



FEDERATION COUNCIL

FINANCIAL STATEMENTS

For Former Corowa Shire Council

For the period 1st July 2015 to 12th May 2016

The former Corowa Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

“...proudly servicing the Towns and Villages of Corowa,
Mulwala, Howlong, Balldale, Buraja, Coreen, Daysdale,
Lowesdale, Rennie, & Savernake”



The former Corowa Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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

Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Federation Council on 15 November 2016. Council has the power to amend and reissue these financial statements.
-

The former Corowa Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the reporting period 1/7/15 to 12/5/16.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the period, listing all income and expenses.

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

The former Corowa Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Federation Council made on 15 November 2016.



Mike Eden
Administrator



Chris Gillard
Interim General Manager



Shane Norman
Responsible Accounting Officer

The former Corowa Shire Council

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget ¹			Actual	Actual
1/7/15 to 30/6/16	\$ '000	Notes	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Income from continuing operations				
Revenue:				
n/a	Rates and annual charges	3a	² 10,229	10,417
n/a	User charges and fees	3b	5,675	7,147
n/a	Interest and investment revenue	3c	748	857
n/a	Other revenues	3d	2,737	2,996
n/a	Grants and contributions provided for operating purposes	3e,f	³ 7,822	7,341
n/a	Grants and contributions provided for capital purposes	3e,f	1,351	1,521
– Total income from continuing operations			28,562	30,279
Expenses from continuing operations				
n/a	Employee benefits and on-costs	4a	6,766	8,142
n/a	Borrowing costs	4b	338	666
n/a	Materials and contracts	4c	8,122	9,262
n/a	Depreciation and amortisation	4d	5,598	6,245
n/a	Impairment	4d	47	29
n/a	Other expenses	4e	2,503	2,681
n/a	Net losses from the disposal of assets	5	1,052	524
– Total expenses from continuing operations			24,426	27,549
– Operating result from continuing operations			4,136	2,730
Discontinued operations				
n/a	Net profit/(loss) from discontinued operations	24	–	–
– Net operating result for the period			4,136	2,730
– Net operating result attributable to Council			4,136	2,730
Net operating result for the period before grants and contributions provided for capital purposes				
–			2,785	1,209
Alternative net operating result for the period before grants and contributions provided for capital purposes ²				
–			2,785	1,209

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

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

³ Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGS includes the last quarter FAGS payment received on 17 May 2016.

The former Corowa Shire Council

Statement of Comprehensive Income

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Net operating result for the period (as per Income Statement)		4,136	2,730
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	697	14,601
Total items which will not be reclassified subsequently to the operating result		697	14,601
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total items which will be reclassified subsequently to the operating result when specific conditions are met		-	-
Total other comprehensive income for the period		697	14,601
Total comprehensive income for the period		4,833	17,331
Total comprehensive income attributable to Council		4,833	17,331
Total comprehensive income attributable to non-controlling interests		-	-

The former Corowa Shire Council

Statement of Financial Position

as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	16,068	8,355
Investments	6b	8,282	13,528
Receivables	7	6,087	3,984
Inventories	8	1,207	1,397
Total current assets		31,644	27,264
Non-current assets			
Inventories	8	234	61
Infrastructure, property, plant and equipment	9	336,700	335,141
Total non-current assets		336,934	335,202
TOTAL ASSETS		368,578	362,466
LIABILITIES			
Current liabilities			
Payables	10	4,274	2,125
Borrowings	10	131	121
Provisions	10	2,170	2,711
Total current liabilities		6,575	4,957
Non-current liabilities			
Borrowings	10	4,064	4,566
Provisions	10	419	256
Total non-current liabilities		4,483	4,822
TOTAL LIABILITIES		11,058	9,779
Net assets		357,520	352,687
EQUITY			
Retained earnings	20	137,822	133,686
Revaluation reserves	20	219,698	219,001
Council equity interest		357,520	352,687
Total equity		357,520	352,687

The former Corowa Shire Council

Statement of Changes in Equity

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
1/7/15 to 12/5/16						
Opening balance (as per last year's audited accounts)		133,686	219,001	352,687	–	352,687
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		133,686	219,001	352,687	–	352,687
c. Net operating result for the period		4,136	–	4,136	–	4,136
d. Other comprehensive income		–	–	–	–	–
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	697	697	–	697
Other comprehensive income		–	697	697	–	697
Total comprehensive income (c&d)		4,136	697	4,833	–	4,833
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		137,822	219,698	357,520	–	357,520

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
1/7/14 to 30/6/15						
Opening balance (as per last year's audited accounts)		130,956	204,400	335,356	–	335,356
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		130,956	204,400	335,356	–	335,356
c. Net operating result for the year		2,730	–	2,730	–	2,730
d. Other comprehensive income		–	–	–	–	–
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	14,601	14,601	–	14,601
Other comprehensive income		–	14,601	14,601	–	14,601
Total comprehensive income (c&d)		2,730	14,601	17,331	–	17,331
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the year		133,686	219,001	352,687	–	352,687

The former Corowa Shire Council

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget ¹ 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Cash flows from operating activities				
Receipts:				
n/a	Rates and annual charges		8,630	10,426
n/a	User charges and fees		6,088	6,793
n/a	Investment and interest revenue received		805	840
n/a	Grants and contributions		8,063	8,608
n/a	Bonds, deposits and retention amounts received		38	1
n/a	Other		3,074	3,530
Payments:				
n/a	Employee benefits and on-costs		(7,385)	(8,102)
n/a	Materials and contracts		(7,940)	(9,478)
n/a	Borrowing costs		(231)	(669)
n/a	Other		(1,020)	(3,197)
–	Net cash provided (or used in) operating activities	11b	10,122	8,752
Cash flows from investing activities				
Receipts:				
n/a	Sale of investment securities		10,492	500
n/a	Sale of real estate assets		320	139
n/a	Sale of infrastructure, property, plant and equipment		14	637
n/a	Deferred debtors receipts		174	19
Payments:				
n/a	Purchase of investment securities		(5,246)	(591)
n/a	Purchase of infrastructure, property, plant and equipment		(7,497)	(7,108)
n/a	Purchase of real estate assets		(174)	–
–	Net cash provided (or used in) investing activities		(1,917)	(6,404)
Cash flows from financing activities				
Payments:				
n/a	Repayment of borrowings and advances		(492)	(1,490)
–	Net cash flow provided (used in) financing activities		(492)	(1,490)
–	Net increase/(decrease) in cash and cash equivalents		7,713	858
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	8,355	7,497
–	Cash and cash equivalents – end of reporting period	11a	16,068	8,355
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	8,282	13,528
	Total cash, cash equivalents and investments		24,350	21,883

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

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

The former Corowa Shire Council

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

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10 - 27
2(a)	Council functions/activities – financial information	28
2(b)	Council functions/activities – component descriptions	29
3	Income from continuing operations	30 - 35
4	Expenses from continuing operations	36 - 39
5	Gains or losses from the disposal of assets	40
6(a)	Cash and cash equivalent assets	41
6(b)	Investments	42
6(c)	Restricted cash, cash equivalents and investments – details	43 - 44
7	Receivables	45
8	Inventories and other assets	46 - 47
9(a)	Infrastructure, property, plant and equipment	48
9(b)	Externally restricted infrastructure, property, plant and equipment	49
9(c)	Infrastructure, property, plant and equipment – current period impairments	50
10(a)	Payables, borrowings and provisions	51
10(b)	Description of (and movements in) provisions	52
11	Statement of cash flows – additional information	53 - 54
12	Commitments for expenditure	55 - 57
13	Statement of performance measures:	58
	13a (i) Local government industry indicators (consolidated)	59
	13a (ii) Local government industry graphs (consolidated)	60
	13b Local government industry indicators (by fund)	61
14	Investment properties	62
15	Financial risk management	63 - 66
16	Material budget variations	66
17	Statement of developer contributions	67 - 68
18	Contingencies and other liabilities/assets not recognised	69 - 70
19	Interests in other entities	71
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	71 - 73
21	Financial result and financial position by fund	74 - 75
22	'Held for sale' non-current assets and disposal groups	76
23	Events occurring after the reporting date	77
24	Discontinued operations	78
25	Intangible assets	78
26	Reinstatement, rehabilitation and restoration liabilities	79
27	Fair value measurement	80 - 94
 Additional council disclosures		
28	Council information and contact details	95

n/a – not applicable

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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

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

- The business of the Council is continuing through the Federation Council
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:

- all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils

- new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties

- any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.

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

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

(iii) Estimated remediation provisions.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

However, the remaining incomes are recognised as revenue for the period 1 July to 12 May 2016. Adjustments have been made for income not earned during the period 13/05/2016 to 30/06/2016.

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

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

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

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

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

The former NSW Council was amalgamated on 12 May 2016 with former Urana Sire Council and former Corowa Shire Council to form the new Federation Council. In accordance with the Australian Accounting Standards the former NSW Council has had to recognise 100% of the rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or, where earlier, upon receipt of the rates. The former NSW Council has also recognised 100% of the Federal Assistance Grants (FAGs)

revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured. As a consequence these financial statements include all the rates and FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016. Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Federation Council.

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

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

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

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

User charges, fees and other Income

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

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

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

Sale of infrastructure, property, plant and equipment

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

- General purpose operations
- Water supply
- Sewerage service
- Howlong Town Improvement
- Domestic Waste Fund
- Section 355 Committees

(ii) The trust fund

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

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

(d) Leases

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

Operating Leases

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(iii) Types of investments

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

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

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

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

(i) Inventories

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

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs.

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

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

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

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

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

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

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

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

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

Acquisition of assets

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

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Initial recognition

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Asset revaluations (including indexation)

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

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

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

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

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

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

Capitalisation thresholds

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

Land

- Council land	100% capitalised
- Open space	100% capitalised
- Land under roads (purchases after 30/6/08)	100% capitalised

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Plant and equipment

Office furniture	> \$1,000
Office equipment	> \$1,000
Other plant and equipment	> \$1,000

Buildings and land improvements

Park furniture and equipment	> \$2,000
Building	
- Construction/extensions	100% capitalised
- Renovations	> \$10,000
Other structures	> \$2,000

Water and sewer assets

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

Stormwater assets

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

Transport assets

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

Other infrastructure assets

Swimming pools	> \$1,000
Other open space/recreational assets	> \$1,000

Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	10 to 80 years
- Computer equipment	3 to 10 years
- Vehicles	5 to 8 years
- Heavy plant/road making equipment	5 to 8 years
- Other plant and equipment	5 to 90 years

Other equipment

- Playground equipment	15 years
- Quarry	15 to 25 years

Buildings

- Buildings: masonry	60 to 80 years
- Buildings: other	10 to 60 years

Water and sewer assets

- Dams and reservoirs	100 to 150 years
- Bores	30 years
- Treatment and Filtrations Structure	50 years
- Reticulation pipes: PVC	70 years
- Reticulation pipes: other	45 to 90 years
- Pumps and telemetry	5 to 25 years

Stormwater assets

- Drains	100 years
- Culverts	80 years
- Pits	100 years

Transportation assets

- Sealed roads: surface	10 to 20 years
- Unsealed roads	15 years
- Bridge: concrete	100 years
- Road pavements	80 years
- Kerb & gutter	80 years
- Footpaths	35 to 50 years

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	20 to 100 years
- Other open space/ recreational assets	20 to 100 years

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

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

Disposal and derecognition

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

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

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

(p) Investment property

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

Council does not hold any investment properties.

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

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

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

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

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

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

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed.

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.

(w) Provisions

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Provisions are not recognised for future operating losses.

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

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

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

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Defined benefit plans

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

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

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

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016 and covers the period ended 30 June 2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an

expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$ 192,000.

Additional contributions of \$ 432,000 are estimated to remain in place until 30 June 2020.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12 May 2016.

(y) Self-insurance

Council does not self-insure.

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

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

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

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

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

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

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

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

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(ac) Rounding of amounts

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

(ad) Comparative figures

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

(ae) Disclaimer

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

The former Corowa Shire Council
Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).													
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)		
	Original budget ²	Actual	Actual	Original budget ²	Actual	Actual	Original budget ²	Actual	Actual	Actual	Actual	Actual	Actual	
	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	
Governance	n/a	–	–	n/a	348	372	n/a	(348)	(372)	–	–	368,578	–	
Administration	n/a	2,238	2,713	n/a	3,215	3,522	n/a	(977)	(809)	–	16	–	19,633	
Public order and safety	n/a	466	539	n/a	585	819	n/a	(119)	(280)	292	315	–	946	
Health	n/a	18	7	n/a	145	191	n/a	(127)	(184)	–	–	–	343	
Environment	n/a	2,724	2,296	n/a	2,376	2,734	n/a	348	(438)	203	292	–	46,674	
Community services and education	n/a	24	61	n/a	130	243	n/a	(106)	(182)	21	35	–	1,525	
Housing and community amenities	n/a	320	336	n/a	627	623	n/a	(307)	(287)	33	41	–	2,463	
Water supplies	n/a	4,390	5,396	n/a	3,772	4,092	n/a	618	1,304	54	37	–	48,615	
Sewerage services	n/a	3,883	4,498	n/a	3,136	3,675	n/a	747	823	54	63	–	41,130	
Recreation and culture	n/a	157	352	n/a	1,905	3,311	n/a	(1,748)	(2,959)	238	69	–	25,061	
Mining, manufacturing and construction	n/a	349	265	n/a	1,415	220	n/a	(1,065)	45	–	–	–	131	
Transport and communication	n/a	2,993	3,031	n/a	6,387	6,585	n/a	(3,395)	(3,554)	2,412	687	–	171,670	
Economic affairs	n/a	1,288	1,405	n/a	386	1,162	n/a	902	243	–	–	–	4,275	
Total functions and activities	–	18,850	20,899	–	24,427	27,549	–	(5,577)	(6,650)	3,307	1,555	368,578	362,466	
General purpose income ¹	n/a	9,713	9,380	n/a	–	–	n/a	9,713	9,380	4,617	4,627	–	–	
Operating result from continuing operations	–	28,563	30,279	–	24,427	27,549	–	4,136	2,730	7,924	6,182	368,578	362,466	

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

GOVERNANCE

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

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

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

SEWERAGE SERVICES

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.

AGRICULTURE

Includes the administration of agricultural services; supervision and regulation of the agricultural industry; operation of flood control and irrigation systems; and operation of support services to farmers, including vet services, pest control services, crop inspection, and crop grading 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.

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
(a) Rates and annual charges ^{1,2}			
Ordinary rates			
Residential		2,742	2,564
Farmland		1,544	1,500
Business		449	341
Total ordinary rates		4,735	4,405
Special rates			
Town improvement		253	235
Total special rates		253	235
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,291	1,374
Water supply services		612	698
Sewerage services		3,082	3,413
Waste levy		256	292
Total annual charges		5,241	5,777
TOTAL RATES AND ANNUAL CHARGES		10,229	10,417

¹ Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

² Rates are recognised as revenue at the commencement of the rating year for the period 01/07/15 to 30/06/16. No adjustments have been made for rates not earned during the period 13/05/16 to 30/06/16.

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		3,111	3,798
Sewerage services		410	562
Waste management services (non-domestic)		146	129
Other		19	22
Total user charges		3,686	4,511
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		119	107
Planning and building regulation		151	156
Private works – section 67		151	347
Registration fees		9	10
Section 149 certificates (EPA Act)		28	29
Section 603 certificates		28	27
Tapping fees		42	33
Total fees and charges – statutory/regulatory		528	709
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		9	16
Cemeteries		112	92
Community centres		37	34
Leaseback fees – Council vehicles		45	30
RMS (formerly RTA) charges (state roads not controlled by Council)		190	627
Saleyards		778	807
Swimming centres		26	33
Tourism		57	50
Waste disposal tipping fees		109	147
Rent and hire of non-investment property		90	88
Other		8	3
Total fees and charges – other		1,461	1,927
TOTAL USER CHARGES AND FEES		5,675	7,147

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		77	91
– Interest earned on investments (interest and coupon payment income)		630	720
– Interest on deferred debtors		1	12
– Interest (other)		40	34
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>748</u>	<u>857</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		26	34
General Council cash and investments		335	314
Restricted investments/funds – external:			
Water fund operations		222	278
Sewerage fund operations		165	231
<u>Total interest and investment revenue recognised</u>		<u>748</u>	<u>857</u>
(d) Other revenues			
Rental income – other council properties		140	138
Legal fees recovery – rates and charges (extra charges)		53	43
Commissions and agency fees		127	150
Diesel rebate		64	88
Insurance claim recoveries		46	141
Sales – general		13	28
Plant hire charges		1,808	2,245
Carbon tax revenue		209	–
Initial asset recognition		173	–
Other		104	163
<u>TOTAL OTHER REVENUE</u>		<u>2,737</u>	<u>2,996</u>

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,149	3,137	–	–
Financial assistance – local roads component	1,364	1,371	–	–
Pensioners' rates subsidies – general component	104	119	–	–
Total general purpose	4,617	4,627	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	54	37	–	–
– Sewerage	54	63	–	–
– Domestic waste management	61	72	–	–
Bushfire and emergency services	271	253	170	61
Environmental protection	95	106	–	–
Flood restoration	–	–	–	16
Library	48	64	–	–
Noxious weeds	48	87	–	–
Recreation and culture	–	–	35	–
Street lighting	33	41	–	–
Transport (roads to recovery)	2,379	650	–	–
Other	25	103	33	2
Total specific purpose	3,068	1,476	238	79
Total grants	7,685	6,103	238	79
Grant revenue is attributable to:				
– Commonwealth funding	6,629	5,449	–	–
– State funding	1,016	553	205	78
– Other funding	40	101	33	1
	7,685	6,103	238	79

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
	Operating	Operating	Capital	Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	70	90
S 64 – water supply contributions	–	–	41	82
S 64 – sewerage service contributions	–	–	64	93
Total developer contributions	–	–	175	265
	17			
Other contributions:				
Dedications (other than by S94)	–	–	907	–
Kerb and gutter	–	–	31	63
Other councils – joint works/services	137	189	–	–
Recreation and culture	–	–	–	209
Roads and bridges	–	–	–	467
RMS contributions (regional roads, block grant)	–	954	–	–
Sewerage (excl. section 64 contributions)	–	–	–	122
Water supplies (excl. section 64 contributions)	–	–	–	316
Quarries	–	73	–	–
Other	–	22	–	–
Total other contributions	137	1,238	938	1,177
Total contributions	137	1,238	1,113	1,442
TOTAL GRANTS AND CONTRIBUTIONS	7,822	7,341	1,351	1,521

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
\$ '000		
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	657	1,110
Add: grants and contributions recognised in the current period but not yet spent:	741	265
Less: grants and contributions recognised in a previous reporting period now spent:	–	(718)
Net increase (decrease) in restricted assets during the period	741	(453)
Unexpended and held as restricted assets	1,398	657
Comprising:		
– Specific purpose unexpended grants	566	–
– Developer contributions	832	657
	1,398	657

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(a) Employee benefits and on-costs			
Salaries and wages		5,574	6,190
Travel expenses		33	42
Employee leave entitlements (ELE)		1,103	1,572
Superannuation – defined contribution plans		525	587
Superannuation – defined benefit plans		192	242
Workers' compensation insurance		137	295
Fringe benefit tax (FBT)		63	93
Training costs (other than salaries and wages)		119	79
Other		28	33
Total employee costs		7,774	9,133
Less: capitalised costs		(1,008)	(991)
TOTAL EMPLOYEE COSTS EXPENSED		6,766	8,142
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		107	108
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		338	666
Total interest bearing liability costs		338	666
Less: capitalised costs		–	–
Total interest bearing liability costs expensed		338	666
(ii) Other borrowing costs			
Nil			
Total other borrowing costs		–	–
TOTAL BORROWING COSTS EXPENSED		338	666

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Materials and contracts			
Raw materials and consumables		8,001	9,156
Auditors remuneration ⁽¹⁾		41	49
Legal expenses:			
– Legal expenses: planning and development		12	7
– Legal expenses: debt recovery		57	47
– Legal expenses: other		11	3
Other		1	–
Total materials and contracts		8,122	9,262
Less: capitalised costs		–	–
TOTAL MATERIALS AND CONTRACTS		8,122	9,262
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		29	28
– Audit of regulatory returns		12	6
– Other audit and assurance services - Internal Audit		–	15
Remuneration for audit and other assurance services		41	49
(ii) Taxation services			
– Tax compliance services		–	–
Remuneration for taxation services		–	–
(iii) Other non-assurance services			
– Remuneration advice		–	–
Remuneration for other services		–	–
Total Auditor remuneration		41	49

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Plant and equipment		–	–	509	335
Office equipment		–	–	64	68
Furniture and fittings		–	–	13	15
Land improvements (depreciable)		–	–	43	48
Infrastructure:					
– Buildings – non-specialised		26	–	550	643
– Buildings – specialised		–	–	683	922
– Other structures		–	–	8	–
– Roads		16	–	1,619	1,856
– Bridges		–	–	29	33
– Footpaths		–	–	71	84
– Stormwater drainage		–	27	239	302
– Water supply network		–	2	937	1,158
– Sewerage network		5	–	694	748
– Swimming pools		–	–	94	–
– Other open space/recreational assets		–	–	45	–
Other assets					
– Other		–	–	–	33
Total depreciation and impairment costs		47	29	5,598	6,245
Less: capitalised costs		–	–	–	–
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>47</u>	<u>29</u>	<u>5,598</u>	<u>6,245</u>

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(e) Other expenses			
Other expenses for the period include the following:			
Advertising		75	40
Bad and doubtful debts		19	–
Bank charges		60	66
Cleaning		204	225
Computer software charges		82	90
Contributions/levies to other levels of government		–	–
– Bushfire fighting fund		–	111
– Emergency services levy (includes FRNSW, SES, and RFS levies)		295	276
Councillor expenses – mayoral fee		19	20
Councillor expenses – councillors' fees		87	91
Councillors' expenses (incl. mayor) – other (excluding fees above)		3	6
Electricity and heating		558	663
Fair value decrements – restoration	26	160	–
Fire control expenses		88	53
Insurance		348	438
Office expenses (including computer expenses)		31	73
Postage		35	32
Printing and stationery		45	97
Street lighting		132	157
Subscriptions and publications		64	68
Telephone and communications		80	101
Tourism expenses (excluding employee costs)		44	45
Valuation fees		44	–
Other		30	29
Total other expenses		2,503	2,681
Less: capitalised costs		–	–
<u>TOTAL OTHER EXPENSES</u>		<u>2,503</u>	<u>2,681</u>

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Property (excl. investment property)			
Proceeds from disposal – property		–	61
Less: carrying amount of property assets sold/written off		–	(51)
Net gain/(loss) on disposal		–	10
Plant and equipment			
Proceeds from disposal – plant and equipment		14	236
Less: carrying amount of plant and equipment assets sold/written off		(24)	(274)
Net gain/(loss) on disposal		(10)	(38)
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,352)	(631)
Net gain/(loss) on disposal		(1,352)	(631)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		320	139
Less: carrying amount of real estate assets sold/written off		(10)	(78)
Net gain/(loss) on disposal		310	61
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		5,246	500
Less: carrying amount of financial assets sold/redeemed/matured		(5,246)	(480)
Net gain/(loss) on disposal		–	20
Non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		–	340
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(286)
Net gain/(loss) on disposal		–	54
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,052)	(524)
* Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments ‘at fair value through profit and loss’		–	20
Net gain/(loss) on disposal of financial instruments		–	20

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16	12/5/16	30/6/15	30/6/15
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		99	–	166	–
Cash-equivalent assets ¹					
– Deposits at call		3,012	–	2,624	–
– Short-term deposits		12,957	–	5,565	–
Total cash and cash equivalents		16,068	–	8,355	–
Investments (Note 6b)					
– Long term deposits		8,282	–	13,528	–
Total investments		8,282	–	13,528	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		24,350	–	21,883	–

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

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

Cash and cash equivalents

Nil

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

	16,068	–	8,355	–
--	---------------	----------	--------------	----------

Investments

Nil

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

– 'Held for trading'	6(b-i)	–	–	–	–
– 'Designated at fair value on initial recognition'	6(b-i)	–	–	–	–

b. 'Held to maturity'

	6(b-ii)	8,282	–	13,528	–
--	---------	-------	---	--------	---

Investments

	8,282	–	13,528	–
--	--------------	----------	---------------	----------

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 6b. investments (continued)

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Nil				
Balance at end of period	-	-	-	-
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Balance at beginning of period	13,528	-	12,937	480
Additions	-	-	591	-
Disposals (sales and redemptions)	(5,246)	-	-	(480)
Balance at end of period	8,282	-	13,528	-
Comprising:				
- Long term deposits	8,282	-	13,528	-
Total	8,282	-	13,528	-
Note 6(b-iii)				
Reconciliation of investments classified as 'loans and receivables'				
Nil				
Balance at end of period	-	-	-	-
Note 6(b-iv)				
Reconciliation of investments classified as 'available for sale'				
Nil				
Balance at end of period	-	-	-	-

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	24,350	–	21,883	–
attributable to:				
External restrictions (refer below)	13,645	–	13,325	–
Internal restrictions (refer below)	7,352	–	5,886	–
Unrestricted	3,353	–	2,672	–
	24,350	–	21,883	–
1/7/15 to 12/5/16	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance
External restrictions – included in liabilities				
Nil				
External restrictions – included in liabilities	–	–	–	–
External restrictions – other				
Developer contributions – general (D)	365	70	–	435
Developer contributions – water fund (D)	155	65	–	220
Developer contributions – sewer fund (D)	137	40	–	177
RMS (formerly RTA) contributions (E)	–	–	–	–
Specific purpose unexpended grants (F)	–	566	–	566
Specific purpose unexpended grants-water fund (F)	–	–	–	–
Specific purpose unexpended grants-sewer fund (F)	–	–	–	–
Water supplies (G)	8,007	–	(1,307)	6,700
Sewerage services (G)	4,354	976	–	5,330
Domestic waste management (G)	307	–	(90)	217
External restrictions – other	13,325	1,717	(1,397)	13,645
Total external restrictions	13,325	1,717	(1,397)	13,645

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	951	–	–	951
Employees leave entitlement	1,303	–	(327)	976
Carry over works	397	1,170	(318)	1,249
Buildings / office equipment	601	–	–	601
Cemetery	31	–	–	31
Corowa swimming pool	1,434	500	–	1,934
Economic development	94	–	–	94
Gravel pits restoration	435	–	–	435
Howlong town improvement	171	135	–	306
Insurance	100	100	–	200
Waste depot restoration	369	206	–	575
Total internal restrictions	5,886	2,111	(645)	7,352
TOTAL RESTRICTIONS	19,211	3,828	(2,042)	20,997

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by roads and maritime services for (RMS) works on the State's classified roads.
- C** Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Purpose					
Rates and annual charges		1 2,305	–	706	–
Interest and extra charges		40	–	121	–
User charges and fees		1,573	–	946	–
Private works		62	–	340	–
Contributions to works		66	–	63	–
Accrued revenues					
– Interest on investments		207	–	183	–
Amounts due from other councils		137	–	189	–
Deferred debtors		61	–	235	–
Government grants and subsidies		742	–	18	–
Loans to sporting clubs		–	–	50	–
Net GST receivable		313	–	148	–
RMS works		120	–	626	–
Other debtors		461	–	359	–
Total		6,087	–	3,984	–
TOTAL NET RECEIVABLES		6,087	–	3,984	–
Externally restricted receivables					
Water supply					
– Rates and availability charges		151	–	64	–
– Other		1,538	–	919	–
Sewerage services					
– Rates and availability charges		805	–	276	–
– Other		101	–	123	–
Domestic waste management		327	–	163	–
Total external restrictions		2,922	–	1,545	–
Internally restricted receivables					
Nil					
Unrestricted receivables		3,165	–	2,439	–
TOTAL NET RECEIVABLES		6,087	–	3,984	–

Notes on debtors above:

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		905	234	914	61
Stores and materials		302	–	483	–
Total inventories at cost		1,207	234	1,397	61
(ii) Inventories at net realisable value (NRV)					
Nil					
Total inventories at net realisable value (NRV)		–	–	–	–
<u>TOTAL INVENTORIES</u>		<u>1,207</u>	<u>234</u>	<u>1,397</u>	<u>61</u>
(b) Other assets					
Nil					
<u>TOTAL OTHER ASSETS</u>		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Externally restricted assets					
There are no restrictions applicable to the above assets.					
Total unrestricted assets		1,207	234	1,397	61
TOTAL INVENTORIES AND OTHER ASSETS		<u>1,207</u>	<u>234</u>	<u>1,397</u>	<u>61</u>

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets (continued)

\$ '000	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	–	–	–	–
Industrial/commercial	905	234	914	61
Total real estate for resale	905	234	914	61
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	–	–	–	–
Development costs	905	234	914	61
Total costs	905	234	914	61
Less: provision for under recovery	–	–	–	–
Total real estate for resale	905	234	914	61
Movements:				
Real estate assets at beginning of period	914	61	980	73
– Purchases and other costs	1	–	12	(12)
– WDV of sales (expense) 5	(10)	–	(78)	–
– Other	–	173	–	–
Total real estate for resale	905	234	914	61

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	12/5/16	30/6/15
Real estate for resale	–	872
	–	872

(c) Inventories recognised as an expense for the period included:

– Real estate for resale	–	–
--------------------------	---	---

(d) Inventory write downs

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period									as at 12/5/2016			
	At	At	Accumulated	Carrying	Additions	Additions	Carrying	Depreciation	Impairment	WIP	Adjustments	Revaluation	Revaluation	At	At	Accumulated	Carrying
	cost	fair value	depreciation	value	renewals	new assets	value of disposals	expense	loss (recognised in P/L)	transfers	and transfers	decrements to equity (ARR)	increments to equity (ARR)	cost	fair value	depreciation	value
Capital work in progress	522	-	-	522	2,879	143	-	-	(47)	(226)	-	-	-	3,270	-	-	3,270
Plant and equipment	-	8,658	4,236	4,422	166	-	(24)	(509)	-	-	(47)	-	-	-	8,548	4,536	4,012
Office equipment	-	796	267	529	25	29	-	(64)	-	-	-	-	-	-	720	200	520
Furniture and fittings	-	228	123	105	49	-	-	(13)	-	-	-	-	-	-	254	113	141
Plant and equipment (under finance lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:																	
- Operational land	-	8,916	-	8,916	-	97	-	-	-	-	-	-	35	-	9,049	-	9,049
- Community land	-	4,989	-	4,989	-	-	-	-	-	-	-	(97)	-	-	4,892	-	4,892
- Land under roads (pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under roads (post 30/6/08)	-	94	-	94	-	6	-	-	-	-	-	-	-	-	100	-	100
Land improvements – non-depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land improvements – depreciable	-	1,744	267	1,477	27	-	-	(43)	-	-	-	-	-	-	1,771	309	1,462
Infrastructure:																	
- Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Buildings – non-specialised	-	21,375	10,737	10,638	29	1	-	(550)	-	82	-	(3)	-	-	21,458	11,262	10,196
- Buildings – specialised	-	32,938	18,676	14,262	135	103	-	(683)	-	1	(1,901)	-	10	-	27,902	15,976	11,926
- Other structures	-	1,141	678	463	-	-	-	(8)	-	-	-	-	4	-	1,150	692	458
- Roads	-	119,066	24,427	94,639	1,564	22	(1,192)	(1,619)	-	13	-	-	111	-	118,991	25,453	93,538
- Bridges	-	8,120	408	7,712	-	-	-	(29)	-	-	-	-	-	-	8,120	437	7,683
- Footpaths	-	5,374	755	4,619	-	223	-	(71)	-	-	-	-	72	-	5,661	826	4,835
- Other road assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Bulk earthworks (non-depreciable)	-	63,107	-	63,107	-	39	-	-	-	-	-	-	-	-	63,147	-	63,147
- Stormwater drainage	-	50,917	5,236	45,681	-	1,162	(69)	(239)	-	51	-	-	86	-	52,114	5,442	46,672
- Water supply network	-	58,517	20,739	37,778	580	407	(71)	(937)	-	63	-	-	189	-	59,259	21,254	38,005
- Sewerage network	-	49,070	14,520	34,550	88	105	(12)	(694)	-	12	-	-	290	-	49,559	15,220	34,339
- Swimming pools	-	-	-	-	-	2	-	(94)	-	-	1,790	-	-	-	4,952	3,254	1,698
- Other open space/recreational assets	-	-	-	-	-	-	-	(45)	-	4	702	-	-	-	1,004	340	664
- Other infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets:																	
- Heritage collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library books	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	-	655	111	544	-	-	-	-	-	-	(544)	-	-	-	-	-	-
Reinstatement, rehabilitation and restoration assets (refer Note 26):																	
- Tip assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Quarry assets	-	133	39	94	-	-	-	-	-	-	-	-	-	-	133	40	93
- Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	522	435,838	101,219	335,141	5,542	2,339	(1,368)	(5,598)	(47)	-	-	(100)	797	3,270	438,784	105,354	336,700

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

Class of asset	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	–	1,331	–	1,331	–	136	–	136
Plant and equipment	–	2,707	1,953	754	–	2,652	1,929	723
Office equipment	–	23	9	14	–	12	9	3
Land								
– Operational land	–	1,684	–	1,684	–	1,684	–	1,684
Buildings	–	6,388	2,306	4,082	–	6,396	2,261	4,135
Infrastructure	–	50,163	16,995	33,168	–	49,469	16,549	32,920
Total water supply	–	62,296	21,263	41,033	–	60,349	20,748	39,601
Sewerage services								
WIP	–	395	–	395	–	17	–	17
Plant and equipment	–	2,302	1,174	1,128	–	2,569	1,313	1,256
Office equipment	–	2	2	–	–	4	2	2
Land								
– Operational land	–	1,689	–	1,689	–	1,689	–	1,689
Infrastructure	–	47,257	14,046	33,211	–	46,773	13,342	33,431
Total sewerage services	–	51,645	15,222	36,423	–	51,052	14,657	36,395
TOTAL RESTRICTED I,PP&E	–	113,941	36,485	77,456	–	111,401	35,405	75,996

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(i) Impairment losses recognised in the Income Statement:			
– Being Capital Works in Progress now classified as Expenses		(47)	(29)
Total impairment losses		(47)	(29)
<u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u>	4(d)	<u>(47)</u>	<u>(29)</u>

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Payables					
Payments received In advance		945	–	182	–
Accrued expenses:					
– Borrowings		117	–	10	–
– Salaries and wages		70	–	150	–
Security bonds, deposits and retentions		515	–	477	–
Goods and services		2,627	–	1,306	–
Total payables		4,274	–	2,125	–
Borrowings					
Loans – secured ¹		131	4,064	121	4,566
Total borrowings		131	4,064	121	4,566
Provisions					
Employee benefits:					
Annual leave		806	–	1,081	–
Long service leave		996	71	1,262	69
Sub-total – aggregate employee benefits		1,802	71	2,343	69
Asset remediation/restoration (future works)	26	368	348	368	187
Total provisions		2,170	419	2,711	256
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		6,575	4,483	4,957	4,822
(i) Liabilities relating to restricted assets					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Externally restricted assets					
Water		101	–	–	–
Sewer		633	2,620	55	2,673
Liabilities relating to externally restricted assets		734	2,620	55	2,673
Total liabilities relating to restricted assets		734	2,620	55	2,673
Total liabilities relating to unrestricted assets		5,842	1,863	4,902	2,149
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		6,575	4,483	4,957	4,822

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16	Actual 30/6/15
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	923	1,450
	923	1,450

Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16				Unused amounts reversed	Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting			
Annual leave	1,081	288	(563)	–	–	806	
Long service leave	1,331	146	(410)	–	–	1,067	
Asset remediation	555	–	–	161	–	716	
TOTAL	2,967	434	(973)	161	–	2,589	

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- c. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	16,068	8,355
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		16,068	8,355
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,136	2,730
Adjust for non-cash items:			
Depreciation and amortisation		5,598	6,245
Net losses/(gains) on disposal of assets		1,052	524
Non-cash capital grants and contributions		(386)	(988)
Impairment losses recognition – I,PP&E		47	29
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,278)	861
Increase/(decrease) in provision for doubtful debts		–	–
Decrease/(increase) in inventories		181	(216)
Increase/(decrease) in accrued interest payable		107	(3)
Increase/(decrease) in other accrued expenses payable		(80)	34
Increase/(decrease) in other liabilities		2,122	(470)
Increase/(decrease) in employee leave entitlements		(539)	6
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,121	8,752

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(c) Non-cash investing and financing activities			
Other dedications		386	988
Total non-cash investing and financing activities		386	988

(d) Financing arrangements

Nil

The former Corowa Shire Council

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

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Water Infrastructure		889	-
Bridges		274	-
Total commitments		1,163	-
These expenditures are payable as follows:			
Within the next year		1,163	-
Total payable		1,163	-
Sources for funding of capital commitments:			
Unrestricted general funds		1,163	-
Total sources of funding		1,163	-

Details of capital commitments

Water Infrastructure commitment refers to replacing the existing water meter to digital water meter

Bridges commitment refer to the widening of Hopefield Road bridge

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure (continued)

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

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure (continued)

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

Conditions relating to finance and operating leases:

- All finance and operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment property commitments

Nil

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 13a(i). Local Government industry indicators – indicators (consolidated)

\$ '000	Amounts		Indicator	Prior periods	
	12/5/16	12/5/16		30/6/15	30/6/14
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>3,836</u>	14.10%	6.03%	-1.80%	
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>27,210</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>19,389</u>	67.88%	70.73%	63.01%	
Total continuing operating revenue ⁽¹⁾	<u>28,562</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>15,078</u>	3.07x	3.34x	3.07x	
Current liabilities less specific purpose liabilities ^(3, 4)	<u>4,919</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>9,819</u>	11.83x	4.02x	10.16x	
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>830</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	⁽⁵⁾ <u>2,345</u>	20.96%	7.28%	6.94%	
Rates, annual and extra charges collectible	⁽⁵⁾ <u>11,187</u>				
6. Cash expense cover ratio					
Current period's cash and cash equivalents plus all term deposits	<u>24,350</u>	17.12 mths	11.4 mths	12.4 mths	
Payments from cash flow of operating and financing activities	<u>1,422</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

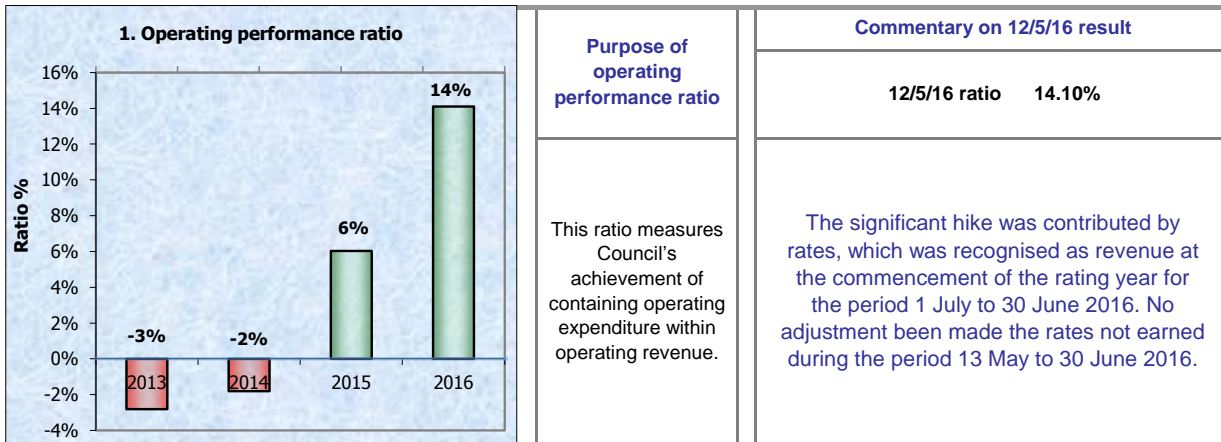
⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁵⁾ Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

The former Corowa Shire Council

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

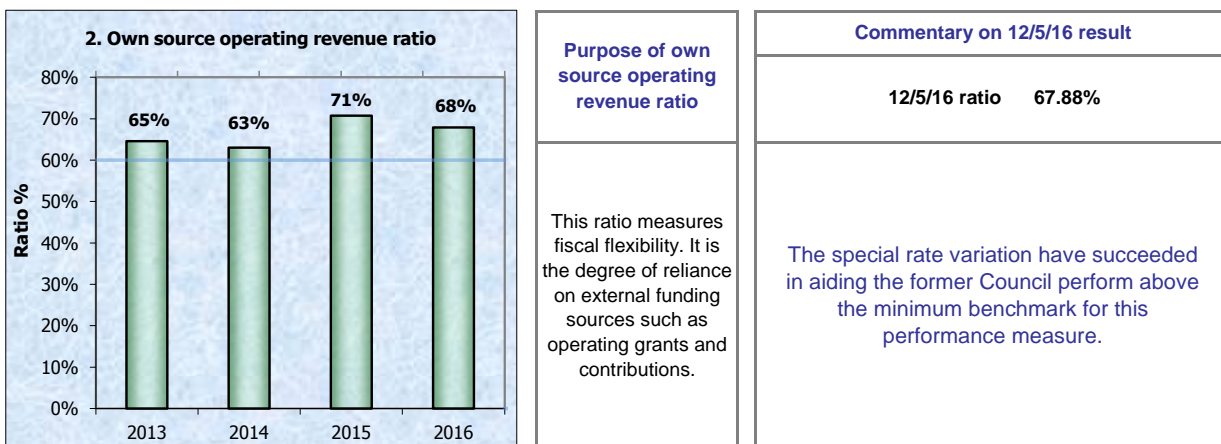
Note 13a(ii). Local government industry indicators – graphs (consolidated)



Benchmark: Minimum $\geq 0.00\%$

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

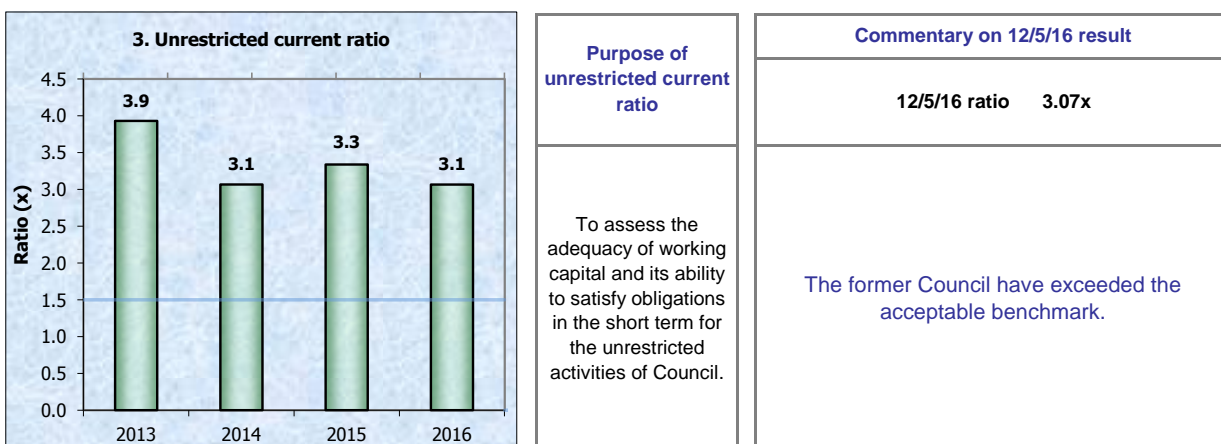
Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum ≥ 1.50

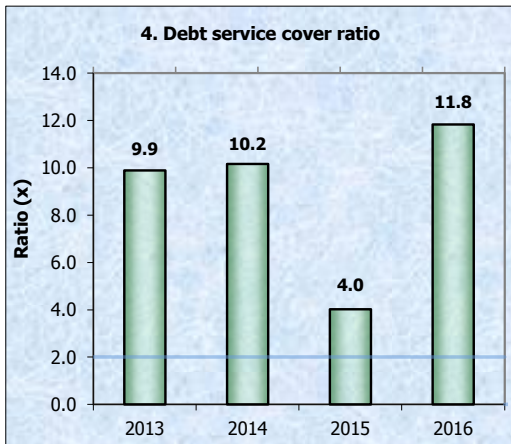
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

The former Corowa Shire Council

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

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



Benchmark: Minimum ≥ 2.00

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

Purpose of debt service cover ratio

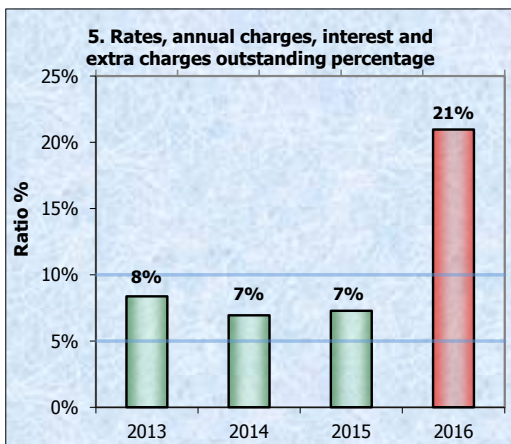
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 12/5/16 result

12/5/16 ratio 11.83x

Last year, the former Council have paid out 3 of its loans and it has significantly improved its ability to cover its existing loans.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum $\geq 5.00\%$ Maximum $< 10.00\%$

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

Purpose of rates and annual charges outstanding ratio

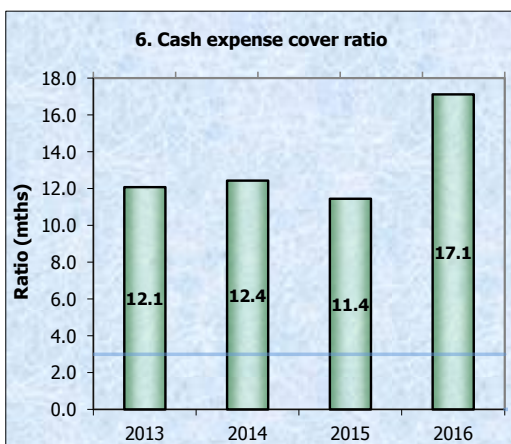
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 12/5/16 result

12/5/16 ratio 20.96%

This Financial Statement was prepared for the former Council's position as of 12 May 2016 when the rates was not due.

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 17.12 mths

The former Council was in strong position in regards to the availability of funds to pay for immediate debts.

Ratio achieves benchmark
 Ratio is outside benchmark

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁵ 12/5/16
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	9.63%	14.59%	14.98%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 17.22%	13.52%	1.52%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	95.33%	94.31%	56.93%
Total continuing operating revenue ⁽¹⁾	prior period: 91.91%	93.83%	60.06%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	83.22x	9.85x	3.07x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: No liabilities	88.91x	3.34x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	0.00	3.32x	17.40x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	0.95x	24.53x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	⁽⁶⁾ 23.84%	26.06%	18.61%
Rates, annual and extra charges collectible	prior period: 0.00%	0.00%	11.47%
6. Cash expense cover ratio			
Current period's cash and cash equivalents plus all term deposits	0.00	0.00	11.79
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	10.19 mths

Notes

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

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 14. Investment properties

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
Financial assets				
Cash and cash equivalents	16,068	8,355	16,068	8,355
Investments				
– 'Held to maturity'	8,282	13,528	8,282	13,528
Receivables	6,087	3,984	6,087	3,984
Total financial assets	30,437	25,867	30,437	25,867
Financial liabilities				
Payables	3,329	1,943	3,329	1,943
Loans/advances	4,195	4,687	4,195	4,687
Total financial liabilities	7,524	6,630	7,524	6,630

Fair value is determined as follows:

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and 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.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
1/7/15 to 12/5/16				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	248	248	(248)	(248)
1/7/14 to 30/6/15				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	218	218	(218)	(218)

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

		12/5/16	12/5/16	30/6/15	30/6/15
		Rates and	Other	Rates and	Other
		annual	receivables	annual	receivables
		charges		charges	
(i) Ageing of receivables – %					
Current (not yet overdue)		84%	84%	0%	70%
Overdue		16%	16%	100%	30%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
		Rates and	Other	Rates and	Other
		annual	receivables	annual	receivables
Rates and annual charges	Other receivables	charges		charges	
Current	Current	1,939	3,174	–	2,269
< 1 year overdue	0 – 30 days overdue	98	179	189	223
1 – 2 years overdue	30 – 60 days overdue	18	34	34	19
2 – 5 years overdue	60 – 90 days overdue	221	10	427	–
> 5 years overdue	> 90 days overdue	29	385	56	767
		2,305	3,782	706	3,278

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	515	2,814	–	–	–	–	–	3,329	3,329
Loans and advances	–	89	95	102	108	117	3,684	4,195	4,195
Total financial liabilities	515	2,903	95	102	108	117	3,684	7,524	7,524
1/7/14 to 30/6/15									
Trade/other payables	477	1,466	–	–	–	–	–	1,943	1,943
Loans and advances	–	243	243	243	243	243	3,474	4,689	4,687
Total financial liabilities	477	1,709	243	243	243	243	3,474	6,632	6,630

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

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,329	0.00%	1,943	0.00%
Loans and advances – fixed interest rate	4,195	7.30%	4,687	6.90%
	<u>7,524</u>		<u>6,630</u>	

Note 16. Material budget variations

\$ '000

This note not required for merger Councils.

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	92	17	–	–	–	–	109	–
Roads	109	36	–	–	–	–	145	–
Open space	81	3	–	–	–	–	84	–
Community facilities	83	14	–	–	–	–	97	–
Other	–	–	–	–	–	–	–	–
S94 contributions – under a plan	365	70	–	–	–	–	435	–
S94A levies – under a plan	–	–	–	–	–	–	–	–
Total S94 revenue under plans	365	70	–	–	–	–	435	–
S93F planning agreements	–	–	–	–	–	–	–	–
S64 contributions	292	105	–	–	–	–	397	–
Total contributions	657	175	–	–	–	–	832	–

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 01

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	92	17	–	–	–	–	109	–
Roads	109	36	–	–	–	–	145	–
Open space	81	3	–	–	–	–	84	–
Community facilities	83	14	–	–	–	–	97	–
Total	365	70	–	–	–	–	435	–

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities

\$ '000

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		133,686	130,956
a. Correction of prior period errors	20 (c)	–	–
b. Changes in accounting policies (prior period effects)	20 (d)	–	–
c. Other comprehensive income (excl. direct to reserves transactions)		–	–
d. Net operating result for the period		4,136	2,730
Balance at end of the reporting period		137,822	133,686
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		219,698	219,001
Total		219,698	219,001
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		219,001	204,400
– Revaluations for the period	9(a)	697	14,601
– Balance at end of period		219,698	219,001
TOTAL VALUE OF RESERVES		219,698	219,001

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

'Available for sale' financial investments revaluation reserve

– The 'available for sale' financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at end of period.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

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

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

(d) Voluntary changes in accounting policies

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 21. Financial result and financial position by fund

\$ '000				
Income Statement by fund				
\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16
	Waste	Water	Sewer	General ¹
Continuing operations				
Income from continuing operations				
Rates and annual charges	180	600	3,088	² 6,361
User charges and fees	1,111	3,317	399	848
Interest and investment revenue	8	222	165	353
Other revenues	209	35	–	2,493
Grants and contributions provided for operating purposes	61	164	156	7,441
Grants and contributions provided for capital purposes	–	42	65	1,244
Total income from continuing operations	1,569	4,380	3,873	18,740
Expenses from continuing operations				
Employee benefits and on-costs	147	1,532	1,259	3,828
Borrowing costs	–	–	174	164
Materials and contracts	1,348	973	837	4,964
Depreciation and amortisation	–	941	695	3,962
Impairment	–	–	–	47
Other expenses	–	255	159	2,088
Net losses from the disposal of assets	–	71	12	969
Total expenses from continuing operations	1,495	3,772	3,137	16,022
Operating result from continuing operations	74	608	736	2,718
Discontinued operations				
Net profit/(loss) from discontinued operations	–	–	–	–
Net operating result for the period	74	608	736	2,718
Net operating result attributable to each council fund	74	608	736	2,718
Net operating result attributable to non-controlling interests	–	–	–	–
Net operating result for the period before grants and contributions provided for capital purposes	74	566	671	1,473
Alternative net operating result for the period before grants and contributions provided for capital purposes	74	566	671	1,473

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

* Waste represents Domestic Waste

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

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

The former Corowa Shire Council

Notes to the Financial Statements

as at 12 May 2016

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

\$ '000				
Statement of Financial Position by fund \$ '000	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16
ASSETS	Waste	Water	Sewer	General¹
Current assets				
Cash and cash equivalents	217	4,221	3,359	8,271
Investments	–	2,698	2,147	3,437
Receivables	327	1,690	906	3,164
Inventories	–	–	–	1,207
Total current assets	544	8,609	6,412	16,079
Non-current assets				
Inventories	–	–	–	234
Infrastructure, property, plant and equipment	–	41,034	36,423	259,243
Total non-current assets	–	41,034	36,423	259,477
TOTAL ASSETS	544	49,643	42,835	275,556
LIABILITIES				
Current liabilities				
Payables	–	101	554	3,619
Borrowings	–	–	79	52
Provisions	–	–	–	2,170
Total current liabilities	–	101	633	5,841
Non-current liabilities				
Borrowings	–	–	2,620	1,444
Provisions	–	–	–	419
Total non-current liabilities	–	–	2,620	1,863
TOTAL LIABILITIES	–	101	3,253	7,704
Net assets	544	49,542	39,582	267,852
EQUITY				
Retained earnings	544	37,163	27,274	72,841
Revaluation reserves	–	12,379	12,308	195,011
Council equity interest	544	49,542	39,582	267,852
Non-controlling interests	–	–	–	–
Total equity	544	49,542	39,582	267,852

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

* Waste represents Domestic Waste

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

	12/5/16	12/5/16	30/6/15	30/6/15
\$ '000	Current	Non-current	Current	Non-current

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

Disposal group assets 'held for sale'

None

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 23. Events occurring after the reporting date

\$ '000

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

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

Accordingly, the 'authorised for issue' date is 15/11/16.

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

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

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

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

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

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

Amalgamation of operations for the former Corowa Shire Council to form Federation Council

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Corowa Shire Council would be amalgamated with Urana Shire Council to form the new council Federation Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Corowa Shire Council to Federation Council on 13 May 2016.

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

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

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

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

The former Corowa Shire Council

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

Note 24. Discontinued operations

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

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

Note 25. Intangible assets

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	Net Present Value of provision	
		12/5/16	30/6/15
Balldale Quarry	2030	264	154
Davies Hill Quarry Daysdale	2035	84	33
Corowa Tip	2017	368	368
Balance at end of the reporting period	10(a)	<u>716</u>	<u>555</u>

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

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

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

Reconciliation of movement in provision for the period:	12/5/16	30/6/15
Balance at beginning of period	555	555
Effect of a change in other calculation estimates used	161	–
Total – reinstatement, rehabilitation and restoration provision	<u>716</u>	<u>555</u>

Amount of expected reimbursements

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment property
- 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).

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

1/7/15 to 12/5/16	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial liabilities					
Loans/advances	12/05/16	4,195	–	–	4,195
Total financial liabilities		4,195	–	–	4,195
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/13	–	–	4,012	4,012
Office Equipment	30/06/13	–	–	520	520
Furniture & Fittings	30/06/13	–	–	141	141
Land	30/06/13	–	–	15,503	15,503
Buildings	30/06/13	–	–	22,122	22,122
Other Structures	30/06/12	–	–	458	458
Roads	30/06/15	–	–	93,538	93,538
Bridges	30/06/15	–	–	7,683	7,683
Footpaths	30/06/15	–	–	4,835	4,835
Bulk Eathworks (non-depreciable)	30/06/15	–	–	63,147	63,147
Stormwater Drainage	30/06/15	–	–	46,672	46,672
Water Supply Network	30/06/12	–	–	38,005	38,005
Sewerage Network	30/06/12	–	–	34,339	34,339
Swimming Pools	30/06/13	–	–	1,698	1,698
Other Open Space/Recreational Assets	30/06/12	–	–	664	664
Quarry Assets	30/06/11	–	–	93	93
Total infrastructure, property, plant and equipment		–	–	333,429	333,429

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

1/7/14 to 30/6/15	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial liabilities					
Loans/advances	30/06/15	4,687	–	–	4,687
Total financial liabilities		4,687	–	–	4,687
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/13	–	–	4,422	4,422
Office Equipment	30/06/13	–	–	529	529
Furniture & Fittings	30/06/13	–	–	105	105
Land	30/06/13	–	–	15,476	15,476
Buildings	30/06/13	–	–	24,900	24,900
Other Structures	30/06/12	–	–	463	463
Roads	30/06/15	–	–	94,639	94,639
Bridges	30/06/15	–	–	7,712	7,712
Footpaths	30/06/15	–	–	4,619	4,619
Bulk Eathworks (non-depreciable)	30/06/15	–	–	63,107	63,107
Stormwater Drainange	30/06/15	–	–	45,681	45,681
Water Supply Network	30/06/12	–	–	37,778	37,778
Sewerage Network	30/06/12	–	–	34,550	34,550
Other Assets	30/06/12	–	–	544	544
Quarry Assets	30/06/11	–	–	94	94
Total infrastructure, property, plant and equipment		–	–	334,619	334,619

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

(3) 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:

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

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Following are the example of assets in their respective class:

- Plant and Equipment - Graders, truck, roller, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers and projector.
- Furniture and Fittings - Chairs, desks and filing cabinets.
- Other Assets - Playground.

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

Land and Buildings

Operational & Community Land

Value of Operational & Community Land are based on the Land Value provided by the Valuer-General, which was last valued on 30 June 2013.

Land Value was based on the valuer's opinion of estimated market value of arm's length transaction between buyer and seller, both willing and knowledgeable parties.

Buildings - Non-Specialised & Specialised

Both types of buildings are valued by external valuer, Asset Val Pty Ltd on 30 June 2013. The buildings were valued at fair value in accordance with Compiled Accounting Standard AASB116 Property, Plant and Equipment, the guidance contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtained in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction".

The valuer may use market observable data to start off but the adjustments to localise the fair value have made both Land and Building to be classified as Level 3 input instead.

There has been no change to the valuation process for both Land and Buildings during the reporting period.

Other Structures

Balldale water system is classified as other structure in the notes. The water system is a non portable water supply and the cost approach has been adopted. The replacement cost was estimated for the asset because no market based evidence (Level 2) could be use as reference.

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Roads, Bridges and Footpaths

Valuations of Roads, Bridges and Footpaths were undertaken in-house based on actual cost and assumptions by Council's Asset Management Department. Level 3 valuation input is used because there is no evidence of Level 2 inputs for this asset classes.

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

Stormwater drainage

Stormwater drainage includes drains, culverts and pits were valued internally by the Council's Asset Management Department. The assets are classified as Level 3 input because estimated value were subject to judgement calls on replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions to name a few.

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

Water Supply Network

This assets class comprises of water mains and equipment such as reticulations mains, bores and dam/reservoirs.

The assets are valued using age-based methodology and they are indexed against Australian Bureau of Statistic's (ABS) Consumer Price Index for Sydney for water mains. Meanwhile, water equipment's unit rates are on individual basis due to the varying types and capacities of the equipment.

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

Sewerage Network

Pump stations, sewerage mains and treatment plants are among assets in Sewerage Network.

The cost approach was adopted to estimate the value of these assets by componentising the assets into significant parts with different useful lives and taking into account a range of values. Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is taken as Level 3 input.

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

Non-current assets classified as 'held for sale'

Land and Buildings

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant & Equipment	Office Equipment	Furniture & Fittings	Land	Total
Opening balance – 1/7/14	–	–	–	–	–
Adoption of AASB 13	4,010	130	89	15,157	19,386
Transfers from/(to) level 1 FV hierarchy 274(b)	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy 274(b)	–	–	–	–	–
Transfers from/(to) another asset class	14	339	–	–	353
Purchases (GBV)	1,002	130	–	388	1,520
Disposals (WDV)	(275)	–	–	(21)	(296)
Depreciation and impairment	(335)	(68)	(15)	(48)	(466)
FV gains – other comprehensive income	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
Revaluation Decrement	–	(1)	–	–	(1)
Revaluation Increment	7	–	31	–	38
Other movement (details here)	–	–	–	–	–
Other movement (details here)	–	–	–	–	–
Closing balance – 30/6/15	4,423	530	105	15,476	20,534
Adoption of AASB 13	–	–	–	–	–
Transfers from/(to) level 1 FV hierarchy 274(b)	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy 274(b)	–	–	–	–	–
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	166	54	49	130	399
Disposals (WDV)	(24)	–	–	–	(24)
Depreciation and impairment	(509)	(64)	(13)	(43)	(629)
FV gains – other comprehensive income	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
Revaluation Decrement	–	–	–	(97)	(97)
Revaluation Increment	–	–	–	35	35
Adjustments and transfers	(47)	–	–	–	(47)
Other movement (details here)	–	–	–	–	–
Closing balance – 12/5/16	4,009	520	141	15,501	20,171

¹ FV gains recognised in the Income Statement relating to assets still on hand at end of period total:

YE 14/15	–	–	–	–	–
YE 15/16	–	–	–	–	–

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings	Other Structures	Roads	Bridges	Total
Opening balance – 1/7/14	–	–	–	–	–
Adoption of AASB 13	25,750	463	86,464	7,077	119,754
Transfers from/(to) level 1 FV hierarchy 274(b)	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy 274(b)	–	–	–	–	–
Transfers from/(to) another asset class	226	–	573	–	799
Purchases (GBV)	540	–	2,478	85	3,103
Disposals (WDV)	(31)	–	(316)	–	(347)
Depreciation and impairment	(1,565)	–	(1,856)	(33)	(3,454)
FV gains – other comprehensive income	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
Revaluation Decrement	(19)	–	–	–	(19)
Revaluation Increment	–	–	7,296	582	7,878
Other movement (details here)	–	–	–	–	–
Other movement (details here)	–	–	–	–	–
Closing balance – 30/6/15	24,901	463	94,639	7,711	127,714
Adoption of AASB 13	–	–	–	–	–
Transfers from/(to) level 1 FV hierarchy 274(b)	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy 274(b)	–	–	–	–	–
Transfers from/(to) another asset class	83	–	13	–	96
Purchases (GBV)	268	–	1,586	–	1,854
Disposals (WDV)	–	–	(1,192)	–	(1,192)
Depreciation and impairment	(1,233)	(8)	(1,619)	(29)	(2,890)
FV gains – other comprehensive income	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
Revaluation Decrement	(3)	–	–	–	(3)
Revaluation Increment	10	4	111	–	125
Adjustments and transfers	(1,901)	–	–	–	(1,901)
Other movement (details here)	–	–	–	–	–
Closing balance – 12/5/16	22,125	459	93,538	7,682	123,803

¹ FV gains recognised in the Income Statement relating to assets still on hand at end of period total:

YE 14/15	–	–	–	–	–
YE 15/16	–	–	–	–	–

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Footpaths	Bulk Eathworks	Storm Drainage	Water Supply Network	Total
Opening balance – 1/7/14	–	–	–	–	–
Adoption of AASB 13	2,942	65,174	38,600	37,398	144,114
Transfers from/(to) level 1 FV hierarchy ^{274(b)}	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy ^{274(b)}	–	–	–	–	–
Transfers from/(to) another asset class	21	–	129	563	713
Purchases (GBV)	69	–	1,221	820	2,110
Disposals (WDV)	–	–	(52)	(217)	(269)
Depreciation and impairment	(84)	–	(302)	(1,158)	(1,544)
FV gains – other comprehensive income	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
Revaluation Decrement	–	(2,067)	–	–	(2,067)
Revaluation Increment	1,672	–	6,084	371	8,127
Other movement (details here)	–	–	–	–	–
Other movement (details here)	–	–	–	–	–
Closing balance – 30/6/15	4,620	63,107	45,680	37,777	151,184
Adoption of AASB 13	–	–	–	–	–
Transfers from/(to) level 1 FV hierarchy ^{274(b)}	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy ^{274(b)}	–	–	–	–	–
Transfers from/(to) another asset class	–	–	51	63	114
Purchases (GBV)	223	39	1,162	987	2,411
Disposals (WDV)	–	–	(69)	(71)	(140)
Depreciation and impairment	(71)	–	(239)	(937)	(1,248)
FV gains – other comprehensive income	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
Revaluation Decrement	–	–	–	–	–
Revaluation Increment	72	–	86	189	347
Other movement (details here)	–	–	–	–	–
Other movement (details here)	–	–	–	–	–
Closing balance – 12/5/16	4,844	63,146	46,671	38,008	152,668

¹ FV gains recognised in the Income Statement relating to assets still on hand at end of period total:

YE 14/15	–	–	–	–	–
YE 15/16	–	–	–	–	–

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Sewerage Network	Swimming Pools	Other Asset	Other Open Space	Total
Opening balance – 1/7/14	–	–	–	–	–
Adoption of AASB 13	33,748	–	364	–	34,112
Transfers from/(to) level 1 FV hierarchy ^{274(b)}	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy ^{274(b)}	–	–	–	–	–
Transfers from/(to) another asset class	283	–	–	–	283
Purchases (GBV)	877	–	3	–	880
Disposals (WDV)	(46)	–	–	–	(46)
Depreciation and impairment	(748)	–	(33)	–	(781)
FV gains – other comprehensive income	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
Revaluation Decrement	–	–	–	–	–
Revaluation Increment	435	–	210	–	645
Other movement (details here)	–	–	–	–	–
Other movement (details here)	–	–	–	–	–
Closing balance – 30/6/15	34,549	–	544	–	35,093
Adoption of AASB 13	–	–	–	–	–
Transfers from/(to) level 1 FV hierarchy ^{274(b)}	–	–	–	–	–
Transfers from/(to) level 2 FV hierarchy ^{274(b)}	–	–	–	–	–
Transfers from/(to) another asset class	12	–	–	4	16
Purchases (GBV)	193	2	–	–	195
Disposals (WDV)	(12)	–	–	–	(12)
Depreciation and impairment	(694)	(94)	–	(45)	(833)
FV gains – other comprehensive income	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
Revaluation Decrement	–	–	–	–	–
Revaluation Increment	290	–	–	–	290
Adjustments and transfers	–	1,790	(544)	702	1,948
Other movement (details here)	–	–	–	–	–
Closing balance – 12/5/16	34,338	1,698	–	661	36,697

¹ FV gains recognised in the Income Statement relating to assets still on hand at end of period total:

YE 14/15	–	–	–	–	–
YE 15/16	–	–	–	–	–

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Quarry Assets	Total
Opening balance – 1/7/14	–	–
Adoption of AASB 13	94	94
Transfers from/(to) level 1 FV hierarchy 274(b)	–	–
Transfers from/(to) level 2 FV hierarchy 274(b)	–	–
Transfers from/(to) another asset class	–	–
Purchases (GBV)	–	–
Disposals (WDV)	–	–
Depreciation and impairment	–	–
FV gains – other comprehensive income	–	–
FV gains – Income Statement ¹	–	–
Revaluation Decrement	–	–
Revaluation Increment	–	–
Other movement (details here)	–	–
Other movement (details here)	–	–
Closing balance – 30/6/15	94	94
Adoption of AASB 13	–	–
Transfers from/(to) level 1 FV hierarchy 274(b)	–	–
Transfers from/(to) level 2 FV hierarchy 274(b)	–	–
Transfers from/(to) another asset class	–	–
Purchases (GBV)	–	–
Disposals (WDV)	–	–
Depreciation and impairment	–	–
FV gains – other comprehensive income	–	–
FV gains – Income Statement ¹	–	–
Revaluation Decrement	–	–
Revaluation Increment	–	–
Adjustments and transfers	–	–
Other movement (details here)	–	–
Closing balance – 12/5/16	94	94
¹ FV gains recognised in the Income Statement relating to assets still on hand at end of period total:		
YE 14/15	–	–
YE 15/16	–	–

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Not applicable

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Financial assets			
Plant & Equipment	4,012	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Office Equipment	520	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Furniture & Fittings	141	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Land	15,503	Valued using valuer-based methodology	Value of land is determined by valuer, in between valuation, the value of land will be maintained
Buildings	22,122	Valued using valuer-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Other Structures	458	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Roads	93,538	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bridges	7,683	Valued using condition-based methodology	Construction of new bridges and repair of existing bridges occurs relatively infrequently, so collecting benchmark information on unit rates, useful life and degradation is difficult

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
Financial assets			
Footpaths	4,835	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bulk Eathworks (non-depreciable)	63,147	Internal valuation	Significant movement in cost for replacement would considerably impact the fair value measurement
Stormwater Drainage	46,672	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Water Supply Network	38,005	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Sewerage Network	34,339	Valued using age-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Swimming Pools	1,698		
Other Open Space/Recreational	664	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Other Assets	–	Depreciated historical cost	Replacement cost, remaining useful life and residual value
Quarry Assets	93	Internal valuation	Estimated cost

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

d. The valuation process for level 3 fair value measurements

The Council fair value is done based on the amount for which an asset could be exchange or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Council's valuation will be recorded at the depreciated replacement cost (i.e written-down value) using the fair value approach.

The "Replacement Cost" method will be used as this is the most common method for non-commercial infrastructure assets as Council assets. It requires detailed assets component information. The complete replacement cost of an asset that has reached the end of its life, so as to provide a similar, or agreed alternative, level of service.

Asset Management department will undertake the valuation exercise with consultation with the Engineering department. There are instances that external consultation is required in the valuation process.

As per the NSW Office of Local Government's Integrated Planning and Reporting Manual, valuation will be reviewed every four years, or at each change of Council at minimum.

Asset Management department will continue managing the fair value movements post valuation to ensure true and fair view of the Council's assets.

(5). Highest and best use

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

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

The former Corowa Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 28. Council information and contact details

Principal place of business:

100 Edward Street
Corowa NSW 2646

Contact details**Mailing address:**

PO Box 77
Corowa NSW 2646

Opening hours:

8:30a.m. To 5:00p.m.
Monday to Friday

Telephone: 02 6033 8999

Facsimile: 02 6033 3317

Internet: www.corowa.nsw.gov.au

Email: council@federationcouncil.nsw.gov.au

Officers**INTERIM GENERAL MANAGER**

Chris Gillard

Members**ADMINISTRATOR**

Mike Eden

RESPONSIBLE ACCOUNTING OFFICER

Shane Norman

PUBLIC OFFICER

Kristy Kay

AUDITORS

Crowe Horwath Albury
491 Smollett St, ALBURY NSW 2640

Other information

ABN: 43 874 223 315

INDEPENDENT AUDITORS' REPORT TO THE FORMER COROWA SHIRE COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Former Corowa Shire Council ('the Council'), which comprises the statement of financial position as at 12 May 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 28 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2) (a) and (c) of the Local Government Act, 1993.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

We performed the procedures to assess whether in all material respects the financial statements present fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, cash flow statement, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules.

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

The audit opinion expressed in this report has been formed on the above basis.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

AUDITOR'S OPINION

In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2;
- b) the Council's financial statements:
 - have been properly prepared in accordance with the requirements of this Division;
 - are consistent with the Council's accounting records;
 - present fairly the Council's financial position and result of its operations; and
 - are in accordance with applicable Accounting Standards.
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

EMPHASIS OF MATTER – GOING CONCERN

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1(a)(vii) and Note 23, on the 12 May 2016 the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Corowa Shire Council would be amalgamated with the former Urana Shire Council to form the new council Federation Council.



These financial statements have been prepared on a going concern basis despite the proclamation automatically resulting in the transfer the assets, rights and liabilities of the former Corowa Shire Council to Federation Council on 13 May 2016. Accordingly these financial statements for the former Corowa Shire Council have been prepared to 12 May 2016.

Crowe Horwath

CROWE HORWATH ALBURY

Brad Bohun

BRADLEY D BOHUN

Partner

Dated at Albury this 15th day of December 2016.

Report on the Conduct of the Audit

The former Corowa Shire Council

For the period ended 12 May 2016

Contents

1	Report on the Conduct of Audit	3
2	Operating Result	5
3	Financial Position	7
4	Performance Indicators	8
5	Specific Balance Sheet Items.....	10
6	Other Matters	13

1 Report on the Conduct of Audit

We have completed our audit of the financial statements for the former Corowa Shire Council ('Council') for the period ended 12 May 2016, in accordance with Section 415 of the Local Government Act, 1993. Our audit opinion under Section 417(2) has been issued to Council and this report on the conduct of the audit should be read in conjunction with the audit opinion.

The Council is responsible for the preparation and presentation of the financial statements and the information they contain. The financial statements consist of the general purpose financial statements and Council's statement in the approved form required by Section 413 (2) and (3) respectively of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Our engagement is summarised as:

Nature of Engagement	Opinion	Basis of Preparation
General purpose financial statements	Unqualified with an emphasis of matter on going concern regarding the proclamation that mandated the amalgamation of the Council	Going concern Not for Profit entity
Special purpose financial statements	Emphasis of matter regarding basis of preparation and going concern regarding the proclamation that mandated the amalgamation of the Council	National Competition Policy requirements by area of business activity

Following from our audit there are a number of comments we wish to raise concerning Council's financial statements. These comments are set out in this report below.

1.1 Local Government (Council Amalgamations) Proclamation 2016

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016 the operations of the former Corowa Shire Council would be amalgamated with the former Urana Shire Council to form the new council Federation Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Corowa Shire Council to Federation Council on 13 May 2016.

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

The following matters are significant to the preparation of the financial statements as a result of the amalgamation proclamation:

- Going concern – Council have disclosed in Note 1(a)(vii) that the financial statements of the former Corowa Shire Council have been prepared on a going concern basis. The Council have stated that this is appropriate as the business of the former Council is continuing through the Federation Council, it has not been liquidated and all relevant staff, assets, rights, liabilities and responsibilities of the former Council are transferred to Federation Council.
- Revenue recognition for rates – In accordance with Australian Accounting Standards the Council has recognised 100% of the rates revenue for the 2015-2016 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or, where earlier, upon receipt of the rates. The rate revenue recognised in the financial statements represents income to the Council for the full rating year and a 12 May 2016 cut-off has not been applied.
- Revenue recognition for Financial Assistance Grants (FAGs) – In accordance with Australian Accounting Standards Council has also recognised 100% of the FAGs revenue for the period 1 July 2015 to 12 May 2016. Grants are recognised on receipt or upon earlier notification that the grant has been secured. As a consequence these financial statements include all the FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016. Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Federation Council.
- Subsequent events – Council have disclosed the amalgamation event in Note 23. *Events occurring after the reporting date* of the financial statements in accordance with Australian Accounting Standards.

2 Operating Result

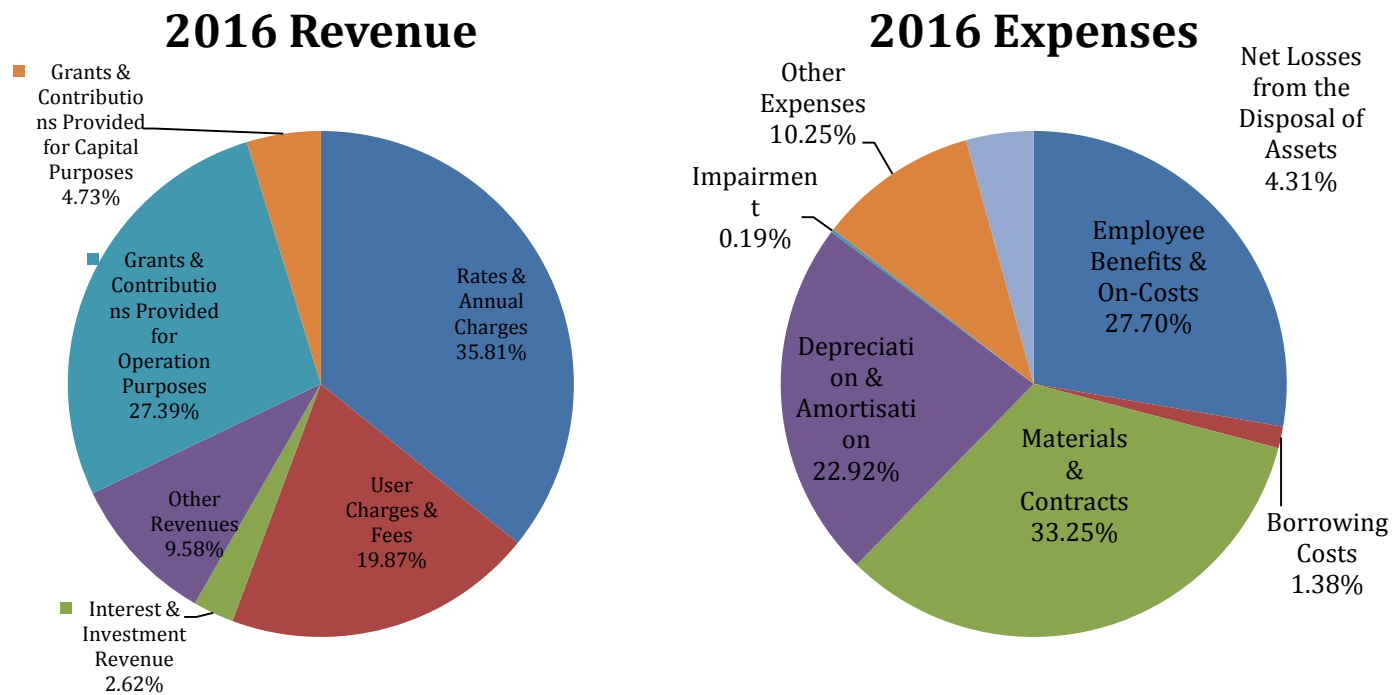
Corowa Shire Council is a rural based Council in Southern New South Wales, whose affairs are governed by:

- Local Government Act 1993;
- Local Government Regulations;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Local Government Asset Accounting Manual Regulations.

The Council is responsible for the administration and implementation of the strategic policies voted on in Council.

As disclosed in the Income Statement, the Council achieved a surplus in net operating result from continuing operations (including capital contributions) of \$4,136k (2015: \$2,730k surplus) for the year ended 12 May 2016.

A breakdown of Council's revenues and expenses for the year are as follows:



Significant income and expense items in the current period were:

	2016 \$'000	Full year - 2015 \$'000	Full year - 2014 \$'000
Rates and annual charges	10,229 ¹	10,417 ¹	10,647 ¹
User charges and fees	5,675	7,147	5,544
Interest & investment income	748	857	894
Grants and contributions - operating	7,822	7,341	7,023
Grants and contributions - capital	1,351	1,521	4,730
Employee costs	(6,766)	(8,142)	(7,894)
Materials and contracts	(8,122)	(9,262)	(8,889)
Depreciation and amortisation	(5,598)	(6,245)	(6,967)

* Results are for the period ended 12 May 2016

The size of Council's core operations has remained relatively constant year on year. The above income and expense items all have the potential to have a significant impact on Council's operating result. A strong rating base and the timing and nature of grants received have a major influence on the reported result as demonstrated by the above.

The above significant items are based on the operational results from Council as disclosed in the income statement and accompanying notes.

¹ Council has had in place a special rate variation of 7% which commenced in 2014 year and continues to be applied in 2016.

3 Financial Position

A measure of the Council's financial position is its unrestricted working capital. The following table sets out the unrestricted working capital position of Council as at the end of the financial year.

	2016 \$'000	2015 \$'000	2014 \$'000
Cash and Liquid Investments	24,350	21,883	20,434
External Restrictions - included in liabilities	-	-	-
- not included in liabilities	(13,735)	(13,325)	(13,399)
Internal Restrictions - included in liabilities	(976)	(1,303)	(1,303)
- not included in liabilities	(6,376)	(4,583)	(4,423)
Unrestricted Cash and Investments	3,263	2,672	1,309
Other Net Current Assets / (Liabilities) excluding anticipated LSL Provision & restrictions included in liabilities	(473)	359	1,190
Unrestricted Working Capital	2,790	3,031	2,499

Council has used internal restrictions, these are a discretionary item specific to each individual Council. It should be noted that the level of internal restrictions can be adjusted via Council.

The above represents the amount of available working capital Council has at its disposal to meet its future spending requirements after making allowance for any restrictions in place over the use of such working capital.

We recommend that Council continue to monitor its unrestricted working capital position when reviewing its financial position.

4 Performance Indicators

Refer to Note 13 of the financial statements. Sections 4.1 to 4.6 contemplate Council's performance on a consolidated basis. Section 4.7 shows Council's performance against the same ratios on a fund basis.

4.1 Operating Performance Ratio

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

The operating performance ratio at Note 13 has strengthened this year due to a increases in rates and annual charges and user charges and fees. The Council's ratio is 14.10% (2015: 6.03%) which is above the minimum benchmark of 0.00% set by the Code of Accounting Practice and Financial Reporting.

4.2 Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility and shows the degree of reliance on external funding sources such as operating grants and contributions. A Council has improved financial flexibility with a higher level of own source revenue.

This ratio has weakened slightly from 70.73% in 2015 to 67.88% in 2016, this result remains above the minimum benchmark of 60.00%.

4.3 Liquidity (Unrestricted Current) Ratio

This ratio is used to assess the adequacy of working capital and Council's ability to satisfy its obligations in the short term for the unrestricted activities of Council. Unrestricted current ratio is calculated by current assets less all external restrictions divided by current liabilities less specific purpose liabilities.

The liquidity ratio at Note 13 shows a slight decrease in Council's liquidity position to 3.05:1 compared to 3.34:1 in the prior year. Council continues to report a result well in excess of the 1.5:1 benchmark minimum.

4.4 Debt Service Cover Ratio

This ratio demonstrates the percentage of Council revenue required to service the debts carried by Council.

This ratio indicates that Council has sufficient and appropriate operating results to service the borrowing repayments.

4.5 Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

The outstanding percentage assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts.

Council's ratio has deteriorated in the current year increasing to 20.96% from 7.28% in 2015. However this ratio has been significantly impacted by the merger announcement which resulted in a cut off period of 12 May 2016. A large amount of rates, annual and extra charges remained outstanding and still collectible at 12 May 2016.

4.6 Cash Expense Cover Ratio

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

Council has performed strongly in both the current and prior period, indicating a strong liquidity position with a ratio of 17.12 months (2015: 11.45 months), well above the benchmark of 3.00 months.

4.7 Performance Indicators by Fund

The following performance indicators are shown on a fund basis as at 12 May 2016. The below allows analysis of how Council performs at a final level and would indicate the result of Council's general operations excluding its water and sewer operations.

Indicators	Water	Sewer	General
Operating performance ratio	10.79%	15.39%	14.57%
Own source operating revenue	95.33%	94.31%	56.93%
Unrestricted current ratio	83.22x	9.85x	3.05x
Debt service cover ratio	0.00x	3.39x	17.21x
Rates, Annual Charges, Interest and extra charges outstanding %	23.84%	26.06%	18.61%
Cash expense cover ratio	0 months	0 months	11.79 months

5 Specific Balance Sheet Items

5.1 Receivables

Total current receivable at 12 May 2016, net of allowance for impairment was \$6,087k (2015: \$3,984k).

This balance primarily consists of user charges and fees of \$1,573k (2015: \$946k), rates and annual charges of \$2,305k (2015: \$706k) and RMS works of \$120k (2015: \$626k). The percentage of rates and annual charges outstanding is referred to in Section 4.5 of this report.

The allowance for impairment at 12 May 2016 was \$nil (2015: \$nil). An assessment by Council of the collectability of the receivables balance indicated that an allowance for impairment was not necessary as receivables are considered collectible coupled with the fact that rate debts are secured over the underlying property and the level of default is minimal.

5.2 Capital Expenditure

During the reporting period Council spent \$7,881k (2015: \$8,098k) on asset additions of infrastructure, property, plant and equipment. A further \$nil (2015: \$nil) was spent on reinstatement costs for impaired assets.

The primary areas of capital expenditure were as follows:

	2016 \$'000	2015 \$'000	2014 \$'000
Work in progress	3,022	485	2,037
Land & improvements	130	388	314
Buildings	290	540	523
Plant and equipment	269	1,132	612
Roads, bridges and footpaths	1,826	2,632	1,279
Stormwater drainage	1,162	1,221	965
Water supply network	987	820	450
Sewerage network	193	877	268
Other	2	3	-
Asset additions	7,881	8,098	6,448
Reinstatement costs for impaired assets	-	-	4,004
Total capital expenditure	7,881	8,098	10,452

5.3 Borrowings

Total borrowings have decreased by \$492k from the prior year's balance of \$4,687k to the 2016 total balance of \$4,195k. These loans are secured over the general Rating Income of Council.

5.4 Fair Value of Infrastructure Assets

In 2011 the Council should have completed the progressive revaluation of all property, plant and equipment to fair value where all assets are revalued on a 5 year cycle. The Office of Local Government minimum requirements timetable is as follows:

2012: Water and sewer networks;

2013: Operational land and buildings;

2014: Land under roads (if applicable); and

2015: Roads, bridges, footpaths, drainage and bulk earthworks; and

2016: Community land, land improvements, other structures and other assets.

In 2016 the Council performed a revaluation of various asset categories to fair value. This revaluation resulted in the following increments and decrements:

Asset Category	Revaluation Amount Increase/(Decrease) \$'000
Operational Land	35
Community Land	(97)
Buildings- non specialised	(3)
Buildings- specialized	10
Other structures	4
Roads	111
Footpaths	72
Stormwater drainage	86
Water supply network	189
Sewerage network	290
Total asset revaluation reserve movement	697

*Further, we report that in accordance with the requirements of the code of Accounting Practice, Council's water and sewage assets were indexed upward in accordance with the latest indices provided by the NSW Office of Water. These are reflected in the above table.

As at May 2016 all Council's infrastructure, property, plant and equipment is held at fair value with the exception of capital WIP which is held at cost.

5.5 New Standards and Interpretations Not Yet Adopted

Certain new accounting standards have been published that are not mandatory for the 12 May 2016 reporting period as follows:

- AASB 9 *Financial Instruments* and associated amending standards, effective 1 January 2018;
- AASB 15 *Revenue from Contracts with Customers*, effective 1 January 2018;
- AASB 2014-3 Amendments to Australian Accounting Standards – *Accounting for Acquisitions of Interests in Joint Operations (AASB1 and AASB11) and AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, effective 1 January 2018;
- AASB 124 *Related Party Disclosure* (amended), effective 1 July 2016; and
- AASB 16 *Leases*, effective 1 January 2019.

Council is of the view that these standards not yet effective will not significantly affect any of the amounts recognised in the financial statements, however they may impact certain information otherwise disclosed, or the format in which information is disclosed.

6 Other Matters

6.1 Management Letter

A separate report was issued to Council's management in June 2016. This covered details of audit and accounting issues identified during our audit process. No further issues have arisen.

6.2 Independence

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

6.3 Assistance Provided

We recognise and appreciate the General Manager and staff of Council for their cooperation and courtesy extended to us during the course of the audit.

6.4 Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

Contact Us

Crowe Horwath Albury

491 Smollett Street
Albury NSW 2640 Australia
Tel +61 2 6021 1111
Fax +61 2 6041 1892
www.crowehorwath.com.au

Disclaimer

Crowe Horwath Albury is a member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

The former Corowa Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

"...proudly servicing the Towns and Villages of Corowa,
Mulwala, Howlong, Balldale, Buraja, Coreen, Daysdale,
Lowesdale, Rennie, & Savernake"



The former Corowa Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor’s Report	18

Background

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

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

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

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

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

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

The former Corowa Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Federation Council made on 15 November 2016.



Mike Eden
Administrator



Chris Gillard
Interim General Manager



Shane Norman
Responsible Accounting Officer

The former Corowa Shire Council

Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	600	689
User charges	3,275	3,916
Fees	42	33
Interest	222	278
Grants and contributions provided for non-capital purposes	164	37
Other income	35	35
Total income from continuing operations	4,338	4,988
Expenses from continuing operations		
Employee benefits and on-costs	1,532	1,474
Materials and contracts	973	878
Depreciation and impairment	941	1,163
Loss on sale of assets	71	217
Calculated taxation equivalents	49	45
Other expenses	255	352
Total expenses from continuing operations	3,821	4,129
Surplus (deficit) from continuing operations before capital amounts	517	859
Grants and contributions provided for capital purposes	41	399
Surplus (deficit) from continuing operations after capital amounts	558	1,258
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	558	1,258
Less: corporate taxation equivalent (30%) [based on result before capital]	(155)	(258)
SURPLUS (DEFICIT) AFTER TAX	403	1,000
Alternative Net operating result before capital income if rates and annual charges income had been pro rata'd for the period 1/7/15 - 12/5/16		
Plus opening retained profits	36,556	35,253
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	49	45
– Corporate taxation equivalent	155	258
Closing retained profits	37,163	36,556
Return on capital %	1.3%	2.2%
Subsidy from Council	431	337
Calculation of dividend payable:		
Surplus (deficit) after tax	403	1,000
Less: capital grants and contributions (excluding developer contributions)	–	(317)
Surplus for dividend calculation purposes	403	683
Potential dividend calculated from surplus	201	342

The former Corowa Shire Council

Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	3,088	3,419
User charges	387	549
Liquid trade waste charges	13	14
Interest	165	231
Grants and contributions provided for non-capital purposes	156	63
Total income from continuing operations	3,809	4,276
Expenses from continuing operations		
Employee benefits and on-costs	1,259	1,276
Borrowing costs	174	540
Materials and contracts	837	876
Depreciation and impairment	695	749
Loss on sale of assets	12	46
Calculated taxation equivalents	30	31
Other expenses	159	180
Total expenses from continuing operations	3,166	3,698
Surplus (deficit) from continuing operations before capital amounts	644	578
Grants and contributions provided for capital purposes	64	214
Surplus (deficit) from continuing operations after capital amounts	707	792
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	707	792
Less: corporate taxation equivalent (30%) [based on result before capital]	(193)	(173)
SURPLUS (DEFICIT) AFTER TAX	514	619
Alternative Net operating result before capital income if rates and annual charges income had been pro rata'd for the period 1/7/15 - 12/5/16		
Plus opening retained profits	26,537	25,714
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	30	31
– Debt guarantee fees	–	–
– Corporate taxation equivalent	193	173
Closing retained profits	27,274	26,537
Return on capital %	2.2%	3.1%
Subsidy from Council	24	–
Calculation of dividend payable:		
Surplus (deficit) after tax	514	619
Less: capital grants and contributions (excluding developer contributions)	–	(121)
Surplus for dividend calculation purposes	514	498
Potential dividend calculated from surplus	257	249

The former Corowa Shire Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

Domestic Waste

Category 2

\$ '000	Actual	Actual
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Income from continuing operations		
Access charges	180	203
User charges	1,111	1,171
Interest	8	12
Grants and contributions provided for non-capital purposes	61	72
Carbon Tax Refund	209	–
Total income from continuing operations	1,569	1,458
Expenses from continuing operations		
Employee benefits and on-costs	147	146
Materials and contracts	1,348	1,288
Total expenses from continuing operations	1,495	1,434
Surplus (deficit) from continuing operations before capital amounts	74	24
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	74	24
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	74	24
Less: corporate taxation equivalent (30%) [based on result before capital]	(22)	(7)
SURPLUS (DEFICIT) AFTER TAX	52	17
Plus opening retained profits	470	446
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	22	7
Closing retained profits	544	470
Return on capital %	n/a	n/a
Subsidy from Council	–	–

The former Corowa Shire Council

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

as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	4,221	1,551
Investments	2,698	6,612
Receivables	1,690	983
Total current assets	8,609	9,146
Non-current assets		
Infrastructure, property, plant and equipment	41,034	39,601
Total non-current assets	41,034	39,601
TOTAL ASSETS	49,643	48,747
LIABILITIES		
Current liabilities		
Payables	101	–
Total current liabilities	101	–
Non-current liabilities		
Payables	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	101	–
NET ASSETS	49,542	48,747
EQUITY		
Retained earnings	37,163	36,557
Revaluation reserves	12,379	12,190
Council equity interest	49,542	48,747
Non-controlling equity interest	–	–
TOTAL EQUITY	49,542	48,747

The former Corowa Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	3,359	853
Investments	2,147	3,638
Receivables	906	399
Total Current Assets	6,412	4,890
Non-current assets		
Infrastructure, property, plant and equipment	36,423	36,394
Total non-current assets	36,423	36,394
TOTAL ASSETS	42,835	41,284
LIABILITIES		
Current liabilities		
Payables	554	6
Borrowings	79	49
Total current liabilities	633	55
Non-current liabilities		
Borrowings	2,620	2,673
Total non-current liabilities	2,620	2,673
TOTAL LIABILITIES	3,253	2,728
NET ASSETS	39,582	38,556
EQUITY		
Retained earnings	27,274	26,537
Revaluation reserves	12,308	12,018
Council equity interest	39,582	38,555
Non-controlling equity interest	–	–
TOTAL EQUITY	39,582	38,555

The former Corowa Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

Domestic Waste

Category 2

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	217	307
Receivables	327	163
Total Current Assets	544	470
Non-current assets		
Investments	–	–
Total non-current assets	–	–
TOTAL ASSETS	544	470
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	544	470
EQUITY		
Retained earnings	544	470
Revaluation reserves	–	–
Council equity interest	544	470
Non-controlling equity interest	–	–
TOTAL EQUITY	544	470

The former Corowa Shire Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

The former Corowa Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

Whilst the former Corowa Shire Council has been amalgamated into Federation Council from 13 May 2016, Council believes that the going concern basis

for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Federation Council
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:
 - all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils
 - new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties
 - any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.
- The former Corowa Shire Council has not been liquidated nor has trading ceased.

National Competition Policy

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

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

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

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

The former Corowa Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

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. Former Corowa Shire Council Water Supplies

Supply of Water to the towns of Corowa, Howlong and Mulwala

b. Former Corowa Shire Council Sewerage Services

Service of Sewerage reticulation and treatment system to the towns of Corowa, Howlong and Mulwala

Category 2

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

a. Former Corowa Shire Council Domestic Waste Services

Collection of Domestic Waste from the towns of Balldale, Corowa, Howlong and Mulwala

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-

nominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities

The former Corowa Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

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

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or

The former Corowa Shire Council

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

Note 1. Significant accounting policies (continued)

- (ii) the number of water supply or sewerage assessments at 12 May 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

The former Corowa Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	48,927
(ii)	Number of assessments multiplied by \$3/assessment	18,147
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	18,147
(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]	201,356
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	163,323
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,586,411

2016 Surplus	402,711	2015 Surplus	683,300	2014 Surplus	500,400
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	163,323
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

The former Corowa Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 2. Water supply business

best-practice management disclosure requirements (continued)

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

12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,188
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	80.17%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	40,280
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,639
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,863
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.48%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

The former Corowa Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	29,577
(ii)	Number of assessments multiplied by \$3/assessment	16,776
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	16,776
(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]	257,099
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	150,984
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,561,498

2016 Surplus	514,198	2015 Surplus	497,600	2014 Surplus	549,700
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	150,984
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

The former Corowa Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business

best-practice management disclosure requirements (continued)

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

12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,707
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	35,295
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	2,142
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	583
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.39%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	7,895
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.37%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,446
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.91%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

The former Corowa Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business

best-practice management disclosure requirements (continued)

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

12/5/16

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-10.92%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
			1,477
			- 182
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,343
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	108

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

INDEPENDENT AUDITORS' REPORT TO THE FORMER COROWA SHIRE COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of the former Corowa Shire Council (the Council), which comprises the statements of financial position by business activity as at 12 May 2016, and the income statements by business activity for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Office of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The NSW Office of Water Guidelines and are appropriate to meet the needs of the Council and the Office of Local Government.

AUDITORS' RESPONSIBILITY

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

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

OPINION

In our opinion the special purpose financial statements of the former Corowa Shire Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) presenting fairly a view of the Council's financial position as at 12 May 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

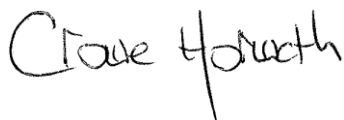
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Office of Local Government, or for any purpose other than that for which it was prepared.

EMPHASIS OF MATTER – GOING CONCERN

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1, on the 12 May 2016 the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Corowa Shire Council would be amalgamated with the former Urana Shire Council to form the new council Federation Council.

These financial statements have been prepared on a going concern basis despite the proclamation automatically resulting in the transfer the assets, rights and liabilities of the former Corowa Shire Council to Federation Council on 13 May 2016. Accordingly these financial statements for the former Corowa Shire Council have been prepared to 12 May 2016.



CROWE HORWATH ALBURY



BRADLEY D BOHUN

Partner

Dated at Albury this 15th day of December 2016.

The former Corowa Shire Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

“...proudly servicing the Towns and Villages of Corowa,
Mulwala, Howlong, Balldale, Buraja, Coreen, Daysdale,
Lowesdale, Rennie, & Savernake”



The former Corowa Shire Council

Special Schedules

for the period 1 July 2015 to 12 May 2016

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2 - 3
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	6 - 8
Special Schedule 4	Water Supply – Statement of Financial Position	9
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	10 - 12
Special Schedule 6	Sewerage Service – Statement of Financial Position	13
Notes to Special Schedules 3 and 5		14
Special Schedule 7	Report on Infrastructure Assets	15 - 20

¹ Special Schedules are not audited.

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

The former Corowa Shire Council

Special Schedule 1 – Net Cost of Services

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	348	–	–	(348)
Administration	3,215	2,238	–	(977)
Public order and safety				
Fire service levy, fire protection, emergency services	496	419	20	(57)
Enforcement of local government regulations	18	17	–	(1)
Animal control	71	10	–	(61)
Total public order and safety	585	445	20	(119)
Health	145	18	–	(127)
Environment				
Noxious plants and insect/vermin control	187	48	–	(139)
Other environmental protection	93	105	–	12
Solid waste management	1,816	2,033	–	217
Drainage	280	–	538	258
Total environment	2,376	2,186	538	348
Community services and education				
Administration and education	112	21	–	(91)
Aged persons and disabled	2	–	–	(2)
Children's services	16	3	–	(13)
Total community services and education	130	24	–	(106)
Housing and community amenities				
Public cemeteries	121	104	–	(17)
Public conveniences	109	–	–	(109)
Street lighting	133	33	–	(100)
Town planning	123	173	–	50
Other community amenities	141	10	–	(131)
Total housing and community amenities	627	320	–	(307)
Water supplies	3,772	4,239	151	618
Sewerage services	3,136	3,716	166	746

The former Corowa Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	421	52	–	(369)
Museums	28	10	–	(18)
Community centres and halls	245	16	–	(229)
Other cultural services	4	–	–	(4)
Sporting grounds and venues	192	–	–	(192)
Swimming pools	301	26	–	(275)
Parks and gardens (lakes)	653	15	38	(600)
Other sport and recreation	61	–	–	(61)
Total recreation and culture	1,905	119	38	(1,748)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,236	185	164	(887)
Other mining, manufacturing and construction	179	–	–	(179)
Total mining, manufacturing and const.	1,415	185	164	(1,066)
Transport and communication				
Urban roads (UR) – local	1,375	14	241	(1,120)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,414	1,844	–	(570)
Sealed rural roads (SRR) – regional	54	510	–	456
Unsealed rural roads (URR) – local	1,431	11	–	(1,420)
Parking areas	15	–	–	(15)
Footpaths	232	–	33	(199)
Aerodromes	62	18	–	(44)
Other transport and communication	804	322	–	(482)
Total transport and communication	6,387	2,719	274	(3,394)
Economic affairs				
Camping areas and caravan parks	40	117	–	77
Other economic affairs	345	1,172	–	827
Total economic affairs	385	1,289	–	904
Totals – functions	24,426	17,498	1,351	(5,577)
General purpose revenues ⁽¹⁾		9,713		9,713
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	24,426	27,211	1,351	4,136

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As per the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

The former Corowa Shire Council

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

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Financial institutions	121	4,566	4,687	–	492	–	–	338	131	4,064	4,195
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	121	4,566	4,687	–	492	–	–	338	131	4,064	4,195
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	121	4,566	4,687	–	492	–	–	338	131	4,064	4,195

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

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

The former Corowa Shire Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993] for the period 1 July 2015 to 12 May 2016

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the period (principal and interest)	Principal outstanding at end of period
General	-	-	-
Water	-	-	-
Sewer	-	-	-
Domestic waste management	-	-	-
Gas	-	-	-
Totals	-	-	-

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during period (princ. and int.)	Principal outstanding at end of period
-	-			-			-	-	-
-	-			-			-	-	-
Totals							-	-	-

The former Corowa Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	670	615
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
– Mains		
c. Operation expenses	129	71
d. Maintenance expenses	478	399
– Reservoirs		
e. Operation expenses	31	49
f. Maintenance expenses	20	8
– Pumping stations		
g. Operation expenses (excluding energy costs)	48	38
h. Energy costs	141	218
i. Maintenance expenses	60	55
– Treatment		
j. Operation expenses (excluding chemical costs)	530	580
k. Chemical costs	109	102
l. Maintenance expenses	163	191
– Other		
m. Operation expenses	224	210
n. Maintenance expenses	36	22
3. Depreciation expenses		
a. System assets	941	1,163
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	192	362
5. Total expenses	3,772	4,083

The former Corowa Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges		
a. Access (including rates)	600	664
b. Usage charges	2,428	2,595
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	847	1,346
8. Extra charges	31	34
9. Interest income	191	244
10. Other income	77	68
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	54	37
12. Contributions		
a. Developer charges	41	82
b. Developer provided assets	109	317
13. Total income	4,379	5,387
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	607	1,304
15a. Operating result (less grants for acquisition of assets)	607	1,304

The former Corowa Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	1,072	422
b. New assets for growth	110	333
c. Renewals	441	476
d. Plant and equipment	240	152
17. Repayment of debt	–	–
18. Totals	1,863	1,383
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	5,165	5,109
b. Residential (unoccupied, ie. vacant lot)	301	178
c. Non-residential (occupied)	511	505
d. Non-residential (unoccupied, ie. vacant lot)	72	69
23. Number of ETs for which developer charges were received	35 ET	51 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 114,315	\$ 114,400

The former Corowa Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	220	–	220
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,700	–	6,700
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	151	–	151
c. User charges	1,538	–	1,538
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	40,280	40,280
b. Plant and equipment	–	754	754
29. Other assets	–	–	–
30. Total assets	8,609	41,034	49,643
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	101	–	101
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
35. Total liabilities	101	–	101
36. NET ASSETS COMMITTED	8,508	41,034	49,542
EQUITY			
37. Accumulated surplus			37,163
38. Asset revaluation reserve			12,379
39. TOTAL EQUITY			49,542
Note to system assets:			
40. Current replacement cost of system assets			59,589
41. Accumulated current cost depreciation of system assets			(19,309)
42. Written down current cost of system assets			40,280

The former Corowa Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	546	509
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	60	16
b. Maintenance expenses	201	181
– Pumping stations		
c. Operation expenses (excluding energy costs)	163	155
d. Energy costs	87	104
e. Maintenance expenses	118	206
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	363	509
g. Chemical costs	100	107
h. Energy costs	125	82
i. Effluent management	–	–
j. Biosolids management	89	13
k. Maintenance expenses	157	119
– Other		
l. Operation expenses	108	172
m. Maintenance expenses	25	25
3. Depreciation expenses		
a. System assets	695	749
4. Miscellaneous expenses		
a. Interest expenses	174	540
b. Revaluation decrements	–	–
c. Other expenses	124	180
5. Total expenses	3,136	3,667

The former Corowa Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges (including rates)	3,023	3,405
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	410	549
8. Trade waste charges		
a. Annual fees	15	13
b. Usage charges	28	–
9. Extra charges	–	–
10. Interest income	165	231
11. Other income	13	14
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	54	63
c. Other grants	–	–
13. Contributions		
a. Developer charges	166	93
b. Developer provided assets	–	121
14. Total income	3,873	4,489
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	737	822
16a. Operating result (less grants for acquisition of assets)	737	822

The former Corowa Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	18	241
b. New assets for growth	103	142
c. Renewals	284	550
d. Plant and equipment	178	227
18. Repayment of debt	250	1,421
19. Totals	833	2,581
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	4,968	4,924
b. Residential (unoccupied, ie. vacant lot)	177	155
c. Non-residential (occupied)	369	–
d. Non-residential (unoccupied, ie. vacant lot)	78	72
24. Number of ETs for which developer charges were received	34 ET	48 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 113,764	\$ 113,743

The former Corowa Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	177	–	177
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,330	–	5,330
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	805	–	805
c. User charges	101	–	101
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	35,295	35,295
b. Plant and equipment	–	1,128	1,128
30. Other assets	–	–	–
31. Total assets	6,412	36,423	42,835
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	554	–	554
34. Borrowings	79	2,620	2,699
35. Provisions			
36. Total liabilities	633	2,620	3,253
37. NET ASSETS COMMITTED	5,779	33,803	39,582
EQUITY			
38. Accumulated surplus			27,274
39. Asset revaluation reserve			12,309
40. TOTAL EQUITY			39,582
Note to system assets:			
41. Current replacement cost of system assets			49,343
42. Accumulated current cost depreciation of system assets			(14,048)
43. Written down current cost of system assets			35,295

The former Corowa Shire Council

Notes to Special Schedules 3 and 5

for the period 1 July 2015 to 12 May 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

The former Corowa Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Works Depots	–	–	60	88	770	1,365	14%	78%	5%	3%	0%
	Council Halls/Community	–	–	110	90	9,777	23,352	0%	4%	81%	15%	0%
	Health Centres	–	–	15	8	322	724	0%	0%	100%	0%	0%
	Museum	–	–	20	4	969	2,072	0%	71%	0%	29%	0%
	Pre Schools	–	–	10	10	754	1,918	0%	0%	82%	18%	0%
	Rural Fire Service Building	–	–	3	5	1,040	1,381	33%	66%	0%	1%	0%
	Saleyards	36	36	30	68	1,926	3,263	11%	7%	81%	0%	1%
	Garbage Depots	5	5	20	4	278	470	0%	82%	17%	1%	0%
	Other	227	227	40	30	6,288	2,586	19%	42%	31%	6%	2%
	Sub-total	268	268	308	307	22,124	37,131	4.0%	16.4%	66.8%	12.6%	0.2%
Other structures	Other structures	576	576	5	2	458	1,150	51%	41%	5%	0%	3%
		–	–	–	–	–	–					
	Sub-total	576	576	5	2	458	1,150	51.0%	41.0%	5.0%	0.0%	3.0%
Roads	Sealed roads	7,525	7,525	880	843	76,570	98,040	91%	6%	1%	1%	1%
	Unsealed roads	–	–	1,370	883	15,842	19,223	77%	15%	7%	0%	1%
	Bridges	–	–	29	15	7,683	8,120	87%	13%	0%	0%	0%
	Footpaths	–	–	30	147	3,908	4,643	75%	24%	1%	0%	0%
	Other road assets	–	–	–	–	–	–					
	Bulk earthworks	–	–	–	–	63,147	63,147	100%				0%
	Bikepath	–	–	15	10	927	1,018	85%	15%	0%	0%	0%
	Kerb and Gutter	29	29	20	31	14,468	16,740	87%	11%	1%	1%	0%
	Car Parks	446	446	30	30	1,126	1,727	84%	13%	0%	1%	2%
	Sub-total	8,000	8,000	2,374	1,959	183,671	212,658	91.5%	6.2%	1.2%	0.5%	0.6%

The former Corowa Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	2,345	2,345	355	348	23,850	34,912	57%	37%	4%	1%	0%
	Reservoirs	36	36	20	9	4,082	6,388	2%	79%	19%	0%	0%
	Pumping Stations	1,052	1,052	40	36	710	2,659	14%	9%	72%	4%	0%
	Treatment Plants	832	832	140	160	9,192	15,073	27%	45%	27%	1%	0%
	Other	–	–	–	–	171	227	0%	100%	0%	0%	0%
	Sub-total		4,265	4,265	555	553	38,005	59,259	41.2%	42.8%	14.9%	1.1%
Sewerage network	Mains	127	127	115	108	15,247	21,051	65%	33%	0%	2%	0%
	Pumping Stations	423	423	60	66	1,128	2,302	45%	42%	10%	3%	0%
	Treatment	1,375	1,375	140	137	13,649	19,969	64%	23%	13%	0%	0%
	Manholes	744	744	15	21	4,315	6,237	57%	37%	6%	0%	0%
	Sub-total		2,669	2,669	330	332	34,339	49,559	62.5%	29.9%	6.7%	0.9%

The former Corowa Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	58	58	160	135	32,204	35,374	94%	6%	0%	0%	0%
	Sub-total	58	58	160	135	32,204	35,374	93.8%	5.9%	0.0%	0.3%	0.0%
Open space/recreational assets	Swimming pools	1,560	1,560	50	45	1,661	4,827	8%	26%	60%	0%	6%
	Amenities/Toilets	80	80	20	30	819	1,840	6%	40%	50%	3%	1%
	Caravan Park	140	140	35	40	686	1,993	11%	8%	44%	36%	1%
	Parks & Garden/Ovals	77	77	85	90	3,728	8,742	18%	7%	47%	28%	0%
	Other	–	–	–	–	–	–	–				
	Sub-total	1,857	1,857	190	205	6,894	17,402	13.2%	15.9%	50.6%	18.5%	1.9%
	TOTAL – ALL ASSETS	17,693	17,693	3,922	3,493	317,695	412,533	69.7%	15.7%	11.7%	2.5%	0.4%

Notes:

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

Infrastructure asset condition assessment 'key'

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

The former Corowa Shire Council

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

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>5,542</u>	110.44%	93.19%	117.82%
Depreciation, amortisation and impairment	<u>5,018</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>17,693</u>	7.04%	7.18%	18.48%
Carrying value of infrastructure assets	<u>251,478</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>3,493</u>	0.89	0.92	0.88
Required asset maintenance	<u>3,922</u>			

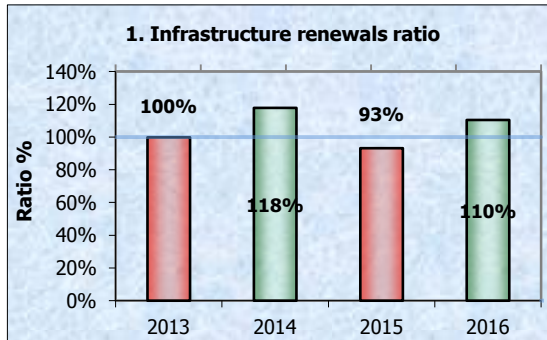
Notes

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

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

The former Corowa Shire Council

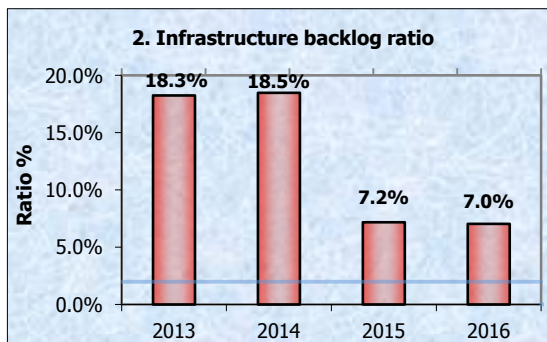
Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



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

Commentary on 12/5/16 result	
12/5/16 ratio	110.44%
<p>This year performance is above the 100% benchmark as the organisation focused on renewing assets rather than new assets.</p>	

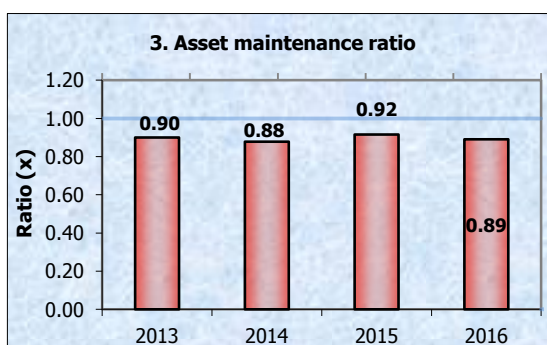
■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Commentary on 12/5/16 result	
12/5/16 ratio	7.04%
<p>Council will continue to work towards the benchmark will great focus on renewing Council assets.</p>	

■ Ratio achieves benchmark
■ Ratio is outside benchmark



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

Commentary on 12/5/16 result	
12/5/16 ratio	0.89 x
<p>Council has adopted a general strategy of asset consolidation as apposed to any further expansion in recognition of this problem.</p>	

■ Ratio achieves benchmark
■ Ratio is outside benchmark

The former Corowa Shire Council

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

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁽¹⁾ 12/5/16
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	196.07%	69.06%	95.26%
Depreciation, amortisation and impairment			
	prior period: 54.14%	103.88%	102.84%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	11.22%	7.77%	6.01%
Carrying value of infrastructure assets			
	prior period: 11.50%	7.78%	6.16%
3. Asset maintenance ratio			
Actual asset maintenance	1.00	1.01	0.86
Required asset maintenance			
	prior period: 1.11	0.81	0.89

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.