90	77	–	3	(3)	–	167	–

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1,453	146	–	43	(28)	–	1,614	–
Parking	50	–	–	1	(3)	–	48	–
Community facilities	37	–	–	1	–	–	38	–
Total	1,540	146	–	45	(31)	–	1,700	–

The former Palerang Council

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

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 12/5/2016 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

(iii) 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.

(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 end of period, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

The former Palerang Council

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

Note 19. Interests in other entities

\$ '000

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

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		159,816	152,480
a. Net operating result for the period		6,306	7,336
Balance at end of the reporting period		<u>166,122</u>	<u>159,816</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		457,199	451,533
Total		<u>457,199</u>	<u>451,533</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		451,533	393,239
– Revaluations for the period	9(a)	5,666	58,294
– Balance at end of period		<u>457,199</u>	<u>451,533</u>
TOTAL VALUE OF RESERVES		<u>457,199</u>	<u>451,533</u>

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(d) Voluntary changes in accounting policies

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges ²	888	1,909	11,710
User charges and fees	1,083	152	12,904
Interest and investment revenue	156	240	698
Other revenues	–	30	422
Grants and contributions provided for operating purposes	11	11	6,740
Grants and contributions provided for capital purposes	342	502	2,170
Other income			
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	2,480	2,844	34,644
Expenses from continuing operations			
Employee benefits and on-costs	335	283	9,130
Borrowing costs	381	486	631
Materials and contracts	685	670	11,660
Depreciation and amortisation	534	752	5,340
Impairment	–	–	–
Other expenses	123	127	2,356
Net losses from the disposal of assets	–	–	169
Total expenses from continuing operations	2,058	2,318	29,286
Operating result from continuing operations	422	526	5,358
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the period	422	526	5,358
Net operating result attributable to each council fund	422	526	5,358
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the period before grants and contributions provided for capital purposes	80	24	3,188

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

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

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

The former Palerang Council

Notes to the Financial Statements

as at 12 May 2016

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

Statement of Financial Position by fund \$ '000	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	1,381	3,203	3,736
Investments	3,914	5,515	21,269
Receivables	625	580	4,168
Inventories	—	—	3
Other	—	—	—
Non-current assets classified as 'held for sale'	—	—	—
Total current assets	5,920	9,298	29,176
Non-current assets			
Investments	—	—	—
Receivables	—	—	—
Inventories	—	—	—
Infrastructure, property, plant and equipment	27,574	33,218	559,016
Investments accounted for using the equity method	—	—	—
Investment property	—	—	—
Intangible assets	—	—	—
Total non-current assets	27,574	33,218	559,016
TOTAL ASSETS	33,494	42,516	588,192
LIABILITIES			
Current liabilities			
Payables	302	302	6,161
Borrowings	554	414	517
Provisions	—	—	2,545
Total current liabilities	856	716	9,223
Non-current liabilities			
Payables	—	—	—
Borrowings	6,203	8,525	10,115
Provisions	—	—	5,243
Total non-current liabilities	6,203	8,525	15,358
TOTAL LIABILITIES	7,059	9,241	24,581
Net assets	26,435	33,275	563,611
EQUITY			
Retained earnings	18,973	23,589	123,560
Revaluation reserves	7,462	9,686	440,051
Total equity	26,435	33,275	563,611

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

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 29/03/17.

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

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

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

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

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

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

Amalgamation of operations for the former Palerang Council to form Queanbeyan-Palerang Regional Council

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Palerang Council would be amalgamated with other Council/s to form the new council Queanbeyan-Palerang Regional Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Palerang Council to Queanbeyan-Palerang Regional Council on 13 May 2016.

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

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

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

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

The former Palerang Council

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

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

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

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	Net Present Value of provision	
		12/5/16	30/6/15
Macs Reef landfill	2018	908	636
Bungendore landfill	2018	1,009	1,283
Braidwood landfill	2020	1,527	1,641
Majors Creek landfill	2020	532	523
Nerriga landfill	2020	506	491
Araluen landfill	2023	532	–
Balance at end of the reporting period	10(a)	5,014	4,574

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

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

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

Reconciliation of movement in provision for the period:	12/5/16	30/6/15
Balance at beginning of period	4,574	4,858
Amounts capitalised to new or existing assets:		
Araluen Landfill	488	–
Amortisation of discount (expensed to borrowing costs)	78	52
Expenditure incurred attributable to provisions	(126)	(336)
Total – reinstatement, rehabilitation and restoration provision	5,014	4,574

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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.

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach. Palerang Council use valuation techniques consistent with one or more of those approaches to measure fair value.

'Cost Approach' – A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach: A valuation technique that uses prices and other relevant information generated by the market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

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

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).

(continued on the next page...)

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
1/7/15 to 12/5/16		Level 1	Level 2	Level 3	Total
	Date of latest	Quoted prices in	Significant observable	Significant unobservable	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	12/05/16	—	—	6,229	6,229
Office equipment	12/05/16	—	—	798	798
Furniture and fittings	12/05/16	—	—	29	29
Operational land	30/06/13	—	—	11,762	11,762
Community land	12/05/16	—	—	18,983	18,983
Land under roads		—	—	744	744
Land improvements	30/06/11	—	—	35	35
Buildings – specialised	30/06/13	—	—	16,746	16,746
Buildings – non-specialised	30/06/13	—	—	149	149
Other structures	30/06/13	—	—	3,079	3,079
Roads	30/06/10	—	—	107,982	107,982
Bridges	30/06/10	—	—	25,340	25,340
Footpaths	30/06/10	—	—	2,489	2,489
Bulk earthworks	30/06/10	—	—	354,194	354,194
Stormwater drainage	30/06/10	—	—	5,128	5,128
Water supply network	12/05/16	—	—	23,450	23,450
Sewerage network	12/05/16	—	—	28,941	28,941
Swimming pools	30/06/13	—	—	773	773
Other open space/recreational assets	30/06/13	—	—	746	746
Library books	30/06/11	—	—	135	135
Tip assets	30/06/11	—	—	208	208
Total infrastructure, property, plant and equipment		—	—	607,940	607,940

The former Palerang Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
1/7/14 to 30/6/15		Level 1	Level 2	Level 3	Total
	Date of latest	Quoted prices in	Significant observable	Significant unobservable	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/14	—	—	6,165	6,165
Office equipment	30/06/14	—	—	875	875
Furniture and fittings	30/06/14	—	—	32	32
Operational land	30/06/13	—	—	12,264	12,264
Community land	30/06/11	—	—	14,031	14,031
Land under roads		—	—	289	289
Land improvements	30/06/11	—	—	36	36
Buildings – specialised	30/06/13	—	—	17,271	17,271
Buildings – non-specialised	30/06/13	—	—	165	165
Other structures	30/06/13	—	—	3,162	3,162
Roads	30/06/10	—	—	110,013	110,013
Bridges	30/06/10	—	—	25,781	25,781
Footpaths	30/06/10	—	—	2,528	2,528
Bulk earthworks	30/06/10	—	—	354,193	354,193
Stormwater drainage	30/06/10	—	—	5,191	5,191
Water supply network	30/06/14	—	—	23,725	23,725
Sewerage network	30/06/14	—	—	29,158	29,158
Swimming pools	30/06/13	—	—	818	818
Other open space/recreational assets	30/06/13	—	—	802	802
Library books	30/06/11	—	—	140	140
Tip assets	30/06/11	—	—	78	78
Total infrastructure, property, plant and equipment		—	—	606,717	606,717

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

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach, and the income approach. Young Shire Council use valuation techniques consistent with one or more of those approaches to measure fair value.

Cost Approach – A valuation technique that reflects the amount what could be required to replace the service capacity of an asset (current replacement cost).

Income Approach – Valuation technique that converts future amounts (cash flows inflows/outflows) to signal current (i.e. discounted) amount, The fair value measurement is determined on the basis if the value indicated by current market expectations about these future amounts.

Market Approach – A valuation technique that uses prices and other relevant information, generated by the market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

The Fair Valuation techniques Council has employed while utilising Level 3 inputs are as follows:

Financial Assets

Nil

Financial Liabilities

The loan liability is the value of the outstanding loan.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Infrastructure, Property, Plant & Equipment

Plant & Equipment

Council's Plant and equipment incorporates

- Major plants- Graders, Loaders, Rollers, Trucks , tractors, street sweepers
- Fleet Vehicles- Cars, Utes etc.
- Minor Plant – Pumps, Chainsaws, brush cutters, mowers, concrete mixers, movie projectors.

Council fair values plant and equipment using level 3 inputs. The observable Level 3 inputs used

- Quoted price for similar assets
- Purchase price
- Useful life of asset
- Current replacement Cost

The 'Cost Approach' is used to value Plant & Equipment

Furniture & Fittings

Council's Furniture & Fittings incorporates

- Furniture and fittings- Desks, Chairs, Display Systems

Council fair values furniture fittings using level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Furniture & Fittings.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Property, Office Equipment

Council's Office Equipment incorporates:

- Office Equipment, Telephone System, Projectors, fridges etc.
- Computer Equipment

Council fair values office equipment using level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

Infrastructure – Roads/Bulk Earthworks

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved makers parking places along side roadside.

Council's Road Asset Data contains detailed dimensions and specification for all Council roads.

Council fair values, road infrastructure using Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System.

Level of componentisation adopted by Council is in accordance with AASB 116, OLG Circular 09-09 and the Institute of Public Works Engineers International Infrastructure Management Manual (IIMM)

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Components

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

- Useful life and residual value
- Asset Condition
- Dimensions and Specification
- Remaining Life of Carriageway
- Unit Rates.

There were no changes in valuation technique from prior year.

Infrastructure - Bridges

A bridge is defined as all structures that convey a road, a footpath or a cycleway across any other physical feature (including waterways and other roads) but do not include culverts.

Council Road Asset Data contains detailed dimensions and specification for all Council's bridges.

Council fair values, bridges (non- componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of bridges takes into consideration the various type of structures such as:

- Bridge Deck/ Superstructure
- Bridge Abutments/Foundations
- Bridge rails and hand rails

There were no changes in valuation technique from prior year.

The 'Cost Approach' is used to values bridges.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Infrastructure - Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed. Council Road Asset Data contains detailed dimensions and specifications for all Council footpaths.

Council fair values, footpaths (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In additions, the value of footpaths takes into consideration the various type of structure such as:

- Length
- Construction Materials

The 'Cost Approach' is used to value footpaths.

Infrastructure - Drainage

Council's Drainage Assets comprises pits, pipes, urban culverts, open channels, headwalls used to collect and remove stormwater. Council carries fair values drainages assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Components
- Residual value

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition the value of drainage assets takes into consideration the various type of structure such as

- Pipe Diameter
- Pit Type
- Water Quality Device Type
- Culverts and Headwall constructions Type.

The 'Cost Approach' is used to value drainage assets.

Property: - Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land

Council carries fair values operational land by an External Valuer every 5 years (last valuation being 2013) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Land Area
- Rate per square Metre
- Planning and Other Restrictions
- Description of Land

The 'Market Approach' is used to value the Operational Land.

Property - Community Land

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979) This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Community Land:

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

In relation to Community Land the Division of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group, the Division has determined that community land may be valued as follows.

- The NSW Valuer General's valuations may be used under revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Council fair values community land using unbearable Level 3 inputs based on inputs on either the UCV(Unimproved Capital Value) provided by the valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Cost Approach' is used to value Community land.

Land Improvements

Council's Land improvements incorporates

- Sprinkler & Watering Systems
- Cemetery Irrigation

Council carries fair values of land reserves using level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Asset Condition
- Dimensions and Specification

The cost approach is used to value the land improvements

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Property- Buildings (Specialised and non-Specialised)

Council Buildings incorporates Council administration buildings, Libraries, Public Amenities, Sporting Club Houses, Kiosks and Amenities, Depot Buildings and workshops, Halls & Community Centres and Rural Fire Service Buildings.

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external Valuer, Scott Fullerton using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected and unit although rates based on square meters could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final value determination of fair value. As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful Life of an asset

The 'Cost Approach' is used to value specialised buildings

Other Structures, Swimming Pools, Open Space & Recreation:

Council's other structures incorporates the following types of assets;

- Significant single assets such as swimming pools, playgrounds, floodlighting system, tennis courts, tennis shelters, grandstands etc. and
- Aggregated lower value assets such as recreational / park infrastructures (picnic tables, seats, bollards, fences BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are under taken by Council Staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of Consumption

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Cost Approach” is used to value other structures

Water Supply Network

Council’s Water Supply Network incorporates:

- Water Lines
- Water Meters
- Pumping Stations
- Reservoirs
- Filtration Plants

Council carries fair value of water supply assets using Level 3 inputs. Such valuations are undertaken by Council Staff using the NSW Office of Water Reference Rates Manual.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Cost Approach” is used to value other structures

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Sewerage Network

Council's Sewerage Network incorporates:

- Sewer Lines
- Pump Stations
- Vent Stacks
- Sewer Treatment Plant
- Effluent Re-use scheme
- Telemetry System

Council carries fair value of water supply assets using Level 3 inputs. Such valuations are undertaken by Council Staff using the NSW Office of Water Reference Rates Manual.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Total
Opening balance – 1/7/14	542,328
Transfers from/(to) another asset class	
Purchases (GBV)	14,088
Disposals (WDV)	(1,040)
Depreciation and impairment	(6,953)
FV gains – other comprehensive income	58,294
Closing balance – 30/6/15	606,717
Purchases (GBV)	2,874
Disposals (WDV)	(691)
Depreciation and impairment	(6,626)
FV gains – other comprehensive income	5,666
Closing balance – 12/5/16	607,940

(5). Highest and best use

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

The former Palerang Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 28. Council information and contact details

Principal place of business:

10 Majara Street
BUNGENDORE NSW 2621

Contact details

Mailing address:

PO Box 348
BUNGENDORE NSW 2621

Opening hours:

Cashier: 8:30am - 4:30pm
Public Access: 8:30am - 5:00pm

Telephone: 02 6238 8111

Facsimile: Bungendore Office: 02 6238 1290

Internet: www.palerang.nsw.gov.au

Email: records@palerang.nsw.gov.au

Officers

INTERIM GENERAL MANAGER

Peter Tegart

Members

ADMINISTRATOR

Tim Overall

RESPONSIBLE ACCOUNTING OFFICER

Sally-Jane Abigail

PUBLIC OFFICER

Debby Ferguson

AUDITORS

Hill Rogers
Level 5
1 Chifley Square
SYDNEY NSW 2000

Other information

ABN: 70 605 876 877



QUEANBEYAN-PALERANG REGIONAL COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of the former Palerang Council, which comprises the Statement of Financial Position as at 12 May 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at period end or from time to time during the period.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.

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

Assurance Partners

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

Independence

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

Basis for Qualified Opinion

The general purpose financial statements for the year ended 30 June 2015 were audited by another auditor who expressed an unmodified opinion on 29 October 2015. We were unable to access the working papers of the previous auditor, a complete set of Council working papers supporting the 2014/15 financial statements could not be located and personnel involved in the preparation of the 2014/15 financial statements are no longer employed by the Council. Accordingly, we were unable to obtain sufficient appropriate audit evidence to support the comparative information relating to the year ended 30 June 2015 and determine whether adjustments might have been necessary in respect of the period ended 12 May 2016.

Qualified Auditor's Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
 - (i) have been presented in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

HILL ROGERS



BRETT HANGER

Partner

Dated at Sydney this 29th day of March 2017



29 March 2017

The Administrator
Queanbeyan-Palerang Regional Council
PO Box 348
BUNGENDORE NSW 2621

Administrator,

Audit Report – Period Ended 12 May 2016

We are pleased to advise completion of the audit of the former Palerang Council's books and records for the period ended 12 May 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

1. RESULTS FOR THE PERIOD

1.1 Operating Result

The operating result for the period was a surplus of \$6.306 million as compared with \$7.336 million in the previous year.

Assurance Partners

The following table sets out the results for the period and the extent (%) that each category of revenue and expenses contributed to the total.

	2016	% of Total	2015	% of Total	Increase (Decrease)
	\$000		\$000		\$000
Revenues before capital items					
Rates & annual charges	14,507	39%	14,745	44%	(238)
User charges, fees & other revenues	14,591	39%	11,794	35%	2,797
Grants & contributions provided for operating purposes	6,762	18%	5,911	18%	851
Interest & investment revenue	1,094	3%	1,266	4%	(172)
	36,954	100%	33,716	100%	3,238
Expenses					
Employee benefits & costs	9,748	29%	9,984	31%	(236)
Materials, contracts & other expenses	15,790	47%	13,704	43%	2,086
Depreciation, amortisation & impairment	6,626	20%	6,953	22%	(327)
Borrowing costs	1,498	4%	1,549	5%	(51)
	33,662	100%	32,190	100%	1,472
Surplus (Deficit) before capital items	3,292		1,526		1,766
Grants & contributions provided for capital purposes	3,014		5,810		(2,796)
Net Surplus (Deficit) for the period	6,306		7,336		(1,030)
Performance Measures	2016		2015		
Operating Performance	9.37%		3.87%		
Own Source Operating Revenue	75.54%		70.17%		

The above table shows an overall decrease of \$1.03 million and was mainly attributable to a decrease in revenue from grants and contributions of \$1.945 million.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 9.37%; above the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 75.54%; below the benchmark of 60%.

1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the period which is illustrated in the table below.

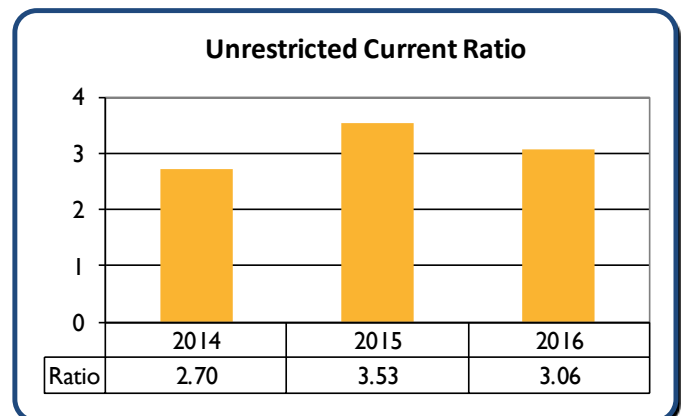
	2016	2015
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	6,306	7,336
Add back non funding items:-		
- Depreciation, amortisation & impairment	6,626	6,953
- Book value of non-current assets sold	691	1,040
- Fair value adjustment to interest free loan	86	100
- Non-cash contributions of assets acquired	0	(1,421)
	13,709	14,008
New loan borrowings	0	2,225
Transfers from externally restricted assets (net)	0	695
Transfers from internal reserves (net)	678	130
Net Changes in current/non-current assets & liabilities	823	0
	15,210	17,058
Funds were applied to:-		
Purchase and construction of assets	(12,040)	(15,369)
Principal repaid on loans	(619)	(738)
Transfers to externally restricted assets (net)	(1,201)	0
Net Changes in current/non current assets & liabilities	(86)	(184)
	(13,946)	(16,291)
Increase/(Decrease) in Available Working Capital	1,264	767

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$11.805 million representing a factor of 3.06 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the period the Available Working Capital of Council stood at \$2.667 million as detailed below;

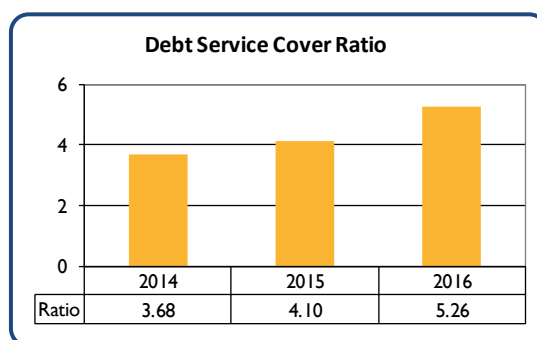
	2016 \$000	2015 \$000	Change \$000
Net Current Assets (Working Capital) as per Accounts	33,599	32,168	1,431
Add: Payables & provisions not expected to be realised in the next 12 months included	2,098	2,029	69
Adjusted Net Current Assets	35,697	34,197	1,500
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,485	959	526
- Employees leave entitlements	1,097	855	242
- Other provisions	0	474	(474)
- Deposits & retention moneys	147	154	(7)
Less: Externally restricted assets	(23,892)	(22,691)	(1,201)
Less: Internally restricted assets	(11,867)	(12,545)	678
Available Working Capital as at 12 May	2,667	1,403	1,264

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at 12 May 2016 was satisfactory.

2.3 Debt

After repaying principal and interest of \$2.117 million, total debt as at 12 May 2016 stood at \$26.328 million (2015 - \$26.947 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2016, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 5.26 to 1.



2.4 Summary

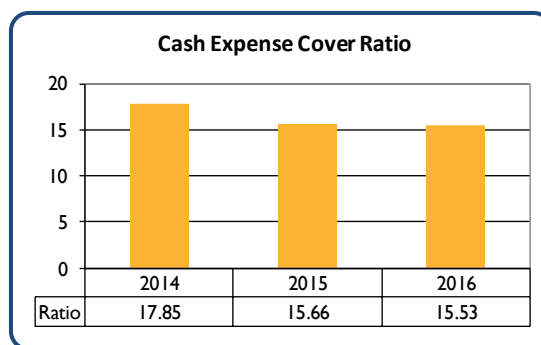
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

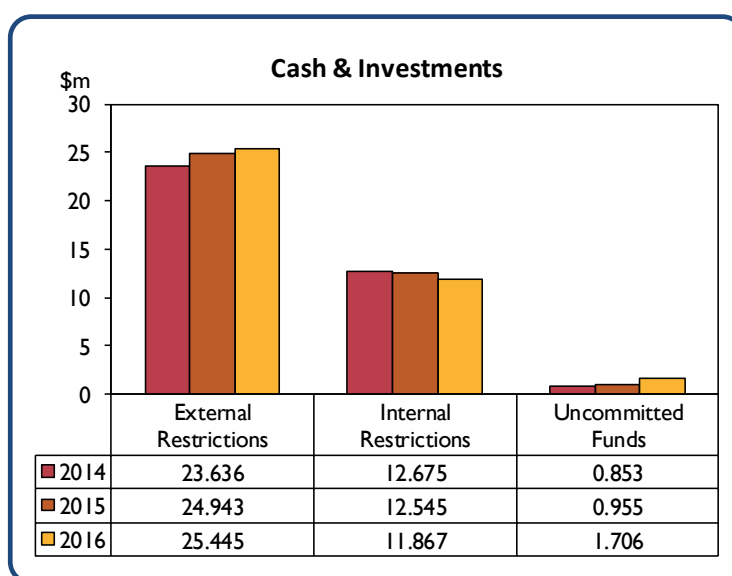
For 2016, this ratio stood at 15.53 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$39.018 million at 12 May 2016 as compared with \$38.443 million in 2015 and \$37.164 million in 2014.

The chart alongside summarises the purposes for which cash and investments securities were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended loans (\$815,000), unexpended grants and contributions (\$ 10.263million), domestic waste management charges (\$440,000), water and sewerage funds (\$12.307 million) and other restricted funds (\$1.620 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's **"Reserves"**. These Reserves totalled \$11.867 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$1.706 million, which is available to provide liquidity for day to day operations.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the period and reveals that Cash Assets decreased by \$2.815 million to \$8.32 million at the close of the period.

In addition to operating activities which contributed net cash of \$12.798 million were the redemption of investments (\$42.647 million) and proceeds from the sale of assets (\$522,000). Cash outflows other than operating activities were used to purchase investments (\$46.037 million), repay borrowings (\$705,000) and to purchase and construct assets (\$12.040 million).

4. RECEIVABLES

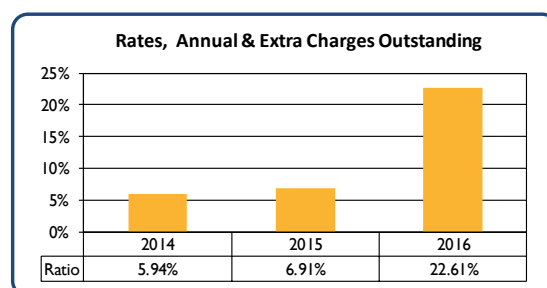
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the period totalled \$14.507 million and represented 36% of Council's total revenue.

Including arrears, the total rates and annual charges collectible was \$15.430 million of which \$12.072 million (78%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$3.569 million at 12 May 2016 and represented 22.61% of those receivables. This indicator has been adversely impacted Council's amalgamation such that the final rates instalment issued for the period was not due until after balance date.



4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$1.807 million and included user fees and charges of \$669,000, accrued revenues of \$768,000 and amounts due from other levels of government of \$370,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.774 million.

A cash reserve of \$1.85 million was held representing 67% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.

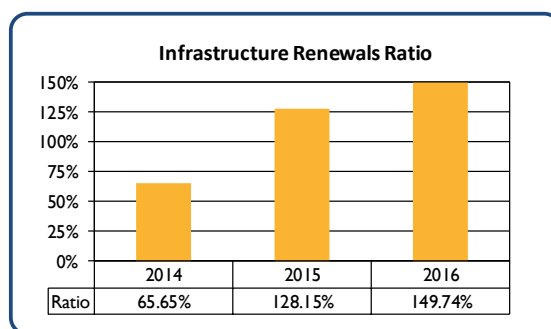
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at period end amounted to \$797,000 and were fully funded by internally restricted cash and investments.

6. INFRASTRUCTURE RENEWALS

The Infrastructure Renewals Ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2016 represented 150% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. REVALUATION OF ASSETS

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the period, water and sewerage asset values were indexed and community land was revalued. This resulted in a net increase of \$5.666 million that was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.

8. MANAGEMENT LETTER

An audit management letter addressing the findings from our audit was issued on 29 March 2017. This included our recommendations on possible ways to strengthen and/or improve procedures.

9. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,
HILL ROGERS

BRETT HANGER
Partner

The former Palerang Council

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

“a rural lifestyle between capital and coast”



The former Palerang Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	16

Background

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

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

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

The Former Palerang Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

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

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

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

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

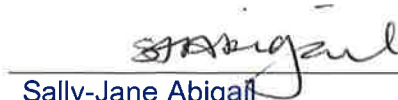
Signed in accordance with a resolution of Queanbeyan Palerang Regional Council made on 22 March 2017.



Tim Overall
Administrator



Peter Tegart
Interim General Manager



Sally-Jane Abigail
Responsible Accounting Officer

The former Palerang Council

Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000		
Income from continuing operations		
Access charges	888	978
User charges	1,067	881
Fees	16	13
Interest	156	158
Grants and contributions provided for non-capital purposes	11	11
Other income	—	—
Total income from continuing operations	2,138	2,041
Expenses from continuing operations		
Employee benefits and on-costs	335	355
Borrowing costs	381	362
Materials and contracts	685	720
Depreciation and impairment	534	605
Water purchase charges	—	—
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	101	100
Other expenses	123	108
Total expenses from continuing operations	2,159	2,250
Surplus (deficit) from continuing operations before capital amounts	(21)	(209)
Grants and contributions provided for capital purposes	342	377
Surplus (deficit) from continuing operations after capital amounts	321	168
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	321	168
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	321	168
Plus opening retained profits	18,551	18,283
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	101	100
– Corporate taxation equivalent	—	—
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	18,973	18,551
Return on capital %	1.3%	0.6%
Subsidy from Council	277	659
Calculation of dividend payable:		
Surplus (deficit) after tax	321	168
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	321	168
Potential dividend calculated from surplus	161	84

The former Palerang Council

Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000		
Income from continuing operations		
Access charges	1,909	2,098
User charges	135	118
Liquid trade waste charges	—	—
Fees	17	14
Interest	240	278
Grants and contributions provided for non-capital purposes	11	12
Other income	30	—
Total income from continuing operations	2,342	2,520
Expenses from continuing operations		
Employee benefits and on-costs	283	305
Borrowing costs	486	532
Materials and contracts	670	668
Depreciation and impairment	752	851
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	76	—
Other expenses	127	123
Total expenses from continuing operations	2,394	2,479
Surplus (deficit) from continuing operations before capital amounts	(52)	41
Grants and contributions provided for capital purposes	502	567
Surplus (deficit) from continuing operations after capital amounts	450	608
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	450	608
Less: corporate taxation equivalent (30%) [based on result before capital]	—	(12)
SURPLUS (DEFICIT) AFTER TAX	450	596
Plus opening retained profits	23,063	22,455
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	76	—
– Corporate taxation equivalent	—	12
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	23,589	23,063
Return on capital %	1.3%	1.8%
Subsidy from Council	333	404
Calculation of dividend payable:		
Surplus (deficit) after tax	450	596
Less: capital grants and contributions (excluding developer contributions)	(74)	(75)
Surplus for dividend calculation purposes	376	521
Potential dividend calculated from surplus	188	260

The former Palerang Council

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

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	1,381	1,681
Investments	3,914	4,113
Receivables	625	236
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	5,920	6,030
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	27,574	26,878
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	27,574	26,878
TOTAL ASSETS	33,494	32,908
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	302	44
Borrowings	554	463
Provisions	–	–
Total current liabilities	856	507
Non-current liabilities		
Payables	–	–
Borrowings	6,203	6,623
Provisions	–	–
Total non-current liabilities	6,203	6,623
TOTAL LIABILITIES	7,059	7,130
NET ASSETS	26,435	25,778
EQUITY		
Retained earnings	18,973	18,551
Revaluation reserves	7,462	7,227
Council equity interest	26,435	25,778
Non-controlling equity interest	–	–
TOTAL EQUITY	26,435	25,778

The former Palerang Council

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

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	3,203	2,528
Investments	5,515	6,214
Receivables	580	194
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	9,298	8,936
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	33,218	32,363
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	33,218	32,363
TOTAL ASSETS	42,516	41,299
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	302	–
Borrowings	414	219
Provisions	–	–
Total current liabilities	716	219
Non-current liabilities		
Payables	–	–
Borrowings	8,525	8,847
Provisions	–	–
Total non-current liabilities	8,525	8,847
TOTAL LIABILITIES	9,241	9,066
NET ASSETS	33,275	32,233
EQUITY		
Retained earnings	23,589	23,063
Revaluation reserves	9,686	9,170
Council equity interest	33,275	32,233
Non-controlling equity interest	–	–
TOTAL EQUITY	33,275	32,233

The former Palerang Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

The former Palerang Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies

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

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Palerang Council Sewerage Service

Comprising the whole of the operations and assets of the Council's sewerage reticulation & treatment activity servicing the villages of Bungendore, Braidwood & Captains Flat.

b. Palerang Council Water Supplies

Comprising the whole of the operations and assets of Council's water supply activity servicing the villages of Bungendore, Braidwood & Captains Flat.

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, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

The former Palerang Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

The former Palerang Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

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

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

(iv) Dividends

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

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

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

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

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

The former Palerang Council

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

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

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	101,000
(ii)	Number of assessments multiplied by \$3/assessment	7,260
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	7,260
(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]	160,500
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	65,340
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	460,000

2016 Surplus	321,000	2015 Surplus	168,000	2014 Surplus	(29,000)
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	65,340
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

The former Palerang Council

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

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

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

12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,333
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)]	%	54.86%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	23,450
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,418
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	–
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.38%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

The former Palerang Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	76,000
(ii)	Number of assessments multiplied by \$3/assessment	6,957
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	6,957
(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]	188,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	62,613
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,078,700

2016 Surplus	376,000	2015 Surplus	520,700	2014 Surplus	182,000
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	62,613
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

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

The former Palerang Council

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

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

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

12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,543
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	28,941
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,193
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.80%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	74

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	4,876
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.47%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	–
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.61%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

The former Palerang Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

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

NWI F22	Net debt to equity (water and sewerage)	%	2.82%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		979
	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:		105
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	874
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	23
	Grants for pensioner rebates (w11b + s12b)		

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



QUEANBEYAN-PALERANG REGIONAL COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of the former Palerang Council, which comprises the Statement of Financial Position as at 12 May 2016, Income Statement for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and, accordingly, no opinion is expressed on these disclosures.

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

Assurance Partners

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

Independence

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

Basis for Qualified Opinion

The special purpose financial statements for the year ended 30 June 2015 were audited by another auditor who expressed an unmodified opinion on 29 October 2015. We were unable to access the working papers of the previous auditor, a complete set of Council working papers supporting the 2014/15 financial statements could not be located and personnel involved in the preparation of the 2014/15 financial statements are no longer employed by the Council. Accordingly, we were unable to obtain sufficient appropriate audit evidence to support the comparative information relating to the year ended 30 June 2015 and determine whether adjustments might have been necessary in respect of the period ended 12 May 2016.

Qualified Auditor's Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS

A handwritten signature in black ink, appearing to read "B. Hanger".

BRETT HANGER

Partner

Dated at Sydney this 29th day of March 2017

The former Palerang Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

“a rural lifestyle between capital and coast”



The former Palerang Council

Special Schedules

for the period 1 July 2015 to 12 May 2016

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	9
Special Schedule 6	Sewerage Service – Statement of Financial Position	12
Notes to Special Schedules 3 and 5		13
Special Schedule 7	Report on Infrastructure Assets	14

¹ Special Schedules are not audited.

Background

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

The former Palerang Council

Special Schedule 1 – Net Cost of Services

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,421	665	–	(756)
Administration	3,931	648	54	(3,229)
Public order and safety				
Fire service levy, fire protection, emergency services	741	404	32	(305)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	28	1	–	(27)
Other	–	–	–	–
Total public order and safety	769	405	32	(332)
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	374	63	–	(311)
Other environmental protection	177	47	–	(130)
Solid waste management	3,234	3,960	19	745
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	123	18	–	(105)
Total environment	3,908	4,088	19	199
Community services and education				
Administration and education	92	83	238	229
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	92	83	238	229
Housing and community amenities				
Public cemeteries	69	52	–	(17)
Public conveniences	174	–	–	(174)
Street lighting	–	19	–	19
Town planning	1,096	1,178	–	82
Other community amenities	–	–	–	–
Total housing and community amenities	1,339	1,249	–	(90)
Water supplies	2,058	2,291	342	575
Sewerage services	2,318	2,642	502	826

The former Palerang Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	290	77	—	(213)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	167	30	—	(137)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	—	—	—	—
Swimming pools	324	62	—	(262)
Parks and gardens (lakes)	422	13	435	26
Other sport and recreation	—	—	—	—
Total recreation and culture	1,203	182	435	(586)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	—	—	—	—
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	—	—	—	—
Transport and communication				
Urban roads (UR) – local	9	143	787	921
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	4,379	21	—	(4,358)
Sealed rural roads (SRR) – regional	1,953	2,460	605	1,112
Unsealed rural roads (URR) – local	11	—	—	(11)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	39	—	—	(39)
Bridges on URR – local	1	—	—	(1)
Bridges on regional roads	—	—	—	—
Parking areas	54	—	—	(54)
Footpaths	—	—	—	—
Aerodromes	—	—	—	—
Other transport and communication	—	—	—	—
Total transport and communication	6,446	2,624	1,392	(2,430)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	10,177	10,077	—	(100)
Total economic affairs	10,177	10,077	—	(100)
Totals – functions	33,662	24,954	3,014	(5,694)
General purpose revenues ⁽¹⁾		12,000		12,000
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	33,662	36,954	3,014	6,306

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

(2) As per the Income Statement

The former Palerang Council

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

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–							–	–
Treasury corporation	–	–	–							–	–
Other state government	300	1,200	1,500	–	300	–	–	86	300	900	1,200
Public subscription	–	–	–							–	–
Financial institutions	659	25,058	25,717	–	405	–	–	1,334	1,185	24,127	25,312
Other	–	–	–							–	–
Total loans	959	26,258	27,217	–	705	–	–	1,420	1,485	25,027	26,512
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	959	26,258	27,217	–	705	–	–	1,420	1,485	25,027	26,512

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which is reported in the GPFS).

The former Palerang Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals	Actuals
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	263	164
b. Engineering and supervision	43	126
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	8	7
b. Maintenance expenses	64	72
– Mains		
c. Operation expenses	27	30
d. Maintenance expenses	61	40
– Reservoirs		
e. Operation expenses	14	12
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	130	165
h. Energy costs	122	108
i. Maintenance expenses	11	31
– Treatment		
j. Operation expenses (excluding chemical costs)	159	192
k. Chemical costs	53	27
l. Maintenance expenses	27	37
– Other		
m. Operation expenses	436	272
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	534	573
b. Plant and equipment	–	32
4. Miscellaneous expenses		
a. Interest expenses	102	262
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
5. Total expenses	2,054	2,150

The former Palerang Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges		
a. Access (including rates)	888	978
b. Usage charges	1,079	881
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	13	16
9. Interest income	143	142
10. Other income	–	13
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	11	11
c. Other grants	–	–
12. Contributions		
a. Developer charges	342	299
b. Developer provided assets	–	78
c. Other contributions	–	–
13. Total income	2,476	2,418
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	422	268
15a. Operating result (less grants for acquisition of assets)	422	268

The former Palerang Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
\$'000		
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	877
b. New assets for growth	–	78
c. Renewals	–	173
d. Plant and equipment	–	27
17. Repayment of debt	329	395
18. Totals	329	1,550
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	897
21. Totals	–	897
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	2,176	2,127
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	244	230
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	35 ET	60 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 22,020	\$ 21,554

The former Palerang Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	281	–	281
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	284	–	284
e. Sinking fund	–	–	–
f. Other	4,730	–	4,730
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	236	–	236
c. User charges	364	–	364
d. Other	25	–	25
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	23,450	23,450
b. Plant and equipment	–	4,124	4,124
29. Other assets	–	–	–
30. Total assets	5,920	27,574	33,494
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	297	5	302
33. Borrowings	554	6,203	6,757
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	851	6,208	7,059
36. NET ASSETS COMMITTED	5,069	21,366	26,435
EQUITY			
37. Accumulated surplus			18,973
38. Asset revaluation reserve			7,462
39. TOTAL EQUITY			26,435
Note to system assets:			
40. Current replacement cost of system assets			39,773
41. Accumulated current cost depreciation of system assets			(16,323)
42. Written down current cost of system assets			23,450

The former Palerang Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
\$'000		
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	190	173
b. Engineering and supervision	195	181
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	2	5
b. Maintenance expenses	20	28
– Pumping stations		
c. Operation expenses (excluding energy costs)	38	39
d. Energy costs	23	30
e. Maintenance expenses	18	36
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	273	274
g. Chemical costs	35	26
h. Energy costs	90	90
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	93	83
– Other		
l. Operation expenses	216	116
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	752	852
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	373	546
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,318	2,479

The former Palerang Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges (including rates)	1,909	2,098
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	151	118
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	13	14
10. Interest income	227	264
11. Other income	30	14
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	74	75
b. Grants for pensioner rebates	12	12
c. Other grants	–	–
13. Contributions		
a. Developer charges	428	363
b. Developer provided assets	–	129
c. Other contributions	–	–
14. Total income	2,844	3,087
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	526	608
16a. Operating result (less grants for acquisition of assets)	452	533

The former Palerang Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
\$'000		
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	563
b. New assets for growth	–	128
c. Renewals	–	613
d. Plant and equipment	–	10
18. Repayment of debt	127	213
19. Totals	127	1,527
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)	2,099	2,026
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	220	198
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	37 ET	47 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 21,255	\$ 20,363

The former Palerang Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	1,141	—	1,141
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	7,577	—	7,577
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	530	—	530
c. User charges	26	—	26
d. Other	24	—	24
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	28,941	28,941
b. Plant and equipment	—	4,277	4,277
30. Other assets	—	—	—
31. Total assets	9,298	33,218	42,516
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	297	5	302
34. Borrowings	414	8,525	8,939
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	711	8,530	9,241
37. NET ASSETS COMMITTED	8,587	24,688	33,275
EQUITY			
38. Accumulated surplus			23,589
39. Asset revaluation reserve			9,686
40. TOTAL EQUITY			33,275
Note to system assets:			
41. Current replacement cost of system assets			42,914
42. Accumulated current cost depreciation of system assets			(13,973)
43. Written down current cost of system assets			28,941

The former Palerang Council

Notes to Special Schedules 3 and 5

for the period 1 July 2015 to 12 May 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

The former Palerang Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	2,210	1,745	710	509	16,895	27,939	48%	8%	17%	22%	5%
	Sub-total	2,210	1,745	710	509	16,895	27,939	47.8%	8.4%	16.7%	22.2%	4.9%
Other structures	Other structures	280	200	75	55	3,079	3,868	15%	20%	50%	10%	5%
	Sub-total	280	200	75	55	3,079	3,868	15.0%	20.0%	50.0%	10.0%	5.0%
Roads	Sealed roads	3,761	2,724	304	4,212	99,636	138,276	65%	16%	13%	3%	3%
	Unsealed roads	619	489	101	1,334	8,347	17,428	19%	26%	44%	10%	1%
	Bridges	2,783	1,489	424	124	25,340	48,990	4%	11%	72%	8%	5%
	Footpaths	13	10	16	15	2,489	3,213	64%	22%	13%	1%	0%
	Bulk earthworks	92	73	36	2	354,194	354,194	99%	0%	0%	0%	1%
	Sub-total	7,268	4,785	881	5,687	490,006	562,101	79.7%	5.8%	10.9%	1.8%	1.9%

The former Palerang Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	3,087	2,438	1,043	766	23,450	39,773	41%	19%	10%	30%	0%
	Sub-total	3,087	2,438	1,043	766	23,450	39,773	41.0%	19.0%	10.0%	30.0%	0.0%
Sewerage network	Sewerage network	2,276	1,798	8,222	628	28,941	42,914	54%	12%	15%	18%	1%
	Sub-total	2,276	1,798	8,222	628	28,941	42,914	54.0%	12.0%	15.0%	18.0%	1.0%
Stormwater drainage	Stormwater drainage	60	47	50	37	5,128	7,233	69%	25%	3%	3%	0%
	Sub-total	60	47	50	37	5,128	7,233	69.4%	24.9%	2.5%	3.2%	0.1%
Open space / recreational assets	Open space/recreational assets	50	50	380	380	746	1,683	0%	0%	73%	27%	0%
	Swimming Pool	725	573	273	190	773	2,886	0%	0%	0%	99%	1%
	Sub-total	775	623	653	570	1,519	4,569	0.0%	0.0%	26.9%	72.5%	0.6%
	TOTAL – ALL ASSETS	15,956	11,636	11,634	8,252	569,018	688,397	73.5%	7.3%	11.6%	5.8%	1.8%

Notes:

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

Infrastructure asset condition assessment 'key'

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

The former Palerang Council

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

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods 30/6/1530/6/14	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	7,327	149.74%	128.15%	65.65%
Depreciation, amortisation and impairment	4,893			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	15,956	7.43%	7.31%	27.08%
Carrying value of infrastructure assets	214,859			
3. Asset maintenance ratio				
Actual asset maintenance	8,252	0.71	1.19	0.59
Required asset maintenance	11,634			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	11,636	1.69%	0.00%	
Gross replacement cost	688,397			
5. Capital expenditure ratio				
Annual capital expenditure	11,349	1.71	2.27	1.37
Annual depreciation	6,626			

Notes

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

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

The former Palerang Council

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

<p>1. Infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 149.74%</p> <p>Council has exceeded the Building and Infrastructure Renewals Ratio benchmark of 100% in last 02 yers (2015 & 2016). This shows a commitment to maintain existing assets and also demonstrates a strategy to maintain financial sustainability by showing restraint in not making excessive or unaffordable upgrades to existing assets.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 7.43%</p> <p>Council is continuing to focus on appropriate asset standards for renewal and maintenance. Council is continuing to review assets and is working towards consistent classification of renewal and new assets.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum > 1.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 12/5/16 result</p> <p>12/5/16 ratio 0.71 x</p> <p>Council is continuing to increase the amount of funds spent on asset maintenance to achieve the level required in order to minimise the impact on the infrastructure backlog. Council is achieving targets set in order to reach minimum ratio as planned.</p>
<p>4. Cost to bring assets to agreed service level</p> <p>Benchmark: — Minimum > 1.10 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 12/5/16 result</p> <p>12/5/16 ratio 1.69%</p> <p>For 2015/16 this new ratio replaces the capital expenditure ratio. The ratio is simply the sum of the outstanding renewal works compared to the total suite of infrastructure under Councils care. That is, the cost to renew assets in condition 4 and 5 as a proportion of the Gross Replacement Cost.</p>
<p>5. Capital expenditure ratio</p> <p>Benchmark: — Minimum > 1.10 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of capital expenditure ratio</p> <p>To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.</p>	<p>Commentary on 12/5/16 result</p> <p>12/5/16 ratio 1.71 x</p> <p>Council has continued to invest in the asset's renewal & replacement of its core infrastructure assets based on its community strategic plan. In 2015/16, the Council ispent on its asset's renewasl & replacements by an amount greater than the increase in depreciation. The result exceeds the Tcorp benchmark of $> 1.1x$</p>

The former Palerang Council

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

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁽¹⁾ 12/5/16
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	127.45%	50.61%	172.77%
Depreciation, amortisation and impairment			
prior period:	28.60%	72.03%	155.58%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	13.16%	7.86%	6.52%
Carrying value of infrastructure assets			
prior period:	17.45%	11.60%	5.10%
3. Asset maintenance ratio			
Actual asset maintenance	0.73	0.08	2.89
Required asset maintenance			
prior period:	0.60	0.80	1.33
4. Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council	6.13%	4.19%	1.22%
Gross replacement cost			
prior period:	0.00%	0.00%	0.00%
5. Capital expenditure ratio			
Annual capital expenditure	1.83	0.49	2.13
Annual depreciation			
prior period:	1.91	1.54	2.42

Notes

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