

# Queanbeyan-Palerang Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the period 13 May 2016 to 30 June 2017

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# Queanbeyan-Palerang Regional Council

## General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Queanbeyan-Palerang Regional Council.
- (ii) Queanbeyan-Palerang Regional 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 guiding principles are detailed in Chapter 3 of the LGA and includes:

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 27 February 2018. Council has the power to amend and reissue these financial statements.
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# Queanbeyan-Palerang Regional Council

## General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

### Understanding Council's financial statements

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#### 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 period 13 May 2016 to 30 June 2017.

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

#### About the Councillor/Management Statement

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

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the period of 13 May 2016 to 30 June 2017, listing all income and expenses.

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

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

#### Who uses the financial statements?

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

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

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

## Queanbeyan-Palerang Regional Council

### General Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

### 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 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 22 November 2017.



Tim Overall  
Mayor



Trevor Hicks  
Councillor



Peter Tegart  
General Manager



Shane Taylor  
Responsible accounting officer

## Queanbeyan-Palerang Regional Council

### Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>Income from continuing operations</b>		
<i>Revenue:</i>		
Rates and annual charges	3a	68,027
User charges and fees	3b	43,895
Interest and investment revenue	3c	5,288
Other revenues	3d	2,847
Grants and contributions provided for operating purposes	3e,f	26,423
Grants and contributions provided for capital purposes	3e,f	82,123
<i>Other income:</i>		
Net gains from the disposal of assets	5	210
Net share of interests in joint ventures and associates using the equity method	19	–
<b>Total income from continuing operations</b>		<b>228,813</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	4a	42,322
Borrowing costs	4b	2,708
Materials and contracts	4c	55,039
Depreciation and amortisation	4d	24,905
Impairment	4d	–
Other expenses	4e	12,655
<b>Total expenses from continuing operations</b>		<b>137,629</b>
<b>Operating result from continuing operations</b>		<b>91,184</b>
<b>Discontinued operations</b>		
Net profit/(loss) from discontinued operations	24	–
<b>Net operating result for the period</b>		<b>91,184</b>
<b>Gain on local government amalgamation</b>		
Assets and liabilities transferred from former councils	29	1,293,991
<b>Net result for the period</b>		<b>1,385,175</b>
<b>Net operating result attributable to Council</b>		1,385,175
<b>Net operating result attributable to non-controlling interests</b>		–
<b>Net operating result for the period before grants and contributions provided for capital purposes</b>		<b>9,061</b>

## Queanbeyan-Palerang Regional Council

### Statement of Comprehensive Income

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>Net result for the year</b> (as per Income Statement)		<b>1,385,175</b>
<b>Other comprehensive income:</b>		
Amounts which will not be reclassified subsequently to the operating result		
Nil		
Amounts which will be reclassified subsequently to the operating result when specific conditions are met		
Nil		
<b>Total other comprehensive income for the period</b>		<b>—</b>
<b>Total comprehensive income for the period</b>		<b>1,385,175</b>
<b>Total comprehensive income attributable to Council</b>		<b>1,385,175</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>—</b>

## Queanbeyan-Palerang Regional Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	6a	22,612
Investments	6b	63,111
Receivables	7	11,455
Inventories	8	417
Other	8	609
Non-current assets classified as 'held for sale'	22	120
<b>Total current assets</b>		<b>98,324</b>
<b>Non-current assets</b>		
Investments	6b	72,250
Receivables	7	573
Inventories	8	–
Infrastructure, property, plant and equipment	9	1,281,879
Investments accounted for using the equity method	19	–
Intangible assets	25	–
<b>Total non-current assets</b>		<b>1,354,702</b>
<b>TOTAL ASSETS</b>		<b>1,453,026</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	10	12,298
Income received in advance	10	1,841
Borrowings	10	1,555
Provisions	10	11,718
<b>Total current liabilities</b>		<b>27,412</b>
<b>Non-current liabilities</b>		
Payables	10	–
Borrowings	10	36,782
Provisions	10	3,657
<b>Total non-current liabilities</b>		<b>40,439</b>
<b>TOTAL LIABILITIES</b>		<b>67,851</b>
<b>Net assets</b>		<b>1,385,175</b>
<b>EQUITY</b>		
Retained earnings	20	1,385,175
Revaluation reserves	20	–
Other reserves	20	–
<b>Council equity interest</b>		<b>1,385,175</b>
<b>Non-controlling equity interests</b>		<b>–</b>
<b>Total equity</b>		<b>1,385,175</b>

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

## Queanbeyan-Palerang Regional Council

## Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17			Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
\$ '000	Notes							
<b>Opening balance</b>			–	–	–	–	–	–
a. Correction of prior period errors	20 (c)		–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)		–	–	–	–	–	–
<b>Revised opening balance</b>			–	–	–	–	–	–
<b>c. Net result for the year</b>			<b>1,385,175</b>	–	–	<b>1,385,175</b>	–	<b>1,385,175</b>
d. Other comprehensive income								
– Revaluations: IPP&E asset revaluation reserve	20b (ii)		–	–	–	–	–	–
– Revaluations: other reserves	20b (ii)		–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)		–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)		–	–	–	–	–	–
– Joint ventures and associates	19b		–	–	–	–	–	–
– Other reserves movements	20b (ii)		–	–	–	–	–	–
<b>Other comprehensive income</b>			–	–	–	–	–	–
<b>Total comprehensive income (c&amp;d)</b>			<b>1,385,175</b>	–	–	<b>1,385,175</b>	–	<b>1,385,175</b>
e. Distributions to/(contributions from) non-controlling interests			–	–	–	–	–	–
f. Transfers between equity			–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>			<b>1,385,175</b>	–	–	<b>1,385,175</b>	–	<b>1,385,175</b>

## Queanbeyan-Palerang Regional Council

## Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>Cash flows from operating activities</b>		
<b>Receipts:</b>		
Rates and annual charges		79,007
User charges and fees		41,560
Investment and interest revenue received		5,073
Grants and contributions		49,309
Bonds, deposits and retention amounts received		3,090
Other		7,420
<b>Payments:</b>		
Employee benefits and on-costs		(41,160)
Materials and contracts		(67,001)
Borrowing costs		(2,919)
Bonds, deposits and retention amounts refunded		(2,573)
Other		(8,618)
<b>Net cash provided (or used in) operating activities</b>	11b	<b>63,188</b>
<b>Cash flows from investing activities</b>		
<b>Receipts:</b>		
Sale of investment securities		96,674
Sale of infrastructure, property, plant and equipment		1,021
<b>Payments:</b>		
Purchase of investment securities		(126,624)
Purchase of infrastructure, property, plant and equipment		(34,930)
<b>Net cash provided (or used in) investing activities</b>		<b>(63,859)</b>
<b>Cash flows from financing activities</b>		
<b>Receipts:</b>		
Nil		
<b>Payments:</b>		
Repayment of borrowings and advances		(1,801)
<b>Net cash flow provided (used in) financing activities</b>		<b>(1,801)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,472)</b>
Plus: <b>cash transferred on amalgamation of councils</b>	29	25,084
<b>Cash and cash equivalents – end of the year</b>	11a	<b>22,612</b>
Additional Information:		
plus: <b>Investments on hand – end of year</b>	6b	135,361
<b>Total cash, cash equivalents and investments</b>		<b>157,973</b>

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies

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

##### (a) Basis of preparation

The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of two former councils:

- Palerang Council
- Queanbeyan-City Council

to Queanbeyan-Palerang Regional Council as at 12 May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Queanbeyan-Palerang Regional Council, being 12 May 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of Palerang Council and Queanbeyan City Council have been recognised by the Queanbeyan-Palerang Regional Council at [the carrying amount recorded by the former council/fair value].

Queanbeyan-Palerang Regional Council as a result of a comprehensive revaluation recognised former councils' assets at their fair value as at the date of transfer 12 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

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

##### (i) 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.

##### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 12 May 2016.

##### (iii) Historical cost convention

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

##### (iv) Significant accounting estimates and judgements

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

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

##### **Critical accounting estimates and assumptions**

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### **Significant judgements in applying the Council's accounting policies**

###### (i) Impairment of Receivables

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

###### (b) Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

###### (i) Rates, annual charges, grants and contributions

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those

conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

###### (ii) User charges and fees

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

###### (iii) 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.

###### (iv) Interest

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

###### (v) Rent

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

###### (vi) Dividend income

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

###### (vii) 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**

###### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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.

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

- General purpose operations
- Water service
- Sewerage service
- Memorial Hall Committee
- Oval Management Committee
- Park Management Committee.

#### (ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

#### (iii) County Councils

Council is not a member of any county councils.

#### (iv) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

#### (d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

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

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

#### (e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

##### (g) Inventories

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

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

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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

###### (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.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

disposal group classified as held for sale continue to be recognised.

#### **(i) Investments and other financial assets**

##### **Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

##### **(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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

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

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

##### **(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

##### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### Impairment

Council assesses at the end of each reporting period 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 investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

##### (i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. 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 Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is

objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

##### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (j) 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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

##### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

###### Externally valued:

- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

###### Internally valued:

- Plant and equipment
- Furniture and Fittings
- Office Equipment

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

For all other asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

##### Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	4 years
- Vehicles	5 to 8 years
- Heavy plant/road making equipment	5 to 8 years
- Other plant and equipment	5 to 15 years

##### Other equipment

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

##### Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years

##### Water and sewer assets

- Dams	150 years
- Reservoirs	60 - 100 years
- Bores	20 to 40 years

- Reticulation pipes: PVC	70-80 years
- Reticulation pipes: other	25 to 75 years

##### Pump stations and treatment plants

- Mechanical	20 to 40 years
- Electrical	15 to 20 years
- Instrumentation	5 to 10 years
- Civil Works	100 years

##### Stormwater assets

- Drains	80 to 100 years
- Culverts	50 to 80 years
- Flood control structures	80 to 100 years

##### Transportation assets

- Sealed roads: surface	20 years
- Sealed roads: structure	50 years
- Unsealed roads	20 years
- Bridge: concrete	100 years
- Bridge: other	50 years

- Road pavements	60 years
- Kerb, gutter and footpaths	40 years

##### Other infrastructure assets

- Bulk earthworks	200 years
- Swimming pools	50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

##### (l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

##### (m) Payables

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

##### (n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

#### (o) Borrowing costs

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

#### (p) Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure

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

#### (q) Employee benefits

##### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### (ii) Other long-term employee benefit obligations

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

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

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (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 Statement of Financial Position, 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 that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

##### 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.

##### (r) Land under roads

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

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

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

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment. Council has elected to discount 65% of the value of the Land under Roads for Englobo value and a further discount of 25% for access and carriageway tights and infrastructure. This represents a cumulative total 90% discount.

##### (s) Self-insurance

Council does not self-insure.

##### (t) Intangible assets

Council has not classified any assets as intangible.

##### (u) 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.

##### (v) Rural fire service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### **(w) Goods and Services Tax (GST)**

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

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

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

##### **(x) New accounting standards and interpretations issued not yet effective**

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

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*

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

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-*

*Generating Specialised Assets of Not-for-Profit Entities*

AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

##### **Effective for annual reporting periods beginning on or after 13 February 2017**

AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

##### **Effective for annual reporting periods beginning on or after 13 December 2017**

AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

##### **Effective for annual reporting periods beginning on or after 1 January 2018**

AASB 9 *Financial Instruments (December 2009)*

AASB 15 *Revenue from Contracts with Customers*

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*AASB 1057 *Application of Australian Accounting Standards*

AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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##### **Effective for annual reporting periods beginning on or after 1 January 2019**

AASB 16 *Leases*

AASB 16 *Leases (Appendix D)*

AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

##### **(y) Rounding of amounts**

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

##### **(z) Comparative figures**

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

##### **(aa) Disclaimer**

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current & non-current)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	515	5,917	(5,402)	–	2,209
Administration	17,104	23,368	(6,264)	4,038	93,406
Public order and safety	1,039	2,476	(1,437)	563	914
Health	26	411	(385)	486	–
Environment	16,360	15,105	1,255	79	118,010
Community services and education	2,016	2,478	(462)	2,250	2,212
Housing and community amenities	7,837	4,256	3,581	50	8,097
Water supplies	25,815	18,938	6,877	90	117,135
Sewerage services	71,199	12,632	58,567	1	191,929
Recreation and culture	6,907	13,175	(6,268)	421	246,779
Mining, manufacturing and construction	380	485	(105)	–	–
Transport and communication	17,804	20,388	(2,584)	18,720	670,554
Economic affairs	17,454	18,000	(546)	10	1,781
<b>Total functions and activities</b>	<b>184,456</b>	<b>137,629</b>	<b>46,827</b>	<b>26,708</b>	<b>1,453,026</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–
General purpose income <sup>1</sup>	44,357	–	44,357	8,822	–
<b>Operating result from continuing operations</b>	<b>228,813</b>	<b>137,629</b>	<b>91,184</b>	<b>35,530</b>	<b>1,453,026</b>

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### 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.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's' services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

Includes Water treatment plant, bores, water meters, water reservoirs, pump stations and water supply networks.

##### **SEWERAGE SERVICES**

Includes Sewerage Treatment Plants, recycled water plants, recycled water reservoirs, sewerage supply

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential		25,068
Farmland		2,357
Mining		24
Business		5,634
<b>Total ordinary rates</b>		<b>33,083</b>
<b>Special rates</b>		
Nil		
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		6,823
Stormwater management services		393
Water supply services		7,138
Sewerage services		16,442
Waste management services (non-domestic)		3,808
Recycled water services		340
<b>Total annual charges</b>		<b>34,944</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>68,027</b>

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Water supply services		15,771
Sewerage services		889
Waste management services (non-domestic)		61
<b>Total user charges</b>		<b>16,721</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation		2,362
Private works – section 67		296
Regulatory/ statutory fees		14
Registration fees		30
Section 149 certificates (EPA Act)		175
Section 603 certificates		150
Town planning		1,062
Other (noxious weeds certificates)		8
Other		8
<b>Total fees and charges – statutory/regulatory</b>		<b>4,105</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries		759
Child care		62
Community centres		389
Lease rentals		637
Leaseback fees – Council vehicles		241
Library and art gallery		16
Park rents		3
RMS (formerly RTA) charges (state roads not controlled by Council)		15,988
Saleyards		282
Swimming centres		1,582
Waste disposal tipping fees		1,366
Hall rents		54
Gas mains		51
Health inspections and licenses fees		56
Plant and equipment hire		23
Pound fees		95
The Q ticket sales		1,392
Indoor sports centre sales		73
<b>Total fees and charges – other</b>		<b>23,069</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>43,895</b>

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Interest on overdue rates and annual charges (incl. special purpose rates)		371
– Interest earned on investments (interest and coupon payment income)		4,575
<b>Fair value adjustments</b>		
– Fair valuation movements in investments (at fair value or held for trading)		342
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>5,288</u></b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)		371
General Council cash and investments		2,081
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 94		222
– Section 64		291
Water fund operations		463
Sewerage fund operations		1,564
Domestic waste management operations		296
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>5,288</u></b>
<b>(d) Other revenues</b>		
Fines		400
Legal fees recovery – rates and charges (extra charges)		162
Legal fees recovery – other		73
Commissions and agency fees		2
Diesel rebate		83
Insurance claim recoveries		82
Recycling income (non-domestic)		39
Sales – general		18
Share dividends – Southern phone		79
Motor Vehicle Income		481
Other reimbursements		103
Water Meter Replacement		240
CBRJO Environmental Income		165
OHS rebate		295
Other		625
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,847</u></b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
<b>(e) Grants</b>		
<b>General purpose (untied)</b>		
Financial assistance – general component	5,222	–
Financial assistance – local roads component	3,321	–
Pensioners' rates subsidies – general component	279	–
<b>Total general purpose</b>	<b>8,822</b>	<b>–</b>
<b>Specific purpose</b>		
Pensioners' rates subsidies:		
– Water	97	–
– Sewerage	96	–
– Domestic waste management	59	–
Water supplies	–	90
Sewerage services	–	2
Bushfire and emergency services	532	31
Community care	1,250	–
Employment and training programs	47	–
Environmental protection	79	–
Heritage and cultural	23	–
Library	189	–
Noxious weeds	560	–
Recreation and culture	–	195
Street lighting	168	–
Transport (roads to recovery)	1,333	–
Transport (other roads and bridges funding)	4,088	2,316
Transport (road safety)	64	67
Other (Stronger Communities)	6,248	9,000
Other	174	–
<b>Total specific purpose</b>	<b>15,007</b>	<b>11,701</b>
<b>Total grants</b>	<b>23,829</b>	<b>11,701</b>
<b>Grant revenue is attributable to:</b>		
– Commonwealth funding	5,009	2,627
– State funding	18,810	9,074
– Other funding	10	–
	<b>23,829</b>	<b>11,701</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
<b>(f) Contributions</b>			
<b>Developer contributions:</b>			
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>			
S 94 – contributions towards amenities/services		278	1,633
S 64 – water supply contributions		–	568
S 64 – sewerage service contributions		–	569
Googong offsite roads		–	4,360
Googong developer contributions Gifted Assets		–	62,520
<b>Total developer contributions</b>	17	<b>278</b>	<b>69,650</b>
<b>Other contributions:</b>			
Bushfire services		2	–
Other councils – joint works/services		45	–
Recreation and culture		27	–
RMS contributions (regional roads, block grant)		1,559	744
Sewerage (excl. section 64 contributions)		19	–
Other		113	–
Family Day Care Operations		268	–
Other		283	28
<b>Total other contributions</b>		<b>2,316</b>	<b>772</b>
<b>Total contributions</b>		<b>2,594</b>	<b>70,422</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>26,423</b>	<b>82,123</b>

\$ '000	Actual 13/5/16 to 30/6/17
---------	---------------------------------

**(g) Unspent grants and contributions****Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period (former Councils)	36,222
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	21,974
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(5,282)

**Net increase (decrease) in restricted assets during the period** **16,692**

**Unexpended and held as restricted assets** **52,914**

**Comprising:**

– Specific purpose unexpended grants	12,715
– Developer contributions	40,199
	<b>52,914</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages		32,491
Employee termination costs (where material – other than vested leave paid)		366
Travel expenses		129
Employee leave entitlements (ELE)		3,860
Superannuation		2,249
Superannuation – defined contribution plans		1,305
Superannuation – defined benefit plans		26
Workers' compensation insurance		1,815
Fringe benefit tax (FBT)		116
Payroll tax		127
Training costs (other than salaries and wages)		468
Protective clothing		191
Other		28
<b>Total employee costs</b>		<b>43,171</b>
Less: capitalised costs		(849)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>42,322</b>
Number of 'full-time equivalent' employees (FTE) at year end		421
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans		2,560
<b>Total interest bearing liability costs</b>		<b>2,560</b>
Less: capitalised costs		–
<b>Total interest bearing liability costs expensed</b>		<b>2,560</b>
<b>(ii) Other borrowing costs</b>		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	26	77
Interest applicable on interest free (and favourable) loans to Council		71
<b>Total other borrowing costs</b>		<b>148</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>2,708</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>(c) Materials and contracts</b>		
Raw materials and consumables		7,479
Repairs & Maintenance		608
Motor Vehicle Expenses		1,298
Contractor and consultancy costs		30,946
Auditors remuneration <sup>(1)</sup>		352
Legal expenses:		
– Legal expenses: planning and development		190
– Legal expenses: other		382
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		255
Water charges – ACTEW		13,529
<b>Total materials and contracts</b>		<b>55,039</b>
Less: capitalised costs		–
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>55,039</b>
<b>1. Auditor remuneration</b>		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
<b>(i) Audit and other assurance services</b>		
– Audit and review of financial statements: Auditor-General		143
<b>Remuneration for audit and other assurance services</b>		<b>143</b>
<b>Total Auditor-General remuneration</b>		<b>143</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:		
<b>(i) Audit and other assurance services</b>		
– Audit and review of financial statements: Council's Auditor		55
– Other audit and assurance services (Internal Audit Services)		142
<b>Remuneration for audit and other assurance services</b>		<b>197</b>
<b>(ii) Other non-assurance services</b>		
– Other services		12
<b>Remuneration for other services</b>		<b>12</b>
<b>Total remuneration of other Council's Auditors</b>		<b>209</b>
<b>Total Auditor remuneration</b>		<b>352</b>
<b>2. Operating lease payments are attributable to:</b>		
Other		255
		<b>255</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>(d) Depreciation, amortisation and impairment</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment		2,439
Office equipment		593
Furniture and fittings		48
Park structures		1,131
Infrastructure:		
– Buildings – non-specialised		978
– Buildings – specialised		1,542
– Roads		7,484
– Bridges		788
– Footpaths		397
– Other road assets		582
– Stormwater drainage		2,005
– Water supply network		2,071
– Sewerage network		3,520
– Recycled water network		1,065
– Swimming pools		97
Other assets		
– Library books		165
<b>Total gross depreciation and amortisation costs</b>		<b>24,905</b>
Less: capitalised costs		–
<b>Total depreciation and amortisation costs</b>		<b>24,905</b>
<b>Impairment</b>		
Nil		
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>24,905</u></b>

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>(e) Other expenses</b>		
Advertising		490
Bank charges		292
Cleaning		133
Computer software charges		146
Contributions/levies to other levels of government		60
– NSW rural fire service levy		24
– QCC library		1
– Other contributions/levies		68
Councillor expenses – mayoral fee		245
Councillor expenses – councillors' fees		169
Councillors' expenses (incl. mayor) – other (excluding fees above)		19
Donations, contributions and assistance to other organisations (Section 356)		1,398
– Donations, contributions and assistance - Stronger Communities		1,000
Electricity and heating		1,921
Insurance		1,526
Office expenses (including computer expenses)		133
Postage		249
Printing and stationery		358
Street lighting		811
Subscriptions and publications		337
Telephone and communications		496
Valuation fees		143
Licence fees		59
Water Usage		950
Rent		179
Meeting Expenses		69
Child care – parent fees		1,160
Waterwise subsidy		55
Other		153
<b>Total other expenses</b>		<b>12,655</b>
Less: capitalised costs		–
<b>TOTAL OTHER EXPENSES</b>		<b>12,655</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<b>Plant and equipment</b>		
Proceeds from disposal – plant and equipment		1,021
Less: carrying amount of plant and equipment assets sold/written off		(811)
<b>Net gain/(loss) on disposal</b>		<b>210</b>
<b>Financial assets</b>		
Proceeds from disposal/redemptions/maturities – financial assets		96,674
Less: carrying amount of financial assets sold/redeemed/matured		(96,674)
<b>Net gain/(loss) on disposal</b>		<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>210</u></b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>			
Cash on hand and at bank		8,904	–
Cash-equivalent assets <sup>1</sup>			
– Deposits at call		13,708	–
<b>Total cash and cash equivalents</b>		<b>22,612</b>	<b>–</b>
<b>Investments (Note 6b)</b>			
– Managed funds		11,714	–
– Long term deposits		42,397	28,000
– NCD's, FRN's (with maturities > 3 months)		9,000	44,250
<b>Total investments</b>		<b>63,111</b>	<b>72,250</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>85,723</b>	<b>72,250</b>

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

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

**Cash and cash equivalents**

**a. 'At fair value through the profit and loss'**

<b>22,612</b>	<b>–</b>
---------------	----------

**Investments**

**a. 'At fair value through the profit and loss'**

– 'Held for trading'

11,714	–
--------	---

**b. 'Held to maturity'**

51,397	72,250
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**Investments**

<b>63,111</b>	<b>72,250</b>
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
<b>Total cash, cash equivalents and investments</b>	<b>85,723</b>	<b>72,250</b>
<b>attributable to:</b>		
External restrictions (refer below)	53,253	72,250
Internal restrictions (refer below)	28,296	–
Unrestricted	4,174	–
	<b>85,723</b>	<b>72,250</b>

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general (A)	3,227	–	(2,696)	531
Specific purpose unexpended loans – water (A)	284	–	–	284
<b>External restrictions – included in liabilities</b>	<b>3,511</b>	<b>–</b>	<b>(2,696)</b>	<b>815</b>

**External restrictions – other**

Developer contributions – general (D)	13,906	6,493	(1,525)	18,874
Developer contributions – water fund (D)	6,061	648	(593)	6,116
Developer contributions – sewer fund (D)	14,444	780	(15)	15,209
Specific purpose unexpended grants (F)	1,964	15,784	(5,033)	12,715
Water supplies (G)	9,226	5,927	(76)	15,077
Water supplies – other (G)	815	–	–	815
Sewerage services (G)	37,485	5,927	(836)	42,576
Sewerage services – other (G)	2,062	–	–	2,062
Domestic waste management (G)	5,723	1,259	(9)	6,973
Stormwater management (G)	985	16	(200)	801
CBRJO (SEROCC)	1,156	1	–	1,157
Sale of land for unpaid rates	453	6	–	459
Other	2,006	11	(163)	1,854
<b>External restrictions – other</b>	<b>96,286</b>	<b>36,852</b>	<b>(8,450)</b>	<b>124,688</b>
<b>Total external restrictions</b>	<b>99,797</b>	<b>36,852</b>	<b>(11,146)</b>	<b>125,503</b>

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

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

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

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	3,220	99	–	3,319
Infrastructure replacement	2,117	–	(464)	1,653
Employees leave entitlement	2,837	–	(1,162)	1,675
Carry over works	3,604	672	(1,948)	2,328
Deposits, retentions and bonds	1,461	–	–	1,461
Construction of buildings/strategic priorities	2,153	–	(425)	1,728
Computer and it services	461	–	(73)	388
Multi purpose sporting complex	21	–	(9)	12
Interest equalisation	90	–	–	90
Business waste management	727	146	–	873
Deposits bonds and retentions	797	8	(256)	549
Footpath program	86	–	(3)	83
Investigation for future/strategic development	2	–	–	2
Merger savings	49	410	–	459
Main roads contract/state roads	388	–	–	388
Training	135	–	(120)	15
Private works	111	90	–	201
New cemetery reserve	100	–	–	100
Corporate information systems	247	–	–	247
Elections	292	190	–	482
Parks embellishment	829	40	(216)	653
Waste management non-domestic asset renewals	500	500	(27)	973
Revolving energy reserve	378	–	(19)	359
Saleyards capital improvements	17	151	–	168
Property development	397	–	–	397
Planning	30	–	–	30
Fire services	20	–	–	20
State of environment	10	–	–	10
Flood mitigation	135	–	(4)	131
Waste management non-domestic	2,674	1,055	(24)	3,705
Financial Assistance Grant	–	2,896	–	2,896
Other	2,564	843	(507)	2,900
<b>Total internal restrictions</b>	<b>26,453</b>	<b>7,100</b>	<b>(5,257)</b>	<b>28,296</b>
<b>TOTAL RESTRICTIONS</b>	<b>126,250</b>	<b>43,952</b>	<b>(16,403)</b>	<b>153,799</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
<b>Purpose</b>			
Rates and annual charges		1,946	346
Interest and extra charges		468	83
User charges and fees		6,285	–
Accrued revenues			
– Interest on investments		1,113	–
– Other income accruals		888	–
Deferred debtors		16	144
Government grants and subsidies		516	–
Net GST receivable		345	–
<b>Total</b>		<b>11,577</b>	<b>573</b>
<b>Less: provision for impairment</b>			
Rates and annual charges		(54)	–
User charges and fees		(68)	–
<b>Total provision for impairment – receivables</b>		<b>(122)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>11,455</u></b>	<b><u>573</u></b>
<b>Externally restricted receivables</b>			
<b>Water supply</b>			
– Rates and availability charges		254	–
– Other		4,461	–
<b>Sewerage services</b>			
– Rates and availability charges		923	–
– Other		574	–
<b>Total external restrictions</b>		<b>6,212</b>	<b>–</b>
<b>Internally restricted receivables</b>			
Nil		–	–
<b>Internally restricted receivables</b>		<b>–</b>	<b>–</b>
<b>Unrestricted receivables</b>		<b>5,243</b>	<b>573</b>
<b>TOTAL NET RECEIVABLES</b>		<b>11,455</b>	<b>573</b>

**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% (2016 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.

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
<b>(a) Inventories</b>			
<b>(i) Inventories at cost</b>			
Stores and materials		67	–
Trading stock		350	–
<b>Total inventories at cost</b>		<b>417</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>			
Nil			
<b><u>TOTAL INVENTORIES</u></b>		<b><u>417</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>			
Prepayments		609	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>609</u></b>	<b><u>–</u></b>
<b>Externally restricted assets</b>			
<b>Water</b>			
Stores and materials		185	–
<b>Total water</b>		<b>185</b>	<b>–</b>
<b>Sewerage</b>			
Stores and materials		3	–
<b>Total sewerage</b>		<b>3</b>	<b>–</b>
<b>Total externally restricted assets</b>		<b>188</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>838</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b><u>1,026</u></b>	<b><u>–</u></b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period					as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	14,456	–	14,456	34,929	–	–	–	(13,882)	35,503	–	35,503
Plant and equipment	18,739	10,000	8,739	–	–	(811)	(2,439)	3,778	20,433	11,167	9,266
Office equipment	3,102	1,448	1,654	–	–	–	(593)	–	3,102	2,041	1,061
Furniture and fittings	392	199	192	–	–	–	(48)	–	392	242	150
<b>Land:</b>											
– Operational land	53,138	–	53,138	–	–	–	–	–	53,138	–	53,138
– Community land	82,636	–	82,636	–	–	–	–	2,275	84,911	–	84,911
– Land under roads (post 30/6/08)	255	–	255	–	–	–	–	–	255	–	255
Park structures	33,211	10,581	22,630	–	2,787	–	(1,131)	2,837	38,835	11,712	27,123
<b>Infrastructure:</b>											
– Buildings – non-specialised	44,345	22,357	21,988	–	–	–	(978)	72	44,417	23,335	21,082
– Buildings – specialised	71,221	26,335	44,886	–	596	–	(1,542)	766	72,583	27,877	44,706
– Roads	627,533	73,797	553,736	–	3,560	–	(7,484)	547	631,641	81,281	550,360
– Bridges	68,707	29,391	39,316	–	1,682	–	(788)	–	70,388	30,180	40,208
– Footpaths	32,013	9,113	22,900	–	1,176	–	(397)	80	33,269	9,511	23,758
– Other road assets	46,747	16,065	30,682	–	637	–	(582)	59	47,443	16,647	30,796
– Stormwater drainage	170,601	61,026	109,575	–	1,133	–	(2,005)	223	171,957	63,031	108,926
– Water supply network	142,004	48,778	93,226	–	1,245	–	(2,071)	593	143,842	50,849	92,993
– Sewerage network	179,326	75,943	103,383	–	9,175	–	(3,520)	2,652	191,153	79,464	111,689
– Recycled water network	2,851	65	2,786	–	40,530	–	(1,065)	–	43,381	1,130	42,251
– Swimming pools	4,356	2,069	2,287	–	–	–	(97)	–	4,356	2,167	2,189
<b>Other assets:</b>											
– Library books	773	399	374	–	–	–	(165)	–	773	564	209
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>											
– Tip assets	3,991	3,784	207	1,098	–	–	–	–	5,089	3,784	1,305
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,600,397</b>	<b>391,351</b>	<b>1,209,047</b>	<b>36,027</b>	<b>62,520</b>	<b>(811)</b>	<b>(24,905)</b>	<b>0</b>	<b>1,696,861</b>	<b>414,982</b>	<b>1,281,879</b>

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

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000 Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>			
WIP	3,049	–	3,049
Land			
– Operational land	656	–	656
– Community land	2,402	–	2,402
Buildings	1,472	325	1,147
Infrastructure	143,842	50,849	92,993
<b>Total water supply</b>	<b>151,421</b>	<b>51,174</b>	<b>100,247</b>
<b>Sewerage services</b>			
WIP	3,745	–	3,745
Land			
– Operational land	3,097	–	3,097
– Community land	117	–	117
Buildings	2,123	876	1,247
Infrastructure	234,534	80,594	153,940
<b>Total sewerage services</b>	<b>243,616</b>	<b>81,470</b>	<b>162,146</b>
<b>Domestic waste management</b>			
WIP	39	–	39
Land			
– Operational land	1,300	–	1,300
Buildings	9,131	1,448	7,683
<b>Total DWM</b>	<b>10,470</b>	<b>1,448</b>	<b>9,022</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>405,507</b>	<b>134,092</b>	<b>271,415</b>

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

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
<b>Payables</b>			
Goods and services – operating expenditure		327	–
Accrued expenses:			
– Borrowings		119	–
– Salaries and wages		1,530	–
– Other expenditure accruals		6,528	–
Security bonds, deposits and retentions		2,775	–
CBRJO (SEROJ)		881	–
Proceeds from sale of land for unpaid rates		102	–
Other		36	–
<b>Total payables</b>		<b>12,298</b>	<b>–</b>
<b>Income received in advance</b>			
Payments received in advance		1,841	–
<b>Total income received in advance</b>		<b>1,841</b>	<b>–</b>
<b>Borrowings</b>			
Loans – secured <sup>1</sup>		1,555	36,782
<b>Total borrowings</b>		<b>1,555</b>	<b>36,782</b>
<b>Provisions</b>			
<b>Employee benefits:</b>			
Annual leave		3,085	–
Long service leave		5,290	495
Other leave (TIL and RDOs)		343	–
Sub-total – aggregate employee benefits		8,718	495
Asset remediation/restoration (future works)	26	3,000	3,162
<b>Total provisions</b>		<b>11,718</b>	<b>3,657</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>27,412</b>	<b>40,439</b>

<sup>1</sup>. Loans are secured over the general rating income of Council

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

## (i) Liabilities relating to restricted assets

	2017	
	Current	Non-current
<b>Externally restricted assets</b>		
Water	3,528	5,852
Sewer	635	8,381
Other CBRJO (SEROC)	770	–
<b>Liabilities relating to externally restricted assets</b>	<b>4,933</b>	<b>14,233</b>
<b>Internally restricted assets</b>		
Nil		
<b>Total liabilities relating to restricted assets</b>	<b>4,933</b>	<b>14,233</b>
<b>Total liabilities relating to unrestricted assets</b>	<b>22,479</b>	<b>26,206</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>	<b>27,412</b>	<b>40,439</b>

## (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.

	2017
Provisions – employees benefits	5,447
Payables – security bonds, deposits and retentions	1,197

## Note 10b. Description of and movements in provisions

Class of provision	2016	13/5/16 to 30/6/17				Closing balance as at 30/6/17
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	2,954	2,167	(2,098)	62	–	3,085
Long service leave	5,832	298	(429)	84	–	5,785
Other leave (TIL and RDOs)	253	139	(56)	7	–	343
Asset remediation	5,014	1,098	(27)	77	–	6,162
<b>TOTAL</b>	<b>14,053</b>	<b>3,702</b>	<b>(2,610)</b>	<b>230</b>	<b>–</b>	<b>15,375</b>

- 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.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
<b>(a) Reconciliation of cash assets</b>		
Total cash and cash equivalent assets	6a	22,612
Less bank overdraft	10	–
<b>Balance as per the Statement of Cash Flows</b>		<b>22,612</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>		
<b>Net result from Income Statement</b>		<b>91,184</b>
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation		24,905
Net losses/(gains) on disposal of assets		(210)
Non-cash capital grants and contributions		(62,520)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'		(342)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)		71
Unwinding of discount rates on reinstatement provisions		77
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables		12,972
Increase/(decrease) in provision for doubtful debts		12
Decrease/(increase) in inventories		(118)
Decrease/(increase) in other assets		(1)
Increase/(decrease) in payables		(3,871)
Increase/(decrease) in accrued interest payable		(359)
Increase/(decrease) in other accrued expenses payable		5,432
Increase/(decrease) in other liabilities		(4,191)
Increase/(decrease) in employee leave entitlements		174
Increase/(decrease) in other provisions		(27)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>63,188</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
<b>(c) Non-cash investing and financing activities</b>		
S94 contributions 'in kind'		62,520
<b>Total non-cash investing and financing activities</b>		<b>62,520</b>
<b>(d) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>(1)</sup>		2,000
Credit cards/purchase cards		134
<b>Total financing arrangements</b>		<b>2,134</b>
<b>Amounts utilised as at balance date:</b>		
– Credit cards/purchase cards		52
<b>Total financing arrangements utilised</b>		<b>52</b>

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.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 12. Commitments for expenditure

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Benchmark
<b>Local government industry indicators – consolidated</b>			
<b>1. Operating performance ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>8,509</u>	<b>5.82%</b>	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>146,138</u>		
<b>2. Own source operating revenue ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>119,715</u>	<b>52.45%</b>	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>228,261</u>		
<b>3. Unrestricted current ratio</b>			
Current assets less all external restrictions <sup>(2)</sup>	<u>38,671</u>	<b>2.44x</b>	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>15,835</u>		
<b>4. Debt service cover ratio</b>			
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>36,122</u>	<b>8.01x</b>	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>4,509</u>		
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
Rates, annual and extra charges outstanding	<u>2,789</u>	<b>3.39%</b>	<10% Rural
Rates, annual and extra charges collectible	<u>82,269</u>		
<b>6. Cash expense cover ratio</b>			
Current year's cash and cash equivalents plus all term deposits	<u>93,009</u>	<b>9.00 mths</b>	> 3 mths
Payments from cash flow of operating and financing activities	<u>10,339</u>		

## Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

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

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	General <sup>5</sup> 2017	Water 2017	Sewer 2017	Benchmark
<b>Local government industry indicators – by fund</b>				
<b>1. Operating performance ratio</b>				
<u>Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>1.52%</b>	<b>6.39%</b>	<b>26.62%</b>	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions				
<b>2. Own source operating revenue ratio</b>				
<u>Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions</u>	<b>57.83%</b>	<b>92.20%</b>	<b>28.10%</b>	>60.00%
Total continuing operating revenue <sup>(1)</sup>				
<b>3. Unrestricted current ratio</b>				
<u>Current assets less all external restrictions <sup>(2)</sup></u>	<b>2.44x</b>	<b>5.04x</b>	<b>30.01x</b>	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>				
<b>4. Debt service cover ratio</b>				
<u>Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>7.88x</b>	<b>4.40x</b>	<b>12.27x</b>	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
<u>Rates, annual and extra charges outstanding</u>	<b>2.77%</b>	<b>3.28%</b>	<b>5.63%</b>	<10%
Rates, annual and extra charges collectible				Rural
<b>6. Cash expense cover ratio</b>				
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>10.71 mths</b>	<b>2.79 mths</b>	<b>6.23 mths</b>	> 3 mths
Payments from cash flow of operating and financing activities				

## 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.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### 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 Amount 2017	Fair Value 2017
<b>Financial assets</b>		
Cash and cash equivalents	22,612	22,612
Investments		
– 'Held for trading'	11,714	11,714
– 'Held to maturity'	123,647	123,647
Receivables	12,028	12,028
<b>Total financial assets</b>	<b>170,001</b>	<b>170,001</b>
<b>Financial liabilities</b>		
Payables	12,298	12,298
Loans/advances	38,337	38,337
<b>Total financial liabilities</b>	<b>50,635</b>	<b>50,635</b>

Fair value is determined as follows:

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

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### 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 it's 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.

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### 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:

	2017	2017
	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>		
Current (not yet overdue)	0%	91%
Overdue	100%	9%
	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>		
<b>Rates and annual charges</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	–	9,074
< 1 year overdue	2,292	158
1 – 2 years overdue	–	119
2 – 5 years overdue	–	84
> 5 years overdue	–	423
	<b>2,292</b>	<b>9,858</b>
<b>(iii) Movement in provision for impairment of receivables</b>		<b>2017</b>
Balance at the beginning of the year (former Councils)		110
+ new provisions recognised during the year		12
<b>Balance at the end of the year</b>		<b>122</b>

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>13/5/16 to 30/6/17</b>									
Trade/other payables	2,775	9,523	–	–	–	–	–	12,298	<b>12,298</b>
Loans and advances	–	1,555	1,619	1,695	1,492	1,262	30,714	38,337	<b>38,337</b>
<b>Total financial liabilities</b>	<b>2,775</b>	<b>11,078</b>	<b>1,619</b>	<b>1,695</b>	<b>1,492</b>	<b>1,262</b>	<b>30,714</b>	<b>50,635</b>	<b>50,635</b>

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

The following interest rates were applicable to Council's borrowings at balance date:

	2017	
	Carrying value	Average interest rate
Trade/other payables	12,298	0.00%
Loans and advances – fixed interest rate	38,337	5.91%
	<u>50,635</u>	

#### Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not applicable for "new Councils".

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## 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	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	3,955	969	–	57	(763)	–	4,218	–
Parking	118	20	–	2	–	–	140	–
Open space	113	40	–	–	(111)	–	42	–
Community facilities	2,664	458	–	40	(235)	–	2,927	–
Bushfire	219	4	–	3	–	–	226	–
Waste management	258	2	–	4	–	–	264	–
Rural addressing	18	–	–	–	–	–	18	–
Recreation facilities	594	120	–	9	–	–	723	–
Pathway	74	47	–	1	–	–	122	–
Street upgrade	566	142	–	9	(379)	–	338	–
Other	3,568	4,274	–	70	(14)	–	7,898	–
<b>S94 contributions – under a plan</b>	<b>12,147</b>	<b>6,076</b>	<b>–</b>	<b>195</b>	<b>(1,502)</b>	<b>–</b>	<b>16,916</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>12,147</b>	<b>6,076</b>	<b>–</b>	<b>195</b>	<b>(1,502)</b>	<b>–</b>	<b>16,916</b>	<b>–</b>
S94 not under plans	1,700	195	–	26	(23)	–	1,898	–
S93F planning agreements	59	–	62,520	1	–	–	60	–
S64 contributions	20,505	1,137	–	291	(608)	–	21,325	–
<b>Total contributions</b>	<b>34,411</b>	<b>7,408</b>	<b>62,520</b>	<b>513</b>	<b>(2,133)</b>	<b>–</b>	<b>40,199</b>	<b>–</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## CONTRIBUTION PLAN NUMBER (former Palerang)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,783	606	–	43	(459)	–	2,973	
Community facilities	1,604	141	–	24	(167)	–	1,602	
Bushfire	219	4	–	3	–	–	226	
Waste management	258	2	–	4	–	–	264	
Rural addressing	18	–	–	–	–	–	18	
Recreation facilities	594	120	–	9	–	–	723	
Pathway	74	47	–	1	–	–	122	
Street upgrade	566	142	–	9	(379)	–	338	
<b>Total</b>	<b>6,116</b>	<b>1,062</b>	<b>–</b>	<b>93</b>	<b>(1,005)</b>	<b>–</b>	<b>6,266</b>	<b>–</b>

## CONTRIBUTION PLAN NUMBER (former QCC)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1,172	363	–	14	(304)	–	1,245	
Parking	118	20	–	2	–	–	140	
Open space	113	40	–	–	(111)	–	42	
Community facilities	1,060	317	–	16	(68)	–	1,325	
Other	3,568	4,274	–	70	(14)	–	7,898	
<b>Total</b>	<b>6,031</b>	<b>5,014</b>	<b>–</b>	<b>102</b>	<b>(497)</b>	<b>–</b>	<b>10,650</b>	<b>–</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – NOT UNDER A PLAN**

(former Palerang)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1,614	144	–	24	–	–	1,782	
Parking	48	31	–	1	(23)	–	57	
Community facilities	38	20	–	1	–	–	59	
<b>Total</b>	<b>1,700</b>	<b>195</b>	<b>–</b>	<b>26</b>	<b>(23)</b>	<b>–</b>	<b>1,898</b>	<b>–</b>

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

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

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

##### (ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2017 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.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S94 plans

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

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

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

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

##### ASSETS NOT RECOGNISED:

##### (i) 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.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 19. Interests in other entities

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 2017
<b>(a) Retained earnings</b>		
<b>Movements in retained earnings were as follows:</b>		
a. Net result for the year		1,385,175
Balance at end of the reporting period		<u>1,385,175</u>

#### (b) Revaluation reserves

Council has no reportable equity reserves.

#### (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 year.

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000			
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	7,745	16,395	43,887
User charges and fees	15,164	1,533	27,198
Interest and investment revenue	570	1,748	2,970
Other revenues	412	334	2,101
Grants and contributions provided for operating purposes	97	378	25,948
Grants and contributions provided for capital purposes	1,827	50,811	29,485
<b>Other income</b>			
Net gains from disposal of assets	–	–	210
<b>Total income from continuing operations</b>	<b>25,815</b>	<b>71,199</b>	<b>131,799</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,666	2,370	38,286
Borrowing costs	417	554	1,737
Materials and contracts	15,037	3,110	36,892
Depreciation and amortisation	2,112	4,664	18,129
Other expenses	3,223	4,262	5,170
<b>Total expenses from continuing operations</b>	<b>22,455</b>	<b>14,960</b>	<b>100,214</b>
<b>Operating result from continuing operations</b>	<b>3,360</b>	<b>56,239</b>	<b>31,585</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>3,360</b>	<b>56,239</b>	<b>31,585</b>
<b><u>Gain on local government amalgamation</u></b>			
Assets and liabilities transferred from former councils	114,699	158,239	1,021,053
<b>Net result for the year</b>	<b>118,059</b>	<b>214,478</b>	<b>1,052,638</b>
<b>Net result attributable to each council fund</b>	<b>118,059</b>	<b>214,478</b>	<b>1,052,638</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>1,533</b>	<b>5,428</b>	<b>2,100</b>

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

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	4,855	5,515	12,242
Investments	14,416	27,252	21,443
Receivables	4,715	1,497	5,243
Inventories	185	3	229
Other	–	–	609
Non-current assets classified as 'held for sale'	–	–	120
<b>Total current assets</b>	<b>24,171</b>	<b>34,267</b>	<b>39,886</b>
<b>Non-current assets</b>			
Investments	3,021	27,080	42,149
Receivables	–	–	573
Infrastructure, property, plant and equipment	100,247	162,147	1,019,485
<b>Total non-current assets</b>	<b>103,268</b>	<b>189,227</b>	<b>1,062,207</b>
<b>TOTAL ASSETS</b>	<b>127,439</b>	<b>223,494</b>	<b>1,102,093</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	2,905	391	9,002
Income received in advance	144	–	1,697
Borrowings	479	244	832
Provisions	–	–	11,718
<b>Total current liabilities</b>	<b>3,528</b>	<b>635</b>	<b>23,249</b>
<b>Non-current liabilities</b>			
Borrowings	5,852	8,381	22,549
Provisions	–	–	3,657
<b>Total non-current liabilities</b>	<b>5,852</b>	<b>8,381</b>	<b>26,206</b>
<b>TOTAL LIABILITIES</b>	<b>9,380</b>	<b>9,016</b>	<b>49,455</b>
<b>Net assets</b>	<b>118,059</b>	<b>214,478</b>	<b>1,052,638</b>
<b>EQUITY</b>			
Retained earnings	118,059	214,478	1,052,638
Other reserves	–	–	–
<b>Total equity</b>	<b>118,059</b>	<b>214,478</b>	<b>1,052,638</b>

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

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

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	2017 Current	2017 Non-current
<b>(i) Non-current assets and disposal group assets</b>		
<b>Non-current assets 'held for sale'</b>		
Land	120	–
<b>Total non-current assets 'held for sale'</b>	<b>120</b>	<b>–</b>
<b>Disposal group assets 'held for sale'</b>		
None		
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b><u>120</u></b>	<b><u>–</u></b>

**(ii) Details of assets and disposal groups**

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

\$ '000	Assets 'held for sale' 2017	
<b>(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations</b>		
<b>Opening balance (former Councils)</b>	–	120
<b>Balance still unsold after 12 months:</b>	–	120
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>–</b>	<b>120</b>

Refer to Note 27. Fair value measurement for fair value measurement information.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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\$ '000

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Events that occur between the end of the reporting period (30 June 2017) 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 27/02/18.

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 30 June 2017.

##### **(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 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision 2017
Macs reef landfill	2018	1,500
Bungendore landfill	2018	1,500
Braidwood landfill	2020	1,554
Majors creek landfill	2020	542
Araluen landfill	2020	542
Nerriga landfill	2023	524
<b>Balance at end of the reporting period</b>	10(a)	<b>6,162</b>

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

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

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

#### Reconciliation of movement in provision for year:

Balance at beginning of year (former Councils)	5,014
Amounts capitalised to new or existing assets:	
Macs Reef Road Landfill additional	505
Bungendore Landfill additional	593
Amortisation of discount (expensed to borrowing costs)	77
Expenditure incurred attributable to provisions	(27)
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>6,162</b>

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

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\$ '000

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##### 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.

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

###### **Restoration**

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

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

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

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

###### **Rehabilitation**

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

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

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

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

13/5/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Designated at fair value on initial recognition'	30/06/17	–	11,714	–	11,714
<b>Total financial assets</b>		<b>–</b>	<b>11,714</b>	<b>–</b>	<b>11,714</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and Equipment	13/05/16	–	–	9,266	9,266
Office Equipment	13/05/16	–	–	1,061	1,061
Furniture and Fittings	13/05/16	–	–	150	150
Operational Land	13/05/16	–	–	53,138	53,138
Community Land	13/05/16	–	–	84,911	84,911
Land Under Roads	13/05/16	–	–	255	255
Park Structures	13/05/16	–	–	27,123	27,123
Buildings - Non Specialised	13/05/16	–	–	21,082	21,082
Buildings - Specialised	13/05/16	–	–	44,706	44,706
Roads	13/05/16	–	–	550,360	550,360
Bridges	13/05/16	–	–	40,208	40,208
Footpaths	13/05/16	–	–	23,758	23,758
Other Road Assets	13/05/16	–	–	30,796	30,796
Storm Water Drainage	13/05/16	–	–	108,926	108,926
Water Supply Network	13/05/16	–	–	92,993	92,993
Sewerage Network	13/05/16	–	–	111,689	111,689
Recycled Water Network	13/05/16	–	–	42,251	42,251
Swimming Pools	13/05/16	–	–	2,189	2,189
Library Books	13/05/16	–	–	209	209
Tip Assets	13/05/16	–	–	1,305	1,305
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>1,246,376</b>	<b>1,246,376</b>

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

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

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

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

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

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

##### Financial assets

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

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

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

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

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

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

	Plant and equipment	Office equipment	Furniture and Fittings	Operational Land	Total
Balance on transfer from former Councils	8,739	1,654	192	53,138	63,723
Purchases (GBV)	3,778	–	–	–	3,778
Disposals (WDV)	(812)	–	–	–	(812)
Depreciation and impairment	(2,439)	(593)	(42)	–	(3,074)
<b>Closing balance – 30/6/17</b>	<b>9,266</b>	<b>1,061</b>	<b>150</b>	<b>53,138</b>	<b>63,615</b>

	Community land	Land under roads	Park structures	Buildings non- specialised	Total
Balance on transfer from former Councils	82,636	255	22,630	21,988	127,509
Purchases (GBV)	2,275	–	5,624	72	7,971
Depreciation and impairment	–	–	(1,131)	(978)	(2,109)
<b>Closing balance – 30/6/17</b>	<b>84,911</b>	<b>255</b>	<b>27,123</b>	<b>21,082</b>	<b>133,371</b>

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

	Buildings specialised	Roads	Bridges	Footpaths	Total
Balance on transfer from former Councils	44,886	553,736	39,316	22,900	660,838
Purchases (GBV)	1,362	4,107	1,682	1,256	8,407
Depreciation and impairment	(1,542)	(7,483)	(790)	(398)	(10,213)
<b>Closing balance – 30/6/17</b>	<b>44,706</b>	<b>550,360</b>	<b>40,208</b>	<b>23,758</b>	<b>659,032</b>

	Other road assets	Stormwater drainage	Water Supply network	Sewerage network	Total
Balance on transfer from former Councils	30,682	109,575	93,226	103,383	336,866
Purchases (GBV)	696	1,355	1,838	11,827	15,716
Depreciation and impairment	(582)	(2,004)	(2,071)	(3,521)	(8,178)
<b>Closing balance – 30/6/17</b>	<b>30,796</b>	<b>108,926</b>	<b>92,993</b>	<b>111,689</b>	<b>344,404</b>

	Recycled Water network	Swimming pools	Library books	Tip assets	Total
Balance on transfer from former Councils	2,786	2,287	374	207	5,654
Purchases (GBV)	40,530	–	–	1,098	41,628
Depreciation and impairment	(1,065)	(98)	(165)	–	(1,328)
<b>Closing balance – 30/6/17</b>	<b>42,251</b>	<b>2,189</b>	<b>209</b>	<b>1,305</b>	<b>45,954</b>

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

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

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

##### Financial assets

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Designated at Fair Value	11,714		At fair value through profit or loss.

##### I,PP&E

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Land Operational	53,138	Market Approach	Sales of comparable properties, sales data. Market transactions of land in locality. Reserves based on market participant assumptions.
Land – Community	84,911	Market Approach	Market transactions of land in locality. Land values provided by the NSW Valuer-General.
Land under Roads	255	As per Code	Land acquired by Council for roads since 1 July 2008 has been valued at acquisition cost. Further discount has been applied for Englobo and Access.
Buildings-Specialised	44,706	Cost approach	Building construction costs from recent council projects, building cost data from “Rawlinson’s Construction Handbook”, and industry data from building cost manuals.
Buildings – Non Specialised	21,082	Cost approach	Building construction costs from recent council projects, building cost data from “Rawlinson’s Construction Handbook”, and industry data from building cost manuals.
Swimming Pool	2,189	Cost approach	Construction cost data from QPRC and “Rawlinson’s Construction Handbook.
Infrastructure – Roads (inc Kerbs, Footpaths, & Carparks)	604,914	Cost approach	Cost data/unit rates from recent QPRC projects, and published construction cost manuals such as “Rawlinson’s Construction Handbook”.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Bridges	40,208	Cost approach	Cost data/unit rates from recent QPRC projects, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Stormwater	108,926	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Water	92,993	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Recycled Water	42,251	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Sewerage	111,689	Cost approach	Cost data/unit rates from recent QPRC projects, DPI NSW Office of Water Reference Rates Manual, and published construction cost manuals such as "Rawlinson's Construction Handbook".
Parks & Recreation	27,123	Cost approach	Costs sourced from recent purchases by QPRC, catalogues and product brochures from suppliers of park furniture, structures and playground equipment, and prices obtained from landscaping suppliers.

#### c. The valuation process for level 3 fair value measurements

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

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

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

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 28. Related party disclosures

\$ '000

In accordance with the Supplementary Code 25, this note is not applicable for "new Councils".

#### Note 29. Local Government amalgamation

\$ '000

Notes

The local government {insert relevant proclamation} ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Queanbeyan City Council and Palerang Council to Queanbeyan-Palerang Regional Council as at 12th May 2016.

**Actual  
13/5/16  
to 30/6/17**

##### **Gain on local government amalgamation**

Assets and liabilities transferred from former councils	a	1,325,785
Accounting policy adjustments	b	(31,794)
		<b>1,293,991</b>

##### **a. Assets and liabilities transferred from former councils**

###### **(i) Carrying amount of assets and liabilities transferred**

Assets and liabilities of:

- Queanbeyan City Council
- Palerang Council

have been recognised by the Council at \$1,293,991.

Council has as a result of a comprehensive revaluation recognised former councils' assets at their fair value as at the date of transfer 12th May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

## Queanbeyan-Palerang Regional Council

## Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

## Note 29. Local Government amalgamation (continued)

\$ '000

## a. Assets and liabilities transferred from former councils (continued)

## (i) Carrying amount of assets and liabilities transferred (continued)

	Palerang Council	Queanbeyan City Council	Gain on local government amalgamation
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8,320	16,764	25,084
Investments	30,698	30,371	61,069
Receivables	5,223	17,453	22,676
Inventories	3	296	299
Other	–	608	608
Non-current assets classified as 'held for sale'	–	120	120
<b>Total current assets</b>	<b>44,244</b>	<b>65,612</b>	<b>109,856</b>
<b>Non-current assets</b>			
Investments	–	44,000	44,000
Receivables	–	2,336	2,336
Infrastructure, property, plant and equipment	627,271	581,776	1,209,047
<b>Total non-current assets</b>	<b>627,271</b>	<b>628,112</b>	<b>1,255,383</b>
<b>TOTAL ASSETS</b>	<b>671,515</b>	<b>693,724</b>	<b>1,365,239</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables (excluding bank overdraft)	6,765	8,989	15,754
Borrowings	1,485	570	2,055
Provisions	2,545	6,016	8,561
<b>Total current liabilities</b>	<b>10,795</b>	<b>15,575</b>	<b>26,370</b>
<b>Non-current liabilities</b>			
Payables	–	1,374	1,374
Borrowings	24,843	13,169	38,012
Provisions	5,243	249	5,492
<b>Total non-current liabilities</b>	<b>30,086</b>	<b>14,792</b>	<b>44,876</b>
<b>TOTAL LIABILITIES</b>	<b>40,881</b>	<b>30,367</b>	<b>71,248</b>
<b>Net assets transferred</b>	<b>630,634</b>	<b>663,357</b>	<b>1,293,991</b>

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 29. Local Government amalgamation (continued)

\$ '000

#### (ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 2017
<b>Adjustments made to recognise net assets at fair value</b>	
Changes in asset values due to comprehensive valuation process	(31,644)
Changes in assets and liabilities due to methodology differences	(150)
<b>Total adjustments</b>	<b>(31,794)</b>

#### (iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 13 May 2016 to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

## Queanbeyan-Palerang Regional Council

### Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

#### Note 30. Council information and contact details

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**Principal place of business:**

256 Crawford Street  
Queanbeyan NSW 2620

**Contact details**

**Mailing address:**

PO Box 90  
Queanbeyan NSW 2620

**Opening hours:**

8.30am - 5.00pm - Weekdays

**Telephone:** 02 6285 6000

**Internet:** [www.qprc.nsw.gov.au](http://www.qprc.nsw.gov.au)

**Email:** [council@qprc.nsw.gov.au](mailto:council@qprc.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Peter Tegart

**RESPONSIBLE ACCOUNTING OFFICER**

Shane Taylor

**PUBLIC OFFICER**

Bill Warne

**AUDITORS**

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

**Elected members**

**MAYOR**

Tim Overall

**COUNCILLORS**

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

**Other information**

**ABN:** 95 933 070 982



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Queanbeyan-Palerang Regional Council

To the Councillors of Queanbeyan-Palerang Regional Council

### Opinion

I have audited the accompanying financial statements of Queanbeyan-Palerang Regional Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils

- precluding the Auditor-General from providing non-audit services.

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

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

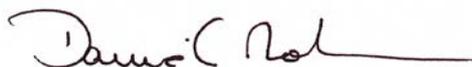
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



David Nolan  
Director, Financial Audit Services

27 February 2018  
SYDNEY

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

Contact: David Nolan  
Phone no: 9275 7377  
Our ref: D1803864

27 February 2018

Dear Mayor

**Report on the Conduct of the Audit  
for the period ended 30 June 2017  
Queanbeyan-Palerang Regional Council**

I have audited the general purpose financial statements of Queanbeyan-Palerang Regional Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the period ended 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires me to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under s417(2) of the Act.

**Council Amalgamation**

The Council was formed on 13 May 2016 by the Local Government Minister's proclamation (*Local Government (Council Amalgamations) Proclamation 2016*). The period ended 30 June 2017 is the first financial reporting period for Queanbeyan-Palerang Regional Council and comparative ratio analysis could not be performed for this report.

## INCOME STATEMENT

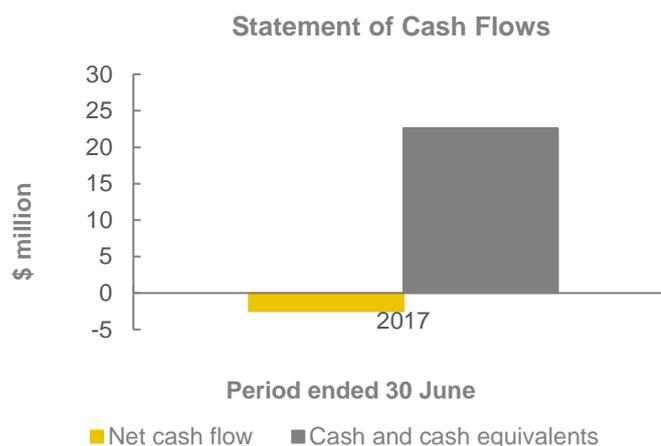
### Operating result

	13 May 2016 to 30 June 2017 \$m
<b>Rates and annual charges revenue</b>	68.0
<b>Grants and contributions revenue</b>	108.5
<b>Operating result for the year</b>	91.2
<b>Net operating result before capital amounts</b>	9.1
<b>Gain on local government amalgamation</b>	1,294

- Rates and annual charges consist of the rates and charges for the period 1 July 2016 to 30 June 2017. The rates for the period 13 May to 30 June 2016 were accounted for by the former Councils as required by Australian Accounting Standards. Rates and annual charges represented approximately 30 per cent of total income from operations.
- Grants and contributions of \$108.5 million represented 47 per cent of total income from operations. Grants and contributions included the New Council Implementation grant of \$5 million and the Stronger Communities fund of \$10 million which were non-recurring.
- The Operating Result for the year is affected by the additional grants above and the additional expenses for the period 13 May 2016 to 30 June 2016.
- Gain on local government amalgamation of \$1.3 billion included assets and liabilities transferred from two former councils (Queanbeyan City Council and Palerang Council) on 12 May 2016.

## STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents balance at 30 June 2017 was \$22.6 million. The net cash flow for the period was a decrease of \$2.5 million.
- The cash and cash equivalents balance included the transfer of \$25.1 million cash upon amalgamation. Cash flows generated from operating activities was \$63.2 million. Investing cash flows was negative \$63.9 million due to spending on investment securities, infrastructure and property assets.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$m	
External restrictions	125.5	External restrictions mainly relating to developer contributions, unspent grants and domestic waste, water and sewerage funds.
Internal restrictions	28.3	
Unrestricted	4.2	Internal restrictions funds set aside for employee leave entitlements, deposits, retentions and bonds, and asset replacement.
Cash and investments	158.0	

### Borrowings

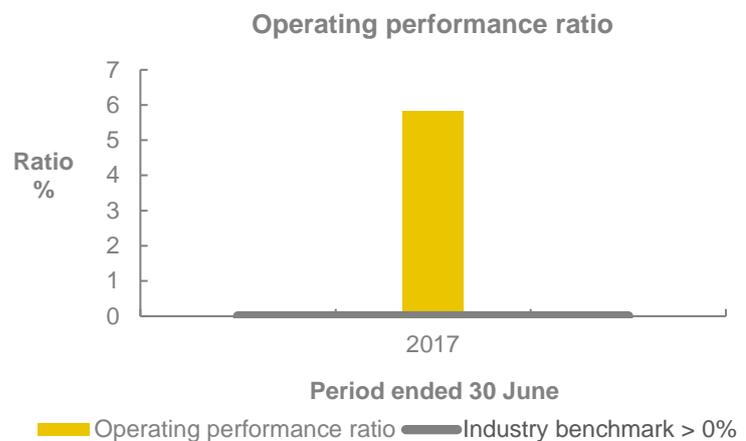
After repaying principal and interest of \$4.5 million during the period, total borrowings as at 30 June 2017 was \$38.3 million.

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

### Operating performance ratio

- The indicator of 5.82 per cent which was above the industry benchmark of greater than zero per cent. The ratio was impacted by the additional amalgamation grants received as well as a higher level of expenditure related to amalgamation. The ratio was also affected by the longer accounting period expenses with no corresponding rates revenue.

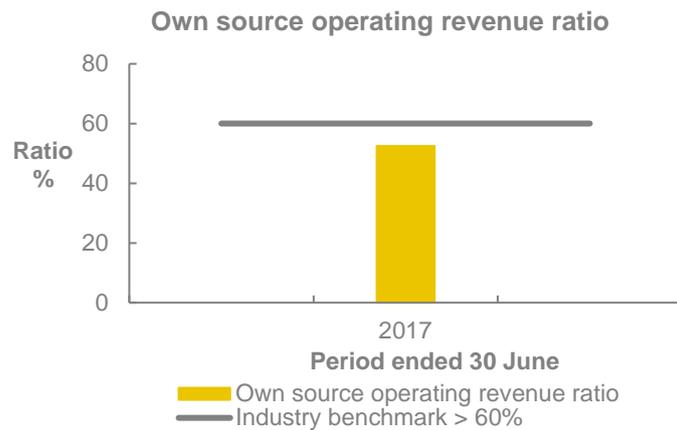


The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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

## Own source operating revenue ratio

- Council's own source operating revenue ratio of 52.5 per cent was below the OLG benchmark of greater than 60 per cent.

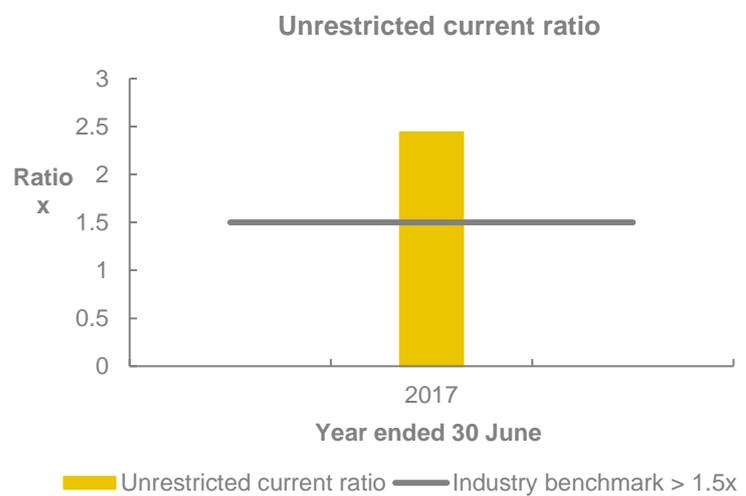
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

- This ratio indicated that Council currently had \$2.44 of unrestricted assets available to service every \$1.0 of its unrestricted current liabilities. This exceeded the industry benchmark.
- Cash reserves from the former councils contributed to this result.

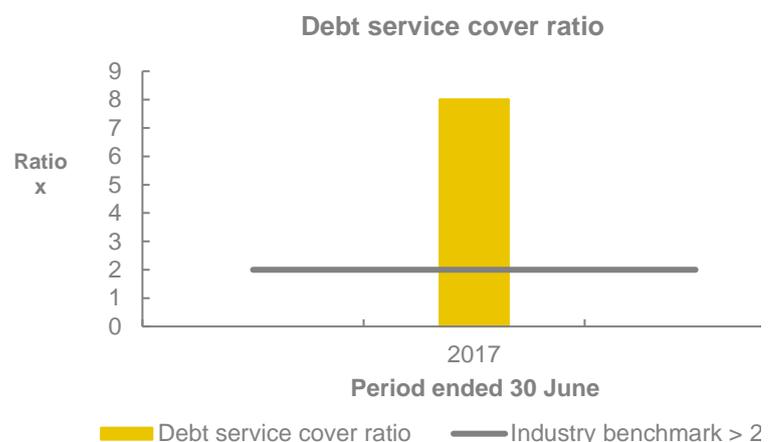
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

- Council ratio of eight times exceeded the industry benchmark due to the positive operating result before capital grants and contributions.

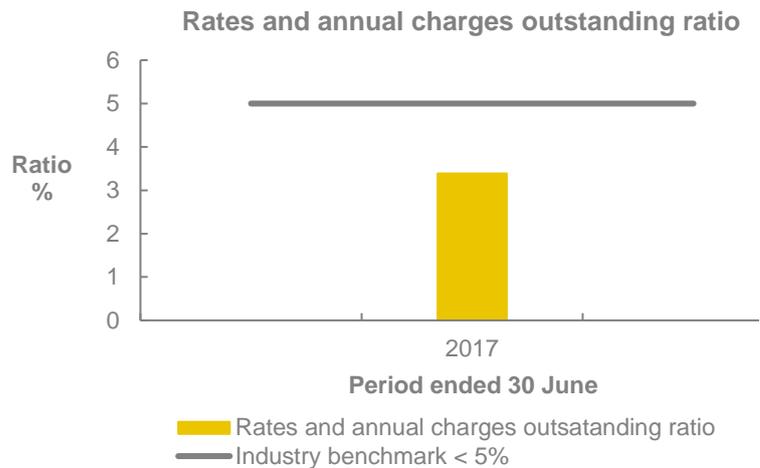
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

- Council outstanding rates and charges ratio of 3.4 per cent was within the industry benchmark of less than five per cent.

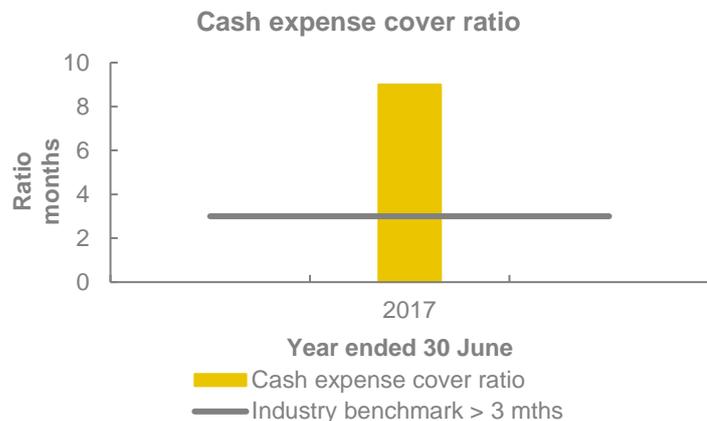
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the OLG is less than 5 per cent for regional councils.



## Cash expense cover ratio

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

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

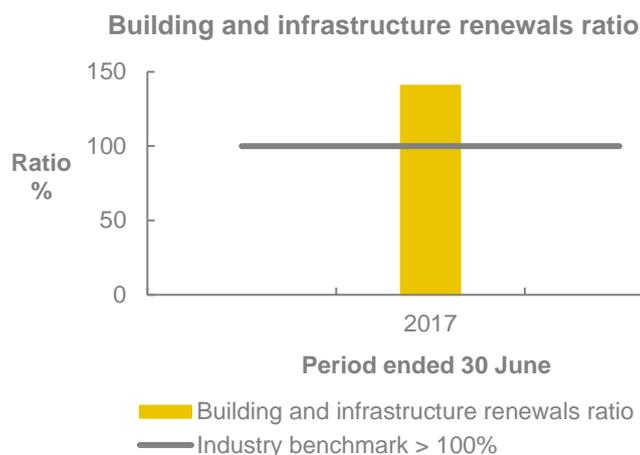


## Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio of 140.7 per cent exceeded the benchmark.

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

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



## OTHER MATTERS

### Asset Revaluations

Council's infrastructure, property, plant and equipment are required to be carried at fair value. A comprehensive external revaluation of land, buildings and infrastructure assets was performed as at the date of the amalgamation.

## **Legislative compliance**

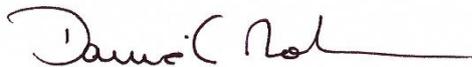
My audit procedures did not identify any instances of non-compliance with legislative requirements.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.

## **Management acknowledgement**

The audit team appreciated the co-operation and help received from the Council's staff, in particular, the finance team for their invaluable assistance throughout the audit.



David Nolan  
Director, Financial Audit Services

27 February 2018  
SYDNEY

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

# Queanbeyan-Palerang Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the period 13 May 2016 to 30 June 2017

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## Queanbeyan-Palerang Regional Council

### Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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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
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<b>4. Auditor’s Report</b>	16

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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a ‘level playing field’ between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council’s self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
-

## Queanbeyan-Palerang Regional Council

### Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

### 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 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

**Signed in accordance with a resolution of Council made on 22 November 2017.**



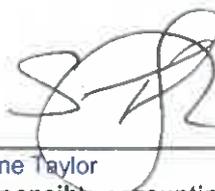
Tim Overall  
Mayor



Trevor Hicks  
Councillor



Peter Tegart  
General Manager



Shane Taylor  
Responsible accounting officer

## Queanbeyan-Palerang Regional Council

### Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
<b>Income from continuing operations</b>	
Access charges	7,745
User charges	14,943
Fees	221
Interest	570
Grants and contributions provided for non-capital purposes	97
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	412
<b>Total income from continuing operations</b>	<b>23,988</b>
<b>Expenses from continuing operations</b>	
Employee benefits and on-costs	1,666
Borrowing costs	417
Materials and contracts	1,600
Depreciation, amortisation and impairment	2,112
Water purchase charges	13,437
Loss on sale of assets	–
Calculated taxation equivalents	–
Debt guarantee fee (if applicable)	–
Share of loss from equity accounted investment	–
Other expenses	3,223
<b>Total expenses from continuing operations</b>	<b>22,455</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,533</b>
Grants and contributions provided for capital purposes	1,827
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,360</b>
Surplus (deficit) from discontinued operations	0
<b>Surplus (deficit) from all operations before tax</b>	<b>3,360</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(460)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,900</b>
<b>Plus Assets and liabilities transferred from former councils</b>	<b>114,699</b>
<b>Plus adjustments for amounts unpaid:</b>	
– Taxation equivalent payments	–
– Debt guarantee fees	–
– Corporate taxation equivalent	460
<b>Closing retained profits</b>	<b>118,059</b>
<b>Return on capital %</b>	<b>1.9%</b>
<b>Subsidy from Council</b>	<b>436</b>
<b>Calculation of dividend payable:</b>	
Surplus (deficit) after tax	2,900
Less: capital grants and contributions (excluding developer contributions)	(1,245)
<b>Surplus for dividend calculation purposes</b>	<b>1,655</b>
<b>Potential dividend calculated from surplus</b>	<b>828</b>

## Queanbeyan-Palerang Regional Council

### Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
<b>Income from continuing operations</b>	
Access charges	16,395
User charges	884
Liquid trade waste charges	188
Fees	461
Interest	1,748
Grants and contributions provided for non-capital purposes	378
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	334
<b>Total income from continuing operations</b>	<b>20,388</b>
<b>Expenses from continuing operations</b>	
Employee benefits and on-costs	2,370
Borrowing costs	554
Materials and contracts	3,110
Depreciation, amortisation and impairment	4,664
Loss on sale of assets	–
Calculated taxation equivalents	–
Debt guarantee fee (if applicable)	–
Share of loss from equity accounted investment	–
Other expenses	4,262
<b>Total expenses from continuing operations</b>	<b>14,960</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>5,428</b>
Grants and contributions provided for capital purposes	50,811
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>56,239</b>
Surplus (deficit) from discontinued operations	(0)
<b>Surplus (deficit) from all operations before tax</b>	<b>56,239</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,628)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>54,611</b>
<b>Plus Assets and liabilities transferred from former councils</b>	<b>158,239</b>
<b>Plus adjustments for amounts unpaid:</b>	
– Taxation equivalent payments	–
– Debt guarantee fees	–
– Corporate taxation equivalent	1,628
<b>Closing retained profits</b>	<b>214,478</b>
<b>Return on capital %</b>	<b>3.7%</b>
<b>Subsidy from Council</b>	<b>–</b>
<b>Calculation of dividend payable:</b>	
Surplus (deficit) after tax	54,611
Less: capital grants and contributions (excluding developer contributions)	(50,228)
<b>Surplus for dividend calculation purposes</b>	<b>4,383</b>
<b>Potential dividend calculated from surplus</b>	<b>2,191</b>

## Queanbeyan-Palerang Regional Council

## Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2017

\$ '000	Actual 2017
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	4,855
Investments	14,416
Receivables	4,715
Inventories	185
Other	–
Non-current assets classified as held for sale	–
<b>Total current assets</b>	<b>24,171</b>
<b>Non-current assets</b>	
Investments	3,021
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	100,247
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Other	–
<b>Total non-current assets</b>	<b>103,268</b>
<b>TOTAL ASSETS</b>	<b>127,439</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Bank overdraft	–
Payables	2,905
Income received in advance	144
Borrowings	479
Provisions	–
<b>Total current liabilities</b>	<b>3,528</b>
<b>Non-current liabilities</b>	
Payables	–
Income received in advance	–
Borrowings	5,852
Provisions	–
<b>Total non-current liabilities</b>	<b>5,852</b>
<b>TOTAL LIABILITIES</b>	<b>9,380</b>
<b>NET ASSETS</b>	<b>118,059</b>
<b>EQUITY</b>	
Retained earnings	118,059
Revaluation reserves	–
Other reserves	–
<b>TOTAL EQUITY</b>	<b>118,059</b>

## Queanbeyan-Palerang Regional Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	5,515
Investments	27,252
Receivables	1,497
Inventories	3
Other	–
Non-current assets classified as held for sale	–
<b>Total current Assets</b>	<b>34,267</b>
<b>Non-current assets</b>	
Investments	27,080
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	162,147
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Other	–
<b>Total non-current assets</b>	<b>189,227</b>
<b>TOTAL ASSETS</b>	<b>223,494</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Bank overdraft	–
Payables	391
Income received in advance	–
Borrowings	244
Provisions	–
<b>Total current liabilities</b>	<b>635</b>
<b>Non-current liabilities</b>	
Payables	–
Income received in advance	–
Borrowings	8,381
Provisions	–
<b>Total non-current liabilities</b>	<b>8,381</b>
<b>TOTAL LIABILITIES</b>	<b>9,016</b>
<b>NET ASSETS</b>	<b>214,478</b>
<b>EQUITY</b>	
Retained earnings	214,478
Revaluation reserves	–
Other reserves	–
<b>TOTAL EQUITY</b>	<b>214,478</b>

## Queanbeyan-Palerang Regional Council

### Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

#### 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

## Queanbeyan-Palerang Regional Council

### Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Significant accounting policies

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

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

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

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

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

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

##### a. Water Supplies

##### b. Sewerage Services

##### Category 2

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

Nil

#### Monetary amounts

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

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

#### (i) Taxation-equivalent charges

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

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

## Queanbeyan-Palerang Regional Council

### Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Significant accounting policies (continued)

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 **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

##### Income tax

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

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

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

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

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

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

## Queanbeyan-Palerang Regional Council

### Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

#### Note 1. Significant accounting policies (continued)

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

#### Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

#### (iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

## Queanbeyan-Palerang Regional Council

### Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

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

2017

##### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	61,830
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	827,697
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	618,300
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	3,779,823

2017 Surplus 1,655,393

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	618,300
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	<span style="border: 1px solid black; padding: 2px;">YES</span>

##### 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)	<span style="border: 1px solid black; padding: 2px;">NO</span>
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<span style="border: 1px solid black; padding: 2px;">YES</span>
	– Complying charges [item 2 (b) in table 1]	<span style="border: 1px solid black; padding: 2px;">YES</span>
	– DSP with commercial developer charges [item 2 (e) in table 1]	<span style="border: 1px solid black; padding: 2px;">YES</span>
	– If dual water supplies, complying charges [item 2 (g) in table 1]	<span style="border: 1px solid black; padding: 2px;">YES</span>
(iii)	Sound water conservation and demand management implemented	<span style="border: 1px solid black; padding: 2px;">YES</span>
(iv)	Sound drought management implemented	<span style="border: 1px solid black; padding: 2px;">YES</span>
(v)	Complete performance reporting form (by 15 September each year)	<span style="border: 1px solid black; padding: 2px;">NO</span>
(vi)	a. Integrated water cycle management evaluation	<span style="border: 1px solid black; padding: 2px;">NO</span>
	b. Complete and implement integrated water cycle management strategy	<span style="border: 1px solid black; padding: 2px;">NO</span>

## Queanbeyan-Palerang Regional Council

### Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

##### National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	25,245
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	65.75%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	100,247
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	19,912
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,838
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	3.21%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## Queanbeyan-Palerang Regional Council

### Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

#### Note 3. Sewerage business best-practice management disclosure requirements

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

2017

##### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	60,393
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	2,191,275
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	603,930
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	20,664,191

2017 Surplus 4,382,550

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	603,930
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	<span style="border: 1px solid black; padding: 2px;">YES</span>

##### 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)	<span style="border: 1px solid black; padding: 2px;">NO</span>
(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]	<span style="border: 1px solid black; padding: 2px;">YES</span>
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	<span style="border: 1px solid black; padding: 2px;">YES</span>
	(b) Non-residential [item 2 (c) in table 1]	<span style="border: 1px solid black; padding: 2px;">YES</span>
	(c) Trade waste [item 2 (d) in table 1]	<span style="border: 1px solid black; padding: 2px;">YES</span>
	DSP with commercial developer charges [item 2 (e) in table 1]	<span style="border: 1px solid black; padding: 2px;">YES</span>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<span style="border: 1px solid black; padding: 2px;">YES</span>
(iii)	Complete performance reporting form (by 15 September each year)	<span style="border: 1px solid black; padding: 2px;">NO</span>
(iv)	a. Integrated water cycle management evaluation	<span style="border: 1px solid black; padding: 2px;">NO</span>
	b. Complete and implement integrated water cycle management strategy	<span style="border: 1px solid black; padding: 2px;">NO</span>

## Queanbeyan-Palerang Regional Council

Notes to the Special Purpose Financial Statements  
for the period 13 May 2016 to 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	69,451
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	153,941
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	9,663
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	52,356
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	34.00%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	94,696
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.50%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	54,194
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	22.24%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Queanbeyan-Palerang Regional Council

### Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

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

2017

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-20.20%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	59,599
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	475

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statement

#### Queanbeyan-Palerang Regional Council

To the Councillors of Queanbeyan-Palerang Regional Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Queanbeyan-Palerang Regional Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business
- Sewerage Business.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the period then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

### Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I 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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

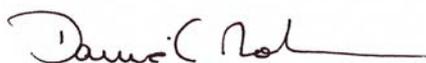
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



David Nolan  
Director, Financial Audit Services

27 February 2018  
SYDNEY

# Queanbeyan-Palerang Regional Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017

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# Queanbeyan-Palerang Regional Council

## Special Schedules

for the period 13 May 2016 to 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

#### Background

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

## Queanbeyan-Palerang Regional Council

Special Schedule 1 – Net Cost of Services  
for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>5,917</b>	<b>515</b>	<b>–</b>	<b>(5,402)</b>
<b>Administration</b>	<b>23,368</b>	<b>2,907</b>	<b>14,197</b>	<b>(6,264)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,606	552	–	(1,054)
Beach control	–	–	–	–
Enforcement of local government regulations	2	–	–	(2)
Animal control	358	169	–	(189)
Other	510	318	–	(192)
<b>Total public order and safety</b>	<b>2,476</b>	<b>1,039</b>	<b>–</b>	<b>(1,437)</b>
<b>Health</b>	<b>411</b>	<b>26</b>	<b>–</b>	<b>(385)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	734	642	–	(92)
Other environmental protection	2,652	1,066	–	(1,586)
Solid waste management	8,733	11,987	–	3,254
Street cleaning	677	–	–	(677)
Drainage	–	–	–	–
Stormwater management	2,309	1,532	1,133	356
<b>Total environment</b>	<b>15,105</b>	<b>15,227</b>	<b>1,133</b>	<b>1,255</b>
<b>Community services and education</b>				
Administration and education	526	416	–	(110)
Social protection (welfare)	112	35	–	(77)
Aged persons and disabled	1	–	–	(1)
Children's services	1,839	1,565	–	(274)
<b>Total community services and education</b>	<b>2,478</b>	<b>2,016</b>	<b>–</b>	<b>(462)</b>
<b>Housing and community amenities</b>				
Public cemeteries	429	764	–	335
Public conveniences	276	–	–	(276)
Street lighting	–	–	–	–
Town planning	3,551	2,796	4,277	3,522
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>4,256</b>	<b>3,560</b>	<b>4,277</b>	<b>3,581</b>
<b>Water supplies</b>	<b>18,938</b>	<b>23,988</b>	<b>1,827</b>	<b>6,877</b>
<b>Sewerage services</b>	<b>12,632</b>	<b>20,388</b>	<b>50,811</b>	<b>58,567</b>

## Queanbeyan-Palerang Regional Council

Special Schedule 1 – Net Cost of Services (continued)  
for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,763	298	36	(1,429)
Museums	31	–	–	(31)
Art galleries	–	–	–	–
Community centres and halls	2,698	1,788	–	(910)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	433	28	–	(405)
Sporting grounds and venues	567	109	–	(458)
Swimming pools	1,898	1,398	–	(500)
Parks and gardens (lakes)	1,910	216	2,787	1,093
Other sport and recreation	3,875	247	–	(3,628)
<b>Total recreation and culture</b>	<b>13,175</b>	<b>4,084</b>	<b>2,823</b>	<b>(6,268)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	480	380	–	(100)
Other mining, manufacturing and construction	5	–	–	(5)
<b>Total mining, manufacturing and const.</b>	<b>485</b>	<b>380</b>	–	<b>(105)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,032	1,316	4,195	3,479
Urban roads – regional	114	2,803	–	2,689
Sealed rural roads (SRR) – local	3,522	185	–	(3,337)
Sealed rural roads (SRR) – regional	1,960	3,742	–	1,782
Unsealed rural roads (URR) – local	1,437	1,613	–	176
Unsealed rural roads (URR) – regional	337	337	–	–
Bridges on UR – local	788	90	1,682	984
Bridges on SRR – local	87	–	–	(87)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	16	13	–	(3)
Parking areas	148	–	2	(146)
Footpaths	898	–	1,176	278
Aerodromes	–	–	–	–
Other transport and communication	9,049	650	–	(8,399)
<b>Total transport and communication</b>	<b>20,388</b>	<b>10,749</b>	<b>7,055</b>	<b>(2,584)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	30	31	–	1
Other economic affairs	17,970	17,423	–	(547)
<b>Total economic affairs</b>	<b>18,000</b>	<b>17,454</b>	–	<b>(546)</b>
<b>Totals – functions</b>	<b>137,629</b>	<b>102,333</b>	<b>82,123</b>	<b>46,827</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>44,357</b>		<b>44,357</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	–		–
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>137,629</b>	<b>146,690</b>	<b>82,123</b>	<b>91,184</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Queanbeyan-Palerang Regional Council

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

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	300	900	<b>1,200</b>	–	300	–	–	71	300	600	<b>900</b>
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	1,755	37,183	<b>38,938</b>	–	1,501	–	–	2,560	1,255	36,182	<b>37,437</b>
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>2,055</b>	<b>38,083</b>	<b>40,138</b>	–	<b>1,801</b>	–	–	<b>2,631</b>	<b>1,555</b>	<b>36,782</b>	<b>38,337</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	–	–	–	–	–	–	–	–	–	–	–
<b>Total debt</b>	<b>2,055</b>	<b>38,083</b>	<b>40,138</b>	–	<b>1,801</b>	–	–	<b>2,631</b>	<b>1,555</b>	<b>36,782</b>	<b>38,337</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Queanbeyan-Palerang Regional Council

### Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 13 May 2016 to 30 June 2017

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

## Queanbeyan-Palerang Regional Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 13 May 2016 to 30 June 2017

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

## Queanbeyan-Palerang Regional Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 13 May 2016 to 30 June 2017

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

## Queanbeyan-Palerang Regional Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	6,116	–	6,116
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	284	–	284
e. Sinking fund	–	–	–
f. Other	12,871	3,021	15,892
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	254	–	254
c. User charges	1,503	–	1,503
d. Other	2,958	–	2,958
<b>27. Inventories</b>	185	–	185
<b>28. Property, plant and equipment</b>			
a. System assets	–	100,247	100,247
b. Plant and equipment	–	–	–
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>24,171</b>	<b>103,268</b>	<b>127,439</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	3,049	–	3,049
<b>33. Borrowings</b>	479	5,852	6,331
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>3,528</b>	<b>5,852</b>	<b>9,380</b>
<b>36. NET ASSETS COMMITTED</b>	<b>20,643</b>	<b>97,416</b>	<b>118,059</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			118,059
<b>38. Asset revaluation reserve</b>			–
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>118,059</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			151,998
<b>42. Accumulated current cost</b> depreciation of system assets			(51,751)
<b>43. Written down current cost</b> of system assets			<b>100,247</b>

## Queanbeyan-Palerang Regional Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 13 May 2016 to 30 June 2017

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

## Queanbeyan-Palerang Regional Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 13 May 2016 to 30 June 2017

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

## Queanbeyan-Palerang Regional Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 13 May 2016 to 30 June 2017

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

## Queanbeyan-Palerang Regional Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	15,209	–	15,209
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	17,558	27,080	44,638
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	923	–	923
c. User charges	574	–	574
d. Other	–	–	–
<b>28. Inventories</b>	3	–	3
<b>29. Property, plant and equipment</b>			
a. System assets	–	153,941	153,941
b. Plant and equipment	–	8,206	8,206
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>34,267</b>	<b>189,227</b>	<b>223,494</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	391	–	391
<b>34. Borrowings</b>	244	8,381	8,625
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<b>635</b>	<b>8,381</b>	<b>9,016</b>
<b>37. NET ASSETS COMMITTED</b>	<b>33,632</b>	<b>180,846</b>	<b>214,478</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			214,478
<b>39. Asset revaluation reserve</b>			–
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>214,478</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			234,535
<b>43. Accumulated current cost</b> depreciation of system assets			(80,594)
<b>44. Written down current cost</b> of system assets			<b>153,941</b>

## Queanbeyan-Palerang Regional Council

### Notes to Special Schedules 3 and 5

for the period 13 May 2016 to 30 June 2017

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

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Queanbeyan-Palerang Regional Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'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	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	730	730	4,310	3,004	65,788	117,000	50%	3%	46%	1%	0%
	<b>Sub-total</b>	<b>730</b>	<b>730</b>	<b>4,310</b>	<b>3,004</b>	<b>65,788</b>	<b>117,000</b>	<b>50.0%</b>	<b>3.0%</b>	<b>46.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	790	790	18,370	18,084	442,560	512,695	65%	31%	4%	0%	0%
	Unsealed roads	–	–	3,660	3,164	107,800	118,946	0%	0%	100%	0%	0%
	Bridges	13,990	13,990	8,850	1	40,208	70,388	15%	25%	51%	7%	2%
	Footpaths	–	–	4,800	308	23,758	33,269	68%	20%	12%	0%	0%
	Other road assets	–	–	–	–	30,796	47,443	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>14,780</b>	<b>14,780</b>	<b>35,680</b>	<b>21,557</b>	<b>645,122</b>	<b>782,741</b>	<b>52.9%</b>	<b>23.4%</b>	<b>22.9%</b>	<b>0.6%</b>	<b>0.2%</b>
<b>Water supply network</b>	Water supply network	1,700	1,700	701	521	92,993	143,842	41%	4%	45%	10%	0%
	<b>Sub-total</b>	<b>1,700</b>	<b>1,700</b>	<b>701</b>	<b>521</b>	<b>92,993</b>	<b>143,842</b>	<b>41.0%</b>	<b>4.0%</b>	<b>45.0%</b>	<b>10.0%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Sewerage network	9,387	9,387	696	548	111,689	191,153	44%	6%	40%	8%	2%
	<b>Sub-total</b>	<b>9,387</b>	<b>9,387</b>	<b>696</b>	<b>548</b>	<b>111,689</b>	<b>191,153</b>	<b>44.0%</b>	<b>6.0%</b>	<b>40.0%</b>	<b>8.0%</b>	<b>2.0%</b>

## Queanbeyan-Palerang Regional Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	60	60	108	40	114,332	177,529	74%	21%	2%	3%	0%
	<b>Sub-total</b>	<b>60</b>	<b>60</b>	<b>108</b>	<b>40</b>	<b>108,926</b>	<b>177,529</b>	<b>74.0%</b>	<b>21.0%</b>	<b>2.0%</b>	<b>3.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	4,790	4,790	580	–	2,189	4,356	0%	0%	34%	66%	0%
	<b>Sub-total</b>	<b>4,790</b>	<b>4,790</b>	<b>580</b>	<b>–</b>	<b>2,189</b>	<b>4,356</b>	<b>0.0%</b>	<b>0.0%</b>	<b>34.0%</b>	<b>66.0%</b>	<b>0.0%</b>
Recycled water network	Recycled Water Network	–	–	–	150	42,251	43,381	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>150</b>	<b>42,251</b>	<b>43,381</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Park structures	Park Structure	210	210	–	2,478	27,123	38,835	6%	15%	74%	4%	1%
	<b>Sub-total</b>	<b>210</b>	<b>210</b>	<b>–</b>	<b>2,478</b>	<b>27,123</b>	<b>38,835</b>	<b>6.0%</b>	<b>15.0%</b>	<b>74.0%</b>	<b>4.0%</b>	<b>1.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>31,657</b>	<b>31,657</b>	<b>42,075</b>	<b>28,298</b>	<b>1,096,081</b>	<b>1,498,837</b>	<b>52.9%</b>	<b>16.5%</b>	<b>27.2%</b>	<b>3.0%</b>	<b>0.4%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Queanbeyan-Palerang Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
<b>Infrastructure asset performance indicators * consolidated</b>		
<b>1. Infrastructure renewals ratio</b>		
Asset renewals <sup>(1)</sup>	<u>28,876</u>	<b>140.66%</b>
Depreciation, amortisation and impairment	<u>20,529</u>	
<b>2. Infrastructure backlog ratio</b>		
Estimated cost to bring assets to a satisfactory standard	<u>31,657</u>	<b>2.89%</b>
Net carrying amount of infrastructure assets	<u>1,096,081</u>	
<b>3. Asset maintenance ratio</b>		
Actual asset maintenance	<u>28,298</u>	<b>0.67</b>
Required asset maintenance	<u>42,075</u>	
<b>4. Cost to bring assets to agreed service level</b>		
Estimated cost to bring assets to an agreed service level set by Council	<u>31,657</u>	<b>2.11%</b>
Gross replacement cost	<u>1,498,837</u>	

## Notes

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

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

## Queanbeyan-Palerang Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the period 13 May 2016 to 30 June 2017

\$ '000	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	136.26%	136.53%	153.16%
Depreciation, amortisation and impairment			
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	1.83%	6.10%	2.42%
Net carrying amount of infrastructure assets			
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	0.74	0.79	0.67
Required asset maintenance			
<b>4. Cost to bring assets to agreed service level</b>			
Estimated cost to bring assets to an agreed service level set by Council	1.18%	4.91%	1.77%
Gross replacement cost			

## Notes

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

## Queanbeyan-Palerang Regional Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		Palerang	Queanbeyan City	Total
<b>Notional general income calculation</b> <sup>(1)</sup>				
Last year notional general income yield	a	8,798	24,373	33,171
Plus or minus adjustments <sup>(2)</sup>	b	45	1,088	1,133
<b>Notional general income</b>	c = (a + b)	<b>8,843</b>	<b>25,461</b>	<b>34,304</b>
<b>Permissible income calculation</b>				
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%	
Or rate peg percentage	e	1.50%	1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	
Less expiring special variation amount	g	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–
Or plus rate peg amount	i = c x e	133	382	515
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>8,976</b>	<b>25,843</b>	<b>34,819</b>
Plus (or minus) last year's carry forward total	l	8	(21)	(13)
Less valuation objections claimed in the previous year	m	–	–	–
<b>Sub-total</b>	n = (l + m)	<b>8</b>	<b>(21)</b>	<b>(13)</b>
<b>Total permissible income</b>	o = k + n	<b>8,984</b>	<b>25,822</b>	<b>34,806</b>
Less notional general income yield	p	8,987	25,896	34,883
<b>Catch-up or (excess) result</b>	q = o – p	<b>(3)</b>	<b>(74)</b>	<b>(77)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	5	79	84
Less unused catch-up <sup>(5)</sup>	s	–	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>2</b>	<b>5</b>	<b>7</b>

## Queanbeyan-Palerang Regional Council

### Special Schedule 8 – Permissible Income Calculation (continued) for the year ended 30 June 2018

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\$'000

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#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

#### Queanbeyan-Palerang Regional Council

To the Councillors of Queanbeyan-Palerang Regional Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Queanbeyan-Palerang Regional Council (the Council) for the year ending 30 June 2017.

In my opinion, Special Schedule No. 8 of Queanbeyan-Palerang Regional Council for 2017–18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

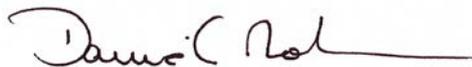
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



David Nolan  
Director, Financial Audit Services

27 February 2018  
SYDNEY