

Federation Council Financial Statements

For the period 13 May 2016 to
30 June 2017

Record No: 17/17867

Adopted: 30 October 2017



Federation Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

Creating Opportunity, Celebrating
Community



Federation Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Federation Council.
- (ii) Federation 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 the Council on 30 October 2017. Council has the power to amend and reissue these financial statements.
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Federation Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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 period 13 May 2016 to 30 June 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Federation Council

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

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

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

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

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

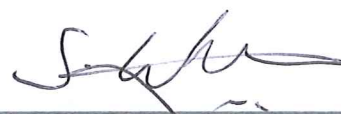
- present fairly the Council's operating result and financial position for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 26 September 2017.



Patrick Bourke
Mayor



Shaun Whitechurch
Councillor



Chris Gillard
General Manager



Shane Norman
Responsible accounting officer

Federation Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	11,983
User charges and fees	3b	7,422
Interest and investment revenue	3c	1,437
Other revenues	3d	785
Grants and contributions provided for operating purposes	3e,f	19,130
Grants and contributions provided for capital purposes	3e,f	13,294
<i>Other income:</i>		
Net gains from the disposal of assets	5	40
Total income from continuing operations		54,091
Expenses from continuing operations		
Employee benefits and on-costs	4a	11,456
Borrowing costs	4b	401
Materials and contracts	4c	10,938
Depreciation and amortisation	4d	9,575
Impairment	4d	2,270
Other expenses	4e	3,541
Total expenses from continuing operations		38,181
Operating result from continuing operations		15,910
Discontinued operations		
Net profit/(loss) from discontinued operations	24	–
Net operating result for the period		15,910
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	475,250
Net result for the period		491,160
Net operating result attributable to Council		491,160
Net operating result attributable to non-controlling interests		–
Net operating result for the period before grants and contributions provided for capital purposes		2,616

Federation Council

Statement of Comprehensive Income
for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		491,160
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,260
Total items which will not be reclassified subsequently to the operating result		1,260
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		1,260
Total comprehensive income for the period		492,420
Total comprehensive income attributable to Council		492,420
Total comprehensive income attributable to non-controlling interests		–

Federation Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	2,014
Investments	6b	41,552
Receivables	7	4,739
Inventories	8(a)	1,473
Other	8(b)	45
Total current assets		49,823
Non-current assets		
Receivables	7	60
Inventories	8(a)	234
Infrastructure, property, plant and equipment	9	453,042
Intangible assets	25	358
Total non-current assets		453,694
TOTAL ASSETS		503,517
LIABILITIES		
Current liabilities		
Payables	10	3,143
Income received in advance	10	409
Borrowings	10	95
Provisions	10	2,762
Total current liabilities		6,409
Non-current liabilities		
Borrowings	10	3,969
Provisions	10	718
Total non-current liabilities		4,687
TOTAL LIABILITIES		11,096
Net assets		492,421
EQUITY		
Retained earnings	20	491,160
Revaluation reserves	20	1,260
Total equity		492,420

Federation Council

Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17			Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
\$ '000	Notes	Retained earnings					
Opening balance		–	–	–	–	–	–
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–
Revised opening balance		–	–	–	–	–	–
c. Net result for the year		491,160	–	–	491,160	–	491,160
d. Other comprehensive income							
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	1,260	–	1,260	–	1,260
Other comprehensive income		–	1,260	–	1,260	–	1,260
Total comprehensive income (c&d)		491,160	1,260	–	492,420	–	492,420
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–
Equity – balance at end of the reporting period		491,160	1,260	–	492,420	–	492,420

Federation Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		13,877
User charges and fees		7,708
Investment and interest revenue received		1,255
Grants and contributions		32,467
Bonds, deposits and retention amounts received		12
Other		904
Payments:		
Employee benefits and on-costs		(11,212)
Materials and contracts		(12,595)
Borrowing costs		(518)
Other		(3,551)
Net cash provided (or used in) operating activities	11b	28,347
Cash flows from investing activities		
Receipts:		
Sale of investment securities		5,485
Sale of real estate assets		97
Sale of infrastructure, property, plant and equipment		328
Deferred debtors receipts		18
Payments:		
Purchase of investment securities		(38,755)
Purchase of infrastructure, property, plant and equipment		(15,987)
Net cash provided (or used in) investing activities		(48,814)
Cash flows from financing activities		
Receipts:		
Nil		
Payments:		
Repayment of borrowings and advances		(131)
Net cash flow provided (used in) financing activities		(131)
Net increase/(decrease) in cash and cash equivalents		(20,598)
Plus: cash transferred on amalgamation of councils	29	22,612
Cash and cash equivalents – end of the year	11a	2,014
Additional Information:		
plus: Investments on hand – end of year	6b	41,552
Total cash, cash equivalents and investments		43,566

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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n/a – not applicable

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted 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

The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') dated 12 May 2016 under the Local Government Act 1993 (NSW) transferred the assets and liabilities of 2 former councils:

- Corowa Shire Council
- Urana Shire Council

to Federation Council as at 13 May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Federation Council, being 13 May 2016 and ending on 30 June 2017.

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

Assets and liabilities of Corowa & Urana Shire Councils acquired as a result of amalgamation have been recognised by the Federation Council at the carrying amount recorded by the former council.

Federation Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 13 May 2016.

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

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

(i) New and amended standards adopted by Council

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] has not had any impact for the Council.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 13 May 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(ii) Estimated tip and quarry 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 the Council and specific criteria have been met for each of the Council's activities as described below.

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

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

(i) Rates, annual charges, grants and contributions

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was

expended on Council's operations during the current year.

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

(ii) User charges and fees

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

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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 a member of Riverina Water County Council in relation to the former Urana Shire Council area.

The governing body of each county council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above county council and accordingly these entities have not been consolidated or otherwise included within these financial statements.

(d) Leases

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

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

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

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(e) Impairment of assets

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

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

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

(f) Cash and cash equivalents

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

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

(g) Inventories

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

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

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

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

(ii) Inventory held for distribution

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

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

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

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

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will

Federation Council

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

Note 1. Summary of significant accounting policies (continued)

be recovered principally through a sale transaction rather than through continuing use.

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

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

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

(i) Investments and other financial assets

Classification

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

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

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

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

(ii) Loans and receivables

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

Loans and receivables are included in notes as Other Receivables and Receivables in the Statement of Financial Position.

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Recognition and de-recognition

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

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

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

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

Subsequent measurement

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

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

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(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 and internal valuation)
- **Community land** (external and internal valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – non-specialised**
(external valuation)
- Buildings – specialised (external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths**
(internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal 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)

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 excepting water and sewerage network assets are to be revalued in 2018.

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

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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	4 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	3 to 10 years
- Vehicles	5 to 15 years
- Heavy plant/road making equipment	5 to 15 years
- Other plant and equipment	5 to 90 years

Other equipment

- Playground equipment	5 to 15 years
- Quarry	15 to 25 years

Buildings

- Buildings: masonry	50 to 80 years
- Buildings: other	10 to 60 years

Water and sewer assets

- Dams and reservoirs	100 to 150 years
- Bores	20 to 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	80 to 100 years
- Culverts	80 to 100 years
- Pits	70 to 90 years

Transportation assets

- Sealed roads: surface	10 to 25 years
- Unsealed roads	10 to 20 years
- Bridge: concrete	100 years
- Road pavements	40 to 80 years
- Kerb & gutter	40 to 80 years
- Footpaths	15 to 50 years

Other infrastructure assets

- Bulk earthworks	Indefinite
- Swimming pools	20 to 100 years
- Other open space/ recreational assets	10 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 de-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 classify software as intangible assets.

(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

Council does not hold any investment properties.

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

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

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

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

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

This amortisation of the discount is disclosed as a borrowing cost within the Notes.

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.

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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:

- 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

Federation Council

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

Note 1. Summary of significant accounting policies (continued)

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.

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 2017.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 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 30 June 2017 was \$ 283,080.

Additional contributions of \$ 387,000 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 30 June 2017.

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

Federation Council

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

Note 1. Summary of significant accounting policies (continued)

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

AASB 124 – Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council. Since this reporting period starts from 13 May 2016, this standard is not applicable.

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

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

AASB 9 - Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair value with the result that there will not be any financial impact for these developments.

The revisions also amend measurement rules for financial liabilities that the Council elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the Council's own credit risk are presented in other comprehensive income. Council does not have any liabilities that are recorded on this basis and the new requirements will not have any financial impact.

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

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

A financial impact will only arise if any investments become subject to impairment.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Available-for-sale investments will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing.

AASB 15 - Revenue from contracts with customers

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 Council 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 undertaking a detailed assessment of the impact of AASB 15.

AASB 16 - 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 (i.e. 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 undertaking 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 not be material.

(ac) Rounding of amounts

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

(ad) Disclaimer

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current & non-current)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	15,081	2,052	13,029	15,000	13,300
Administration	507	2,805	(2,298)	–	27,956
Public order and safety	387	1,026	(639)	372	1,763
Health	20	241	(221)	–	356
Environment	2,292	3,389	(1,097)	140	46,703
Community services and education	282	446	(164)	259	2,293
Housing and community amenities	529	874	(345)	–	6,492
Water supplies	4,601	4,235	366	247	51,889
Sewerage services	3,876	4,281	(405)	10	50,458
Recreation and culture	495	2,605	(2,110)	387	31,347
Mining, manufacturing and construction	378	2,534	(2,156)	–	269
Transport and communication	6,836	12,582	(5,746)	3,996	265,873
Economic affairs	1,512	1,111	401	35	4,818
Total functions and activities	36,796	38,181	(1,385)	20,446	503,517
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–
General purpose income ¹	17,295	–	17,295	9,635	–
Operating result from continuing operations	54,091	38,181	15,910	30,081	503,517

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

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.

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		3,104
Farmland		3,104
Business		502
Total ordinary rates		6,710
Special rates		
Nil		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		1,563
Water supply services		462
Sewerage services		2,911
Waste levy		337
Total annual charges		5,273
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>11,983</u>

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services		62
Water supply services		3,005
Sewerage services		606
Waste management services (non-domestic)		245
Other		45
Total user charges		3,963
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation		185
Planning and building regulation		252
Private works – section 67		87
Regulatory/ statutory fees		11
Registration fees		19
Section 149 certificates (EPA Act)		38
Section 603 certificates		35
Tapping fees		49
Sewer/Drainage Diagrams Fee		17
Water Meter Readings Fee		21
Other		1
Total fees and charges – statutory/regulatory		715
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome		63
Caravan park		134
Cemeteries		173
Child care		1
Community centres		36
Fire and emergency services levy (FESL) implementation		97
Leaseback fees – Council vehicles		57
RMS (formerly RTA) charges (state roads not controlled by Council)		874
Saleyards		1,032
Swimming centres		27
Tourism		35
Waste disposal tipping fees		137
Rent and hire of non-investment property		62
Other		16
Total fees and charges – other		2,744
TOTAL USER CHARGES AND FEES		7,422

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		109
– Interest earned on investments (interest and coupon payment income)		1,292
– Interest (other)		36
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,437</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		109
General Council cash and investments		841
Restricted investments/funds – external:		
Water fund operations		284
Sewerage fund operations		203
<u>Total interest and investment revenue recognised</u>		<u>1,437</u>
(d) Other revenues		
Rental income – other council properties		219
Legal fees recovery – rates and charges (extra charges)		15
Commissions and agency fees		198
Diesel rebate		108
Insurance claim recoveries		132
Sales – general		31
Workers compensation incentive rebate		7
Other		75
<u>TOTAL OTHER REVENUE</u>		<u>785</u>

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance – general component	6,337	–
Financial assistance – local roads component	3,129	–
Pensioners' rates subsidies – general component	169	–
Total general purpose	9,635	–
Specific purpose		
Pensioners' rates subsidies:		
– Water	35	–
– Sewerage	10	–
– Domestic waste management	72	–
Water supplies	–	212
Bushfire and emergency services	238	126
Economic development	35	–
Employment and training programs	42	–
Flood restoration	500	–
Heritage and cultural	14	–
Library	64	–
Noxious weeds	68	–
Recreation and culture	1	302
Street lighting	53	–
Transport (roads to recovery)	1,235	–
Transport (other roads and bridges funding)	–	2,113
Preschools	176	–
New Council Implementation Fund	5,000	–
Stronger Communities Fund	–	10,000
Aerodrome	20	–
Other	94	36
Total specific purpose	7,657	12,789
Total grants	17,292	12,789
Grant revenue is attributable to:		
– Commonwealth funding	9,466	2,113
– State funding	7,826	10,676
	17,292	12,789

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94 – contributions towards amenities/services		–	29
S 64 – water supply contributions		–	14
S 64 – sewerage service contributions		–	25
Total developer contributions	17	–	68
Other contributions:			
Community services		2	–
Kerb and gutter		–	43
Other councils – joint works/services		104	–
Recreation and culture		11	129
RMS contributions (regional roads, block grant)		1,721	265
Total other contributions		1,838	437
Total contributions		1,838	505
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		<u>19,130</u>	<u>13,294</u>

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 13/5/16 to 30/6/17
(g) Unspent grants and contributions	
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	
Unexpended at the close of the previous reporting period (former Councils)	1,915
Add: grants and contributions recognised in the current period but not yet spent:	13,660
Add: grants and contributions received for the provision of goods and services in a future period	3,321
Less: grants and contributions recognised in a previous reporting period now spent:	(740)
Net increase (decrease) in restricted assets during the period	16,241
Unexpended and held as restricted assets	18,156
Comprising:	
– Specific purpose unexpended grants	17,001
– Developer contributions	900
– Other contributions	255
	18,156

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		9,415
Travel expenses		45
Employee leave entitlements (ELE)		1,755
Superannuation – defined contribution plans		912
Superannuation – defined benefit plans		304
Workers' compensation insurance		293
Fringe benefit tax (FBT)		9
Training costs (other than salaries and wages)		106
Other		64
Total employee costs		12,903
Less: capitalised costs		(1,447)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>11,456</u>
Number of 'full-time equivalent' employees (FTE) at year end		136
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		396
Total interest bearing liability costs		396
Less: capitalised costs		–
Total interest bearing liability costs expensed		396
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Other liabilities		5
Total other borrowing costs		5
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>401</u>

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		22,197
Contractor and consultancy costs		117
Auditors remuneration ⁽¹⁾		64
Infringement notice contract costs (SEINS)		24
Legal expenses:		
– Legal expenses: planning and development		29
– Legal expenses: debt recovery		15
– Legal expenses: other		34
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		14
Total materials and contracts		22,494
Less: capitalised costs		(11,556)
TOTAL MATERIALS AND CONTRACTS		10,938
1. Auditor remuneration		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
(i) Audit and other assurance services		
– Audit and review of financial statements: Auditor-General		63
Total Auditor-General remuneration		63
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:		
(i) Audit and other assurance services		
– Audit of regulatory returns		1
Total remuneration of other Council's Auditors		1
Total Auditor remuneration		64
2. Operating lease payments are attributable to:		
Other		14
		14

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		897
Office equipment		79
Furniture and fittings		26
Land improvements (depreciable)		99
Infrastructure:		
– Buildings – non-specialised		790
– Buildings – specialised		1,197
– Other structures		124
– Roads		3,432
– Bridges		137
– Footpaths		114
– Stormwater drainage		331
– Water supply network		1,089
– Sewerage network		1,026
– Swimming pools		149
– Other open space/recreational assets		59
Asset reinstatement costs	9	3
Intangible assets	25	23
Total depreciation and amortisation costs		9,575
Impairment		
Infrastructure:		
– Roads		2,270
Total impairment costs		2,270
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>11,845</u>

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		112
Bad and doubtful debts		4
Bank charges		86
Computer software charges		342
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)		335
Donations, contributions and assistance to other organisations (Section 356)		44
Electricity and heating		740
Fair value decrements – I,PP&E	9(a)	3
Fire control expenses		191
Insurance		452
Office expenses (including computer expenses)		220
Postage		59
Printing and stationery		80
Street lighting		240
Subscriptions and publications		57
Telephone and communications		146
Tourism expenses (excluding employee costs)		60
Valuation fees		43
Stronger Communities Donations		209
Other		118
<u>TOTAL OTHER EXPENSES</u>		<u>3,541</u>

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Property (excl. investment property)		
Proceeds from disposal – property		82
Less: carrying amount of property assets sold/written off		(162)
Net gain/(loss) on disposal		(80)
Plant and equipment		
Proceeds from disposal – plant and equipment		246
Less: carrying amount of plant and equipment assets sold/written off		(222)
Net gain/(loss) on disposal		24
Real estate assets held for sale		
Proceeds from disposal – real estate assets		97
Less: carrying amount of real estate assets sold/written off		(1)
Net gain/(loss) on disposal		96
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets		5,485
Less: carrying amount of financial assets sold/redeemed/matured		(5,485)
Net gain/(loss) on disposal		–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		40

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		182	–
Cash-equivalent assets ¹			
– Deposits at call		1,306	–
– Short-term deposits		526	–
Total cash and cash equivalents		2,014	–
Investments (Note 6b)			
– Long term deposits		41,552	–
Total investments		41,552	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		43,566	–

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

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

Cash and cash equivalents**a. Cash**

	2,014	–
--	--------------	----------

Investments**a. 'Held to maturity'****Investments**

	41,552	–
	41,552	–

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	13/5/16 to 30/6/17	13/5/16 to 30/6/17
	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	43,566	–
attributable to:		
External restrictions (refer below)	31,309	–
Internal restrictions (refer below)	11,108	–
Unrestricted	1,149	–
	43,566	–

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

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	435	19	10	464
Developer contributions – water fund	(A)	220	–	(10)	210
Developer contributions – sewer fund	(A)	177	49	–	226
Specific purpose unexpended grants	(B)	834	16,167	–	17,001
Water supplies	(C)	6,700	828	–	7,528
Sewerage services	(C)	6,086	–	(603)	5,483
Domestic waste management	(C)	217	–	(75)	142
Other		249	6	–	255
External restrictions – other		14,918	17,069	(678)	31,309
Total external restrictions		14,918	17,069	(678)	31,309

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

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

C 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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,458	1,040	(1,214)	2,284
Employees leave entitlement	1,313	602	–	1,915
Carry over works	1,549	400	(1,173)	776
Buildings / office equipment	601	–	–	601
Rand hall committee – toilet block	30	–	–	30
Gravel pits restoration	748	104	–	852
Waste depot restoration	575	–	–	575
Urana aquatic centre – upgrade	202	–	–	202
Cemetery	31	–	–	31
Corowa swimming pool	1,934	–	–	1,934
Economic development	94	–	–	94
Insurance	200	100	–	300
Howlong town improvement	306	–	–	306
Urana walkways – drs network	1	–	–	1
Medical services upgrade urana	28	–	–	28
ICT/UPS installation reserve	98	–	–	98
Bridge infrastructure reserve	65	35	–	100
Preschool building asbestos removal	30	–	–	30
Billabidgee aged care units	122	–	(4)	118
Victoria park – balance budget	8	–	–	8
Road infrastructure reserve	627	–	–	627
Combined town and recreation s355	107	–	–	107
Youth – cnl reserve (min. 434/13)	7	–	–	7
Flood study contrib. – cnl reserve	9	–	(9)	–
Weir repairs reserve	28	–	–	28
Preschool mobile van replacement	49	–	–	49
Oaklands RV park	4	–	(4)	–
Oaklands medical services	5	–	(5)	–
Windmill restoration	7	–	–	7
Total internal restrictions	11,236	2,281	(2,409)	11,108
TOTAL RESTRICTIONS	26,154	19,350	(3,087)	42,417

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		728	–
Interest and extra charges		145	–
User charges and fees		827	–
Private works		21	–
Contributions to works		59	–
Accrued revenues			
– Interest on investments		284	–
Amounts due from other councils		130	–
Deferred debtors		43	–
Government grants and subsidies		1,657	–
Loans to non-profit organisations		–	60
Net GST receivable		432	–
RMS works		111	–
Sundry Works		142	–
Saleyard Fees		94	–
Certificates		15	–
Other debtors		116	–
Total		4,804	60
Less: provision for impairment			
Rates and annual charges		(61)	–
User charges and fees		(4)	–
Total provision for impairment – receivables		(65)	–
<u>TOTAL NET RECEIVABLES</u>		<u>4,739</u>	<u>60</u>

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Externally restricted receivables			
Water supply			
– Rates and availability charges		19	–
– Other		441	–
Sewerage services			
– Rates and availability charges		309	–
– Other		354	–
Total external restrictions		1,123	–
Internally restricted receivables			
Nil			
Internally restricted receivables		–	–
Unrestricted receivables		3,616	60
TOTAL NET RECEIVABLES		4,739	60

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Real estate for resale (refer below)		904	234
Stores and materials		569	–
Total inventories at cost		1,473	234
(ii) Inventories at net realisable value (NRV)			
Nil			
<u>TOTAL INVENTORIES</u>		<u>1,473</u>	<u>234</u>
(b) Other assets			
Prepayments		45	–
<u>TOTAL OTHER ASSETS</u>		<u>45</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017	
	Current	Non-current
(i) Other disclosures		
(a) Details for real estate development		
Industrial/commercial	904	234
Total real estate for resale	904	234
(Valued at the lower of cost and net realisable value)		
Represented by:		
Acquisition costs	–	234
Development costs	904	–
Total costs	904	234
Less: provision for under recovery	–	–
Total real estate for resale	904	234
Movements:		
Real estate assets at beginning of the year (former Councils)	905	234
– WDV of sales (expense)	(1)	–
Total real estate for resale	904	234

(b) Inventory write downs

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

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

Federation Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class	Balance on transfer from former Councils	Asset movements during the reporting period									as at 30/6/2017		
		Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000	as at 13/5/2016												
Capital work in progress	3,743	1,859	–	–	–	–	(3,209)	–	–	–	2,393	–	2,393
Plant and equipment	6,186	1,521	4	(222)	(897)	–	–	–	–	–	14,004	7,412	6,592
Office equipment	597	105	11	–	(79)	–	–	(381)	–	–	889	636	253
Furniture and fittings	186	–	–	–	(26)	–	–	–	–	–	365	205	160
Land:													
– Operational land	9,763	–	–	–	–	–	–	–	–	–	9,763	–	9,763
– Community land	5,408	–	–	–	–	–	–	–	–	–	5,408	–	5,408
– Land under roads (post 30/6/08)	100	–	–	–	–	–	–	–	–	–	100	–	100
Land improvements – depreciable	2,114	300	152	(8)	(99)	–	119	–	–	–	3,660	1,082	2,578
Infrastructure:													
– Buildings – non-specialised	12,643	283	199	–	(790)	–	89	–	–	–	26,680	14,256	12,424
– Buildings – specialised	18,770	75	70	(154)	(1,197)	–	–	–	–	–	45,226	27,662	17,564
– Other structures	1,275	–	–	–	(124)	–	14	–	–	–	3,692	2,527	1,165
– Roads	169,079	7,826	–	–	(3,432)	(2,270)	1,251	–	–	–	213,499	41,045	172,454
– Bridges	14,513	–	–	–	(137)	–	–	–	–	–	20,181	5,805	14,376
– Footpaths	5,791	666	186	–	(114)	–	–	–	–	–	7,562	1,033	6,529
– Bulk earthworks (non-depreciable)	68,961	–	–	–	–	–	–	–	–	–	68,961	–	68,961
– Stormwater drainage	47,024	679	–	–	(331)	–	149	–	–	–	52,857	5,336	47,521
– Water supply network	38,005	1,445	–	–	(1,089)	–	1,225	–	–	604	62,884	22,694	40,190
– Sewerage network	41,388	649	–	–	(1,026)	–	362	–	–	656	60,050	18,021	42,029
– Swimming pools	1,996	–	–	–	(149)	–	–	–	–	–	6,364	4,517	1,847
– Other open space/recreational assets	664	7	–	–	(59)	–	–	–	–	–	1,010	398	612
Reinstatement, rehabilitation and restoration assets (refer Note 26):													
– Quarry assets	129	–	–	–	(3)	–	–	–	(3)	–	342	219	123
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	448,335	15,415	622	(384)	(9,552)	(2,270)	–	(381)	(3)	1,260	605,890	152,848	453,042

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Actual		
	2017		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply			
WIP	338	–	338
Office equipment	23	11	12
Land			
– Operational land	1,684	–	1,684
Infrastructure	62,870	22,694	40,176
Total water supply	64,915	22,705	42,210
Sewerage services			
WIP	164	–	164
Plant and equipment	27	23	4
Office equipment	9	8	1
Land			
– Operational land	1,810	–	1,810
Infrastructure	60,049	18,021	42,028
Total sewerage services	62,059	18,052	44,007
TOTAL RESTRICTED I,PP&E	126,974	40,757	86,217

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

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(i) Impairment losses recognised in the Income Statement:		
– For Flood Damage on Roads in October 2016		(2,270)
Total impairment losses		(2,270)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(2,270)

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		2,299	–
Accrued expenses:			
– Salaries and wages		317	–
Security bonds, deposits and retentions		527	–
Total payables		3,143	–
Income received in advance			
Payments received in advance		409	–
Total income received in advance		409	–
Borrowings			
Loans – secured ¹		95	3,969
Total borrowings		95	3,969
Provisions			
Employee benefits:			
Annual leave		1,120	–
Long service leave		1,274	93
Other leave		1	–
Sub-total – aggregate employee benefits		2,395	93
Asset remediation/restoration (future works)	26	367	625
Total provisions		2,762	718
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>6,409</u>	<u>4,687</u>

(i) Liabilities relating to restricted assets

	2017	
	Current	Non-current
Externally restricted assets		
Sewer	58	2,562
Liabilities relating to externally restricted assets	58	2,562
Internally restricted assets		
Nil		
Total liabilities relating to restricted assets	58	2,562
Total liabilities relating to unrestricted assets	6,351	2,125
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	6,409	4,687

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Actual 2017
---------	----------------

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

	2017
Annual leave	850
Long service leave	250
	<u>1,100</u>

Note 10b. Description of and movements in provisions

Class of provision	2016	13/5/16 to 30/6/17				Closing balance as at 30/6/17
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	1,052	856	(788)	–	–	1,120
Long service leave	1,432	114	(179)	–	–	1,367
Other leave	7	–	(6)	–	–	1
Asset remediation	992	3	–	(3)	–	992
TOTAL	3,483	973	(973)	(3)	–	3,480

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	2,014
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		2,014
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		15,910
Adjust for non-cash items:		
Depreciation and amortisation		9,575
Net losses/(gains) on disposal of assets		(40)
Non-cash capital grants and contributions		(50)
Impairment losses recognition – I,PP&E		2,270
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Write offs relating to the fair valuation of I,PP&E		3
+/- Movement in operating assets and liabilities and other cash items: ⁽¹⁾		
Decrease/(increase) in receivables		2,746
Decrease/(increase) in inventories		(267)
Decrease/(increase) in other assets		(13)
Increase/(decrease) in payables		(1,390)
Increase/(decrease) in accrued interest payable		(117)
Increase/(decrease) in other accrued expenses payable		246
Increase/(decrease) in other liabilities		(524)
Increase/(decrease) in employee leave entitlements		(3)
Increase/(decrease) in other provisions		–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		28,346

1. Movements in assets and liabilities are inclusive of assets and liabilities transferred at amalgamation. Refer Note 29 for further details of the net assets transferred

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(c) Non-cash investing and financing activities		
Other dedications		50
Total non-cash investing and financing activities		50
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ⁽¹⁾		380
Credit cards/purchase cards		35
Total financing arrangements		415
Amounts utilised as at balance date:		
– Credit cards/purchase cards		13
Total financing arrangements utilised		13

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

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

(ii) Secured loan liabilities

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings		15
Plant and equipment		73
Roads		52
Mains - Sewer		113
Structures		13
Total commitments		266
These expenditures are payable as follows:		
Within the next year		266
Later than one year and not later than 5 years		–
Later than 5 years		–
Total payable		266
Sources for funding of capital commitments:		
Unrestricted general funds		80
Externally restricted reserves		113
Internally restricted reserves		73
Total sources of funding		266
Details of capital commitments		
Realigning of sewer mains in Corowa, Mulwala and Howlong towns.		

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year		13
Later than one year and not later than 5 years		10
Later than 5 years		–
Total non-cancellable operating lease commitments		23
b. Non-cancellable operating leases include the following assets:		
Photocopier machines		

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,579</u>	6.33%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>40,757</u>		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>21,627</u>	40.01%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>54,051</u>		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	<u>17,391</u>	2.74x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>6,351</u>		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>14,825</u>	27.87x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>532</u>		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	<u>812</u>	5.52%	<10% Rural
Rates, annual and extra charges collectible	<u>14,708</u>		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	<u>43,566</u>	18.67 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,334</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).

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	General ⁵ 2017	Water 2017	Sewer 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	9.81%	-0.66%	-15.17%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions				
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	29.52%	94.27%	99.07%	>60.00%
Total continuing operating revenue ⁽¹⁾				
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	2.74x	No liabilities	105.97x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)				
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	41.68x	0.00	3.03x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)				
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	4.35%	3.28%	10.29%	<10% Rural
Rates, annual and extra charges collectible				
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	13.22	7739.00	2465.00	> 3 mths
Payments from cash flow of operating and financing activities	mths	mths	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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	385	385	(385)	(385)

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	40%	85%
Overdue	60%	15%
	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	293	3,517
< 1 year overdue	0 – 30 days overdue	144	363
1 – 2 years overdue	31 – 60 days overdue	54	52
2 – 5 years overdue	61 – 90 days overdue	60	42
> 5 years overdue	> 91 days overdue	177	162
		728	4,136

(iii) Movement in provision for impairment of receivables

Balance at the beginning of the year (former Councils)	2017 65
Balance at the end of the year	65

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	527	2,616	–	–	–	–	–	3,143	3,143
Loans and advances	–	95	102	108	117	125	3,517	4,064	4,064
Total financial liabilities	527	2,711	102	108	117	125	3,517	7,207	7,207

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

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

	2017	
	Carrying value	Average interest rate
Trade/other payables	3,143	0.00%
Loans and advances – fixed interest rate	4,064	7.03%
	<u>7,207</u>	

Note 16. Material budget variations

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	109	6	–	–	–	–	115	–
Roads	145	11	–	–	–	–	156	–
Open space	84	1	–	–	–	–	85	–
Community facilities	97	9	–	–	–	–	106	–
S94 contributions – under a plan	435	27	–	–	–	–	462	–
Total S94 revenue under plans	435	27	–	–	–	–	462	–
S64 contributions	397	41	–	–	–	–	438	–
Total contributions	832	68	–	–	–	–	900	–

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Corowa)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	109	6	–	–	–	–	115	–
Roads	145	11	–	–	–	–	156	–
Open space	84	1	–	–	–	–	85	–
Community facilities	97	9	–	–	–	–	106	–
Total	435	27	–	–	–	–	462	–

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '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. The estimated amount of the deficit that can be broadly attributed to Council as at 30 June 2017 is \$387,000.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Wind-up Yuluma-Cullivel Bus Committee

The previous Urana Council resolved to place funds and interest earned into a Trust for use in association with Urana Township, in particular the Urana Aquatic Centre area. As at 30 June 2017 the amount of interest & contribution was \$255,000 and appears as an external restriction within Note 6.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(v) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) 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 year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities

 \$ '000

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

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

\$ '000	Notes	Actual 2017
---------	-------	----------------

(a) Retained earnings

Movements in retained earnings were as follows:

a. Net result for the period		491,160
Balance at end of the reporting period		<u>491,160</u>

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve		1,260
Total		<u>1,260</u>

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

– Revaluations for the period	9(a)	1,260
– Balance at end of period		<u>1,260</u>

TOTAL VALUE OF RESERVES		<u>1,260</u>
--------------------------------	--	---------------------

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

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
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(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 period.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the period.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000				
<u>Continuing operations</u>				
Income from continuing operations				
Rates and annual charges	1,546	546	3,003	6,888
User charges and fees	–	3,424	634	3,364
Interest and investment revenue	14	284	203	936
Other revenues	–	77	–	708
Grants and contributions provided for operating purposes	72	35	10	19,013
Grants and contributions provided for capital purposes	–	227	26	13,041
Other income				
Net gains from disposal of assets	–	–	–	40
Total income from continuing operations	1,632	4,593	3,876	43,990
Expenses from continuing operations				
Employee benefits and on-costs	206	1,770	1,667	7,813
Borrowing costs	–	–	218	183
Materials and contracts	1,667	1,149	1,244	6,878
Depreciation and amortisation	4	1,106	1,027	7,438
Impairment	–	–	–	2,270
Other expenses	–	304	226	3,011
Total expenses from continuing operations	1,877	4,329	4,382	27,593
Operating result from continuing operations	(245)	264	(506)	16,397
<u>Discontinued operations</u>				
Net profit/(loss) from discontinued operations	–	–	–	–
Net operating result for the period	(245)	264	(506)	16,397
<u>Gain on local government amalgamation</u>				
Assets and liabilities transferred from former councils	544	49,542	47,606	377,558
Net result for the period	299	49,806	47,100	393,955
Net result attributable to each council fund	299	49,806	47,100	393,955
Net result attributable to non-controlling interests	–	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(245)	37	(532)	3,356

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.

Federation Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017	Actual 2017
ASSETS	Waste	Water	Sewer	General¹
Current assets				
Cash and cash equivalents	142	518	561	793
Investments	–	7,220	5,148	29,184
Receivables	157	461	662	3,459
Inventories	–	–	–	1,473
Other	–	–	–	45
Total current assets	299	8,199	6,371	34,954
Non-current assets				
Receivables	–	–	–	60
Inventories	–	–	–	234
Infrastructure, property, plant and equipment	–	42,210	44,007	366,825
Intangible assets	–	–	–	358
Total non-current assets	–	42,210	44,007	367,477
TOTAL ASSETS	299	50,409	50,378	402,431
LIABILITIES				
Current liabilities				
Payables	–	–	–	3,143
Income received in advance	–	–	–	409
Borrowings	–	–	58	37
Provisions	–	–	–	2,762
Total current liabilities	–	–	58	6,351
Non-current liabilities				
Borrowings	–	–	2,562	1,407
Provisions	–	–	–	718
Total non-current liabilities	–	–	2,562	2,125
TOTAL LIABILITIES	–	–	2,620	8,476
Net assets	299	50,409	47,758	393,955
EQUITY				
Retained earnings	299	49,805	47,102	393,954
Revaluation reserves	–	604	656	–
Total equity	299	50,409	47,758	393,954

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 30/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

- * The interim Administrator concluded his contract at Federation Council on 9 September 2017 in which 9 Councillors were elected.
- * Council Resolution 136/17FC Resolved " ... that Council does not support Cleanaway's application." to utilise land in the Howlong Landfill site for the purpose of an organic processing facility. The Cleanaway Project had proved to be a major local politically contentious item and now may become the matter of a financial claim.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

\$ '000

Actual
2017

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

Intangible assets are as follows:

Opening values (former Councils):

Gross book value	–
Accumulated amortisation	–
Net book value – opening balance (former Councils)	–

Movements for the period

– Net transfer from Office Equipment (Note 9a)	381
– Amortisation charges	(23)

Closing values:

Gross book value (30/6)	408
Accumulated amortisation (30/6)	(50)
Accumulated impairment (30/6)	–

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹

358

¹ The net book value of intangible assets represent:

– Software	358
	<u>358</u>

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision 2017
Balldale quarry	2030	264
Davies hill quarry daysdale	2035	84
Corowa tip	2018	368
Gravel pit	2035	276
Balance at end of the reporting period	10(a)	<u><u>992</u></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:

Balance at beginning of the period (former Councils)	992
Total – reinstatement, rehabilitation and restoration provision	<u><u>992</u></u>

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- 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).

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

13/5/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and Equipment	30/06/13	–	6,592	–	6,592
Office equipment	30/06/13	–	–	253	253
Furniture and fittings	30/06/13	–	–	160	160
Land - Operational land	30/06/13	–	9,763	–	9,763
Land - excluding operational land	30/06/13	–	–	8,086	8,086
Buildings - non-specialised	30/06/13	–	12,424	–	12,424
Buildings - specialised	30/06/15	–	–	17,564	17,564
Other structure	30/06/15	–	–	1,165	1,165
Roads	30/06/15	–	–	172,454	172,454
Bridges	30/06/15	–	–	14,376	14,376
Footpaths	30/06/15	–	–	6,529	6,529
Bulk earthworks (non-depreciable)	30/06/15	–	–	68,961	68,961
Stormwater drainage	30/06/15	–	–	47,521	47,521
Water supply network	30/06/12	–	–	40,190	40,190
Sewerage Network	30/06/12	–	–	42,029	42,029
Swimming Pools	30/06/13	–	–	1,847	1,847
Other open space/recreational assets	30/06/12	–	–	612	612
Quarry Assets	12/05/16	–	–	123	123
Total infrastructure, property, plant and equipment		–	28,779	421,870	450,649

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

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

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
- Office Equipment
- Furniture and Fittings
- Other Assets

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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.

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

	Office equipment	Furniture and fittings	Land excluding operational land	Buildings specialised	Total
Balance on transfer from former Councils	597	186	7,622	18,770	27,175
Transfers from/(to) another asset class	–	–	119	–	119
Purchases (GBV)	116	–	452	145	713
Disposals (WDV)	–	–	(8)	(154)	(162)
Depreciation and impairment	(79)	(26)	(99)	(1,197)	(1,401)
Net transfer from Office Equipment (Note 9a)	(381)	–	–	–	(381)
Closing balance – 30/6/17	253	160	8,086	17,564	26,063
	Other structures	Roads	Bridges	Footpaths	Total
Balance on transfer from former Councils	1,275	169,079	14,513	5,791	190,658
Transfers from/(to) another asset class	14	1,251	–	–	1,265
Purchases (GBV)	–	7,826	–	852	8,678
Depreciation and impairment	(124)	(3,432)	(137)	(114)	(3,807)
FV gains – Income Statement ¹	–	(2,270)	–	–	(2,270)
Closing balance – 30/6/17	1,165	172,454	14,376	6,529	194,524
	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
Balance on transfer from former Councils	68,961	47,024	38,005	41,388	195,378
Transfers from/(to) another asset class	–	149	1,225	362	1,736
Purchases (GBV)	–	679	1,445	649	2,773
Depreciation and impairment	–	(331)	(1,089)	(1,026)	(2,446)
Revaluation increment	–	–	604	656	1,260
Closing balance – 30/6/17	68,961	47,521	40,190	42,029	198,701
	Swimming pools	Other open space / recreational assets	Quarry assets		Total
Balance on transfer from former Councils	1,996	664	129		2,789
Purchases (GBV)	–	7	–		7
Depreciation and impairment	(149)	(59)	(3)		(211)
Revaluation decrement	–	–	(3)		(3)
Closing balance – 30/6/17	1,847	612	123		2,582

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Office Equipment	253	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Furniture & Fittings	160	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Land - excluding operational land	8,086	Valued using valuer-based methodology	Value of land is determined by valuer, in between valuation, the value of land will be maintained
Buildings - specialised	17,564	Valued using valuer-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Other Structures	1,165	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Roads	172,454	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bridges	14,376	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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Footpaths	6,529	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bulk Earthworks (non-depreciable)	68,961	Internal valuation	Significant movement in cost for replacement would considerably impact the fair value measurement
Stormwater Drainage	47,521	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Water Supply Network	40,190	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Sewerage Network	42,029	Valued using age-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Swimming Pools	1,847	Depreciated historical cost	Replacement cost, remaining useful life and residual value
Other Open Space/Recreational Assets	612	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Quarry Assets	123	Internal valuation	Estimated cost

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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.

Note 28. Related party disclosures

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<p>The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Corowa Shire & Urana Shire to Federation Council as at 12 May 2016.</p>		
<p>Gain on local government amalgamation</p>		
Assets and liabilities transferred from former councils	a	475,250
Accounting policy adjustments	b	—
		<u>475,250</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Corowa Shire Council
- Urana Shire Council

have been recognised by the Council at the carrying amount recorded by the former council.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016.

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

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

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

	Former Urana Shire Council	Former Corowa Shire Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	6,544	16,068	22,612
Investments	–	8,282	8,282
Receivables	1,416	6,087	7,503
Inventories	–	1,207	1,207
Other	32	–	32
Total current assets	7,992	31,644	39,636
Non-current assets			
Receivables	60	–	60
Inventories	–	234	234
Infrastructure, property, plant and equipment	111,635	336,700	448,335
Total non-current assets	111,695	336,934	448,629
TOTAL ASSETS	119,687	368,578	488,265
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	1,063	4,274	5,337
Borrowings	–	131	131
Provisions	591	2,170	2,761
Total current liabilities	1,654	6,575	8,229
Non-current liabilities			
Borrowings	–	4,064	4,064
Provisions	303	419	722
Total non-current liabilities	303	4,483	4,786
TOTAL LIABILITIES	1,957	11,058	13,015
Net assets transferred	117,730	357,520	475,250

(ii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 12 May 2016 to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

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

Federation Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 30. 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:

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

Telephone: 02 6033 8999

Facsimile: 02 6033 3317

Internet: www.federationcouncil.nsw.gov.au

Email: council@federationcouncil.nsw.gov.au

Officers

GENERAL MANAGER

Chris Gillard

RESPONSIBLE ACCOUNTING OFFICER

Shane Norman

PUBLIC OFFICER

Kristy Kay

AUDITORS

Audit Office of New South Wales
15/1 Margaret Street
Sydney NSW 2000

Elected members

MAYOR

Patrick Bourke

COUNCILLORS

Shaun Whitchurch
Andrew Kennedy
Gail Law
David Longley
Fred Longmire
Paul Miegel
Bronwyn Thomas
Norm Wales

Other information

ABN: 30 762 048 084



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Federation Council

To the Councillors of the Federation Council

Opinion

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

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
- present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

30 October 2017
SYDNEY

Mr Patrick Bourke
Mayor
Federation Council
PO Box 77
Corowa NSW 2646

30 October 2017

Dear Mr Bourke

**Report on the Conduct of the Audit
for the period 13 May 2016 to 30 June 2017
Federation Council**

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

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

This Report on the Conduct of the Audit (the Report) for the Council for the period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires us to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

The operating results represent Council's activities for the period 13 May 2016 to 30 June 2017.

Operating result

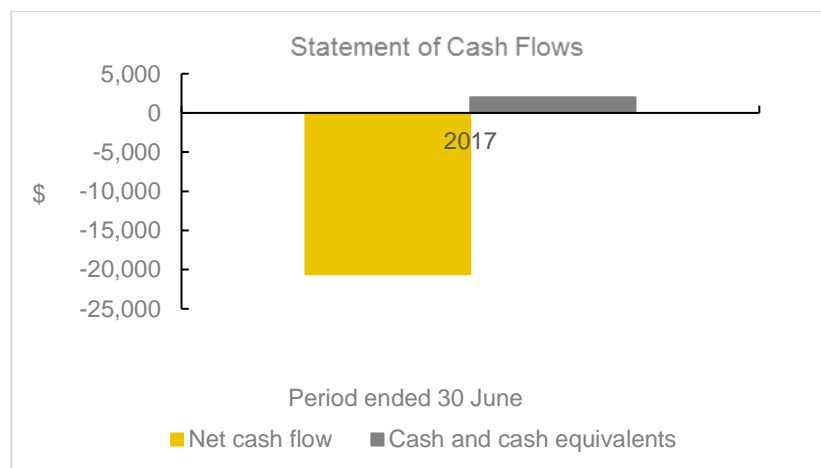
	2017
	\$'000
Rates and annual charges	11,983
Grants and contributions (capital & operational)	32,424
Operating result for the period	15,910
Net result for the period (after assets and liabilities transferred from former Councils)	491,160
Net operating result before capital amounts	2,616

The following comments are made in respect of Council’s operating result for the period:

- Council’s operating surplus for the period was \$15.9 million. The operating result for the period included:
 - Revenue from rates and annual charges of \$11.9 million
 - User charges and fees of \$7.4 million
 - Grants and contributions of \$32.4 million
 - Expenses for employee benefits and on-costs of \$11.5 million
 - Materials and contracts of \$10.9 million
- Council recorded a net result for the period after assets and liabilities transferred from former councils of \$491 million. Total assets transferred from the former councils was \$475.2 million.
- The net operating result before capital contributions was \$2.6 million.
- Rates and annual charges of \$11.9 million consisted of \$6.7 million in rates and \$5.3 million in annual charges.
- Grants and contributions impacted Council’s operating surplus. Grant income included a \$5 million Merger Implementation Grant and Stronger Communities Fund grant of \$10 million which are both non-recurring. In addition, Council received \$3.2 million as a Financial Assistance Grant relating to the 2017/18 year but booked as income in June 2017.
- Council’s depreciation and amortisation expense for the period ended 30 June 2017 was \$9.6 million.

STATEMENT OF CASH FLOWS

- Council recorded positive cash flows from operating activities of \$28.3 million.
- Council purchased \$38.8 million of investments during the year which contributed to a decrease in cash and cash equivalents of \$20.6 million.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$'000	
External restrictions	31,309	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted cash includes \$17 million of specific purpose unexpended grants.
Internal restrictions	11,108	
Unrestricted	1,149	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. These internal restrictions cover a range of items including \$2.3 million for plant and equipment replacement, \$1.9 million for employee leave entitlements and \$1.9 million for the Corowa Swimming Pool.
Cash and investments	43,566	

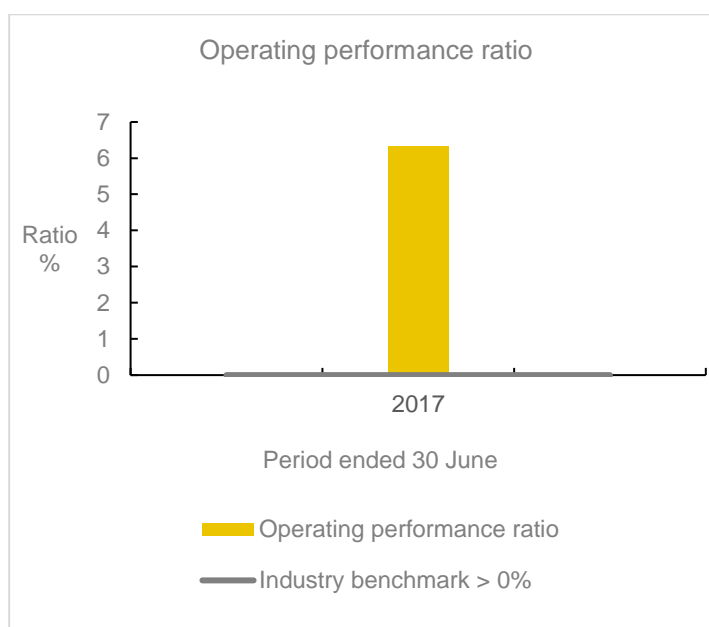
Debt

- The Council had borrowings of \$4.1 million as at 30 June 2017. All loans are secured over the general rating income of the council.

PERFORMANCE RATIOS

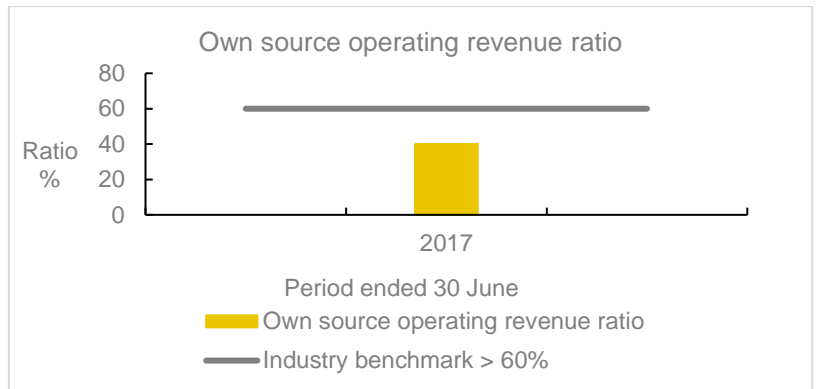
Operating performance ratio

- The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio is impacted by the receipt of \$3.2 million Financial Assistance Grants for 2017–18 received in June 2017 and \$5 million Merger Implementation grant received during the year.
- The operating performance ratio is 6.33 per cent and is above the industry benchmark of 0 per cent.



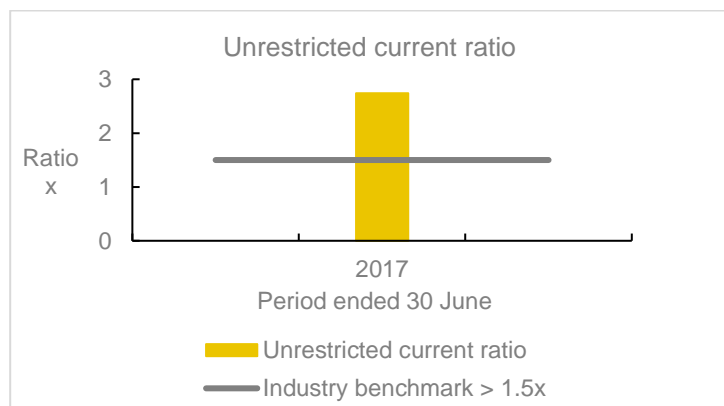
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The own source operating revenue ratio is for 2017 40.01 per cent due to new Council implementation and "Stronger Communities Grants" received during the year.



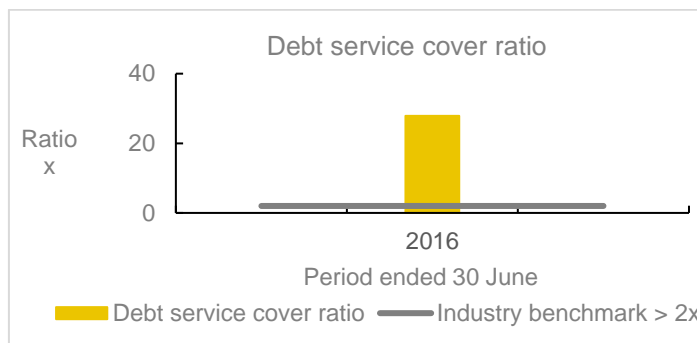
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- Council reports a result in excess of the 1.5:1 benchmark minimum and has sufficient liquidity to meet its current liabilities when they fall due.



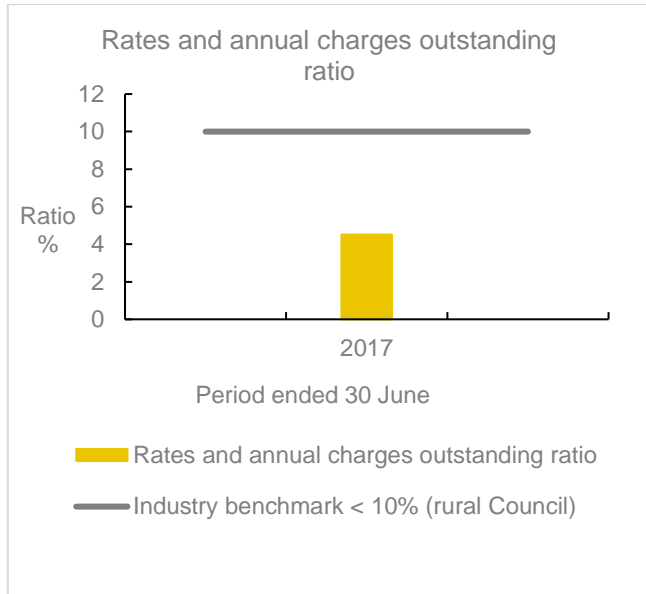
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- Council maintains a low level of borrowings relative to the operating result.



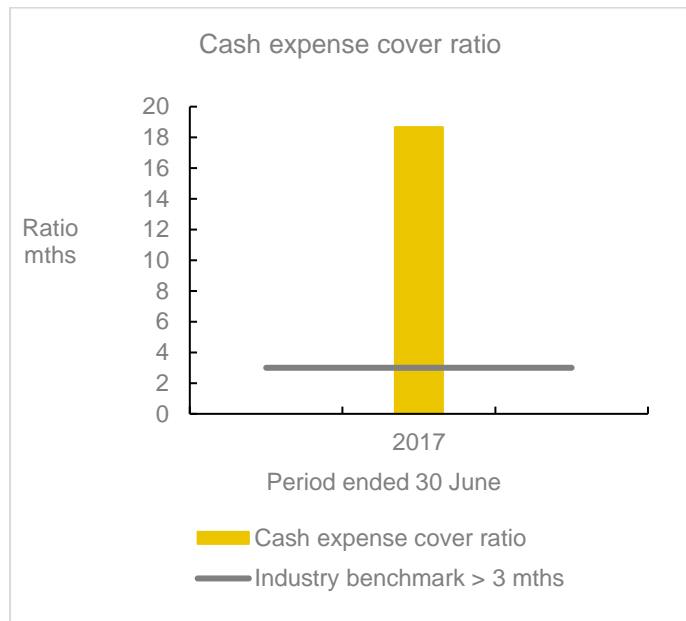
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is greater than 10 per cent for rural councils.
- The outstanding rates and annual charges outstanding ratio is below the benchmark for rural councils of less than 10per cent highlighting the strong collection procedures in place at Council.



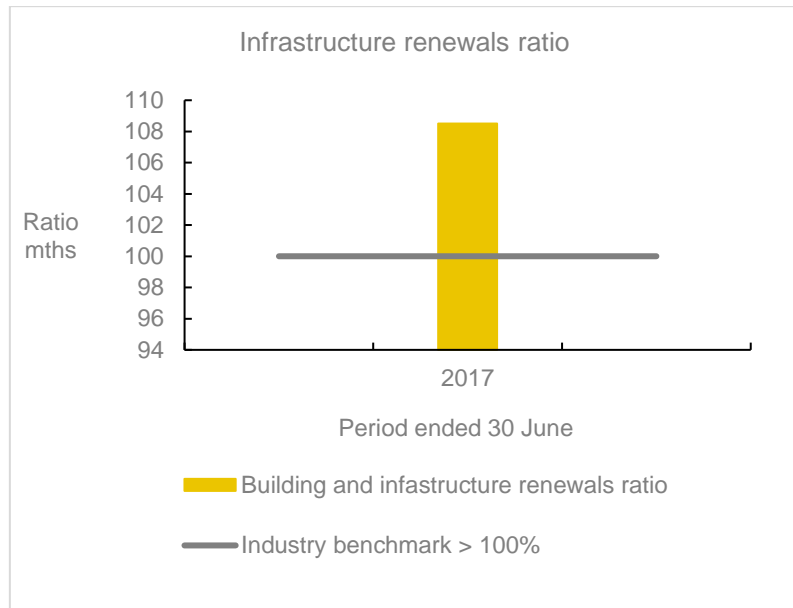
Cash expense cover ratio

- This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- At 30 June 2017, the Council had the capacity to cover 18.67 months of cash expenditure without additional cash inflows. Council has performed comfortably above the benchmark in the current period, indicating a satisfactory liquidity position.



Building and infrastructure renewals ratio

- The 'building and infrastructure renewals ratio' represents the rate at which assets are being renewed relative to the rate at which they are depreciating.
- The ratio of 108.51per cent is above the industry benchmark of greater than 100per cent.



OTHER MATTERS

Legislative compliance

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

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

Lawrissa Chan
Director, Financial Audit Services



30 October 2017
SYDNEY

CC: Mrs Linda Macrae, Internal Audit Committee Chair
Mr Chris Gillard, General Manager
Mr Kim Parker, Director Finance & Organisational Development

Federation Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

**Creating Opportunity, Celebrating
Community**



Federation Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
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Background

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

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

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

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

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

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

Federation Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Statement by Councillors and Management

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 26 September 2017.



Patrick Bourke
Mayor



Shaun Whitechurch
Councillor



Chris Gillard
General Manager



Shane Norman
Responsible accounting officer

Federation Council

Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	546
User charges	3,375
Fees	49
Interest	284
Grants and contributions provided for non-capital purposes	35
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	77
Total income from continuing operations	4,366
Expenses from continuing operations	
Employee benefits and on-costs	1,770
Borrowing costs	–
Materials and contracts	1,149
Depreciation, amortisation and impairment	1,106
Water purchase charges	–
Loss on sale of assets	–
Calculated taxation equivalents	65
Debt guarantee fee (if applicable)	–
Share of loss from equity accounted investment	–
Other expenses	304
Total expenses from continuing operations	4,394
Surplus (deficit) from continuing operations before capital amounts	(28)
Grants and contributions provided for capital purposes	227
Surplus (deficit) from continuing operations after capital amounts	199
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	199
Less: corporate taxation equivalent (30%) [based on result before capital]	–
SURPLUS (DEFICIT) AFTER TAX	199
Plus Assets and liabilities transferred from former councils	49,542
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	65
– Debt guarantee fees	–
– Corporate taxation equivalent	–
Closing retained profits	49,806
Return on capital %	-0.1%
Subsidy from Council	1,033
Calculation of dividend payable:	
Surplus (deficit) after tax	199
Less: capital grants and contributions (excluding developer contributions)	(227)
Surplus for dividend calculation purposes	–
Potential dividend calculated from surplus	–

Federation Council

Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	3,003
User charges	603
Liquid trade waste charges	31
Fees	–
Interest	203
Grants and contributions provided for non-capital purposes	10
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	–
Total income from continuing operations	3,850
Expenses from continuing operations	
Employee benefits and on-costs	1,667
Borrowing costs	218
Materials and contracts	1,244
Depreciation, amortisation and impairment	1,027
Loss on sale of assets	–
Calculated taxation equivalents	52
Debt guarantee fee (if applicable)	–
Share of loss from equity accounted investment	–
Other expenses	226
Total expenses from continuing operations	4,434
Surplus (deficit) from continuing operations before capital amounts	(584)
Grants and contributions provided for capital purposes	26
Surplus (deficit) from continuing operations after capital amounts	(558)
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	(558)
Less: corporate taxation equivalent (30%) [based on result before capital]	–
SURPLUS (DEFICIT) AFTER TAX	(558)
Plus Assets and liabilities transferred from former councils	47,606
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	52
– Debt guarantee fees	–
– Corporate taxation equivalent	–
Closing retained profits	47,100
Return on capital %	-0.8%
Subsidy from Council	1,413
Calculation of dividend payable:	
Surplus (deficit) after tax	(558)
Less: capital grants and contributions (excluding developer contributions)	(26)
Surplus for dividend calculation purposes	–
Potential dividend calculated from surplus	–

Federation Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

Domestic
Waste

Category 2

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

\$ '000

Income from continuing operations

Access charges	1,546
User charges	–
Fees	–
Interest	14
Grants and contributions provided for non-capital purposes	72
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	–

Total income from continuing operations	1,632
--	--------------

Expenses from continuing operations

Employee benefits and on-costs	206
Borrowing costs	–
Materials and contracts	1,667
Depreciation, amortisation and impairment	4
Loss on sale of assets	–
Calculated taxation equivalents	–
Debt guarantee fee (if applicable)	–
Share of loss from equity accounted investment	–
Other expenses	–

Total expenses from continuing operations	1,877
--	--------------

Surplus (deficit) from continuing operations before capital amounts	(245)
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Grants and contributions provided for capital purposes	–
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Surplus (deficit) from continuing operations after capital amounts	(245)
---	--------------

Surplus (deficit) from discontinued operations	–
--	---

Surplus (deficit) from all operations before tax	(245)
---	--------------

Less: corporate taxation equivalent (30%) [based on result before capital]	–
--	---

SURPLUS (DEFICIT) AFTER TAX	(245)
------------------------------------	--------------

Plus Assets and liabilities transferred from former councils	544
---	------------

Plus adjustments for amounts unpaid:

– Taxation equivalent payments	–
– Debt guarantee fees	–
– Corporate taxation equivalent	–

Closing retained profits	299
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Return on capital %	n/a
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Subsidy from Council	245
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Federation Council

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

as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	518
Investments	7,220
Receivables	461
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total current assets	8,199
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	42,210
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Other	–
Total non-current assets	42,210
TOTAL ASSETS	50,409
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	–
Income received in advance	–
Borrowings	–
Provisions	–
Total current liabilities	–
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	–
Provisions	–
Total non-current liabilities	–
TOTAL LIABILITIES	–
NET ASSETS	50,409
EQUITY	
Retained earnings	49,805
Revaluation reserves	604
TOTAL EQUITY	50,409

Federation Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	561
Investments	5,148
Receivables	662
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total current Assets	6,371
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	44,007
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Other	–
Total non-current assets	44,007
TOTAL ASSETS	50,378
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	–
Income received in advance	–
Borrowings	58
Provisions	–
Total current liabilities	58
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	2,562
Provisions	–
Total non-current liabilities	2,562
TOTAL LIABILITIES	2,620
NET ASSETS	47,758
EQUITY	
Retained earnings	47,102
Revaluation reserves	656
TOTAL EQUITY	47,758

Federation Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Domestic Waste

Category 2

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	142
Investments	–
Receivables	157
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total Current Assets	299
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	–
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Other	–
Total non-current assets	–
TOTAL ASSETS	299
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	–
Income received in advance	–
Borrowings	–
Provisions	–
Total current liabilities	–
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	–
Provisions	–
Total non-current liabilities	–
TOTAL LIABILITIES	–
NET ASSETS	299
EQUITY	
Retained earnings	299
Revaluation reserves	–
TOTAL EQUITY	299

Federation Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Federation Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Former Corowa Shire Council Water Supplies

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

b. Former Corowa and Urana Shire Council Sewerage Services

Service of Sewerage reticulation and treatment system to the towns of Corowa, Howlong, Mulwala, Oaklands & Urana.

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 Corowa, Howlong, Mulwala, Balldale, Oaklands & Urana.

Monetary amounts

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

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

Federation Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000, the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

Federation Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

Federation Council

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

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

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	65,000
(ii)	Number of assessments multiplied by \$3/assessment	17,334
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	17,334
(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]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	156,006
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	1,058,341

2017 Surplus (28,000)

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	–
(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

Federation Council

Notes to the Special Purpose Financial Statements
for the period 13 May 2016 to 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

National Water Initiative (NWI) financial performance indicators

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	4,129
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)]	%	77.44%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	41,402
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	3,089
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,626
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)]	%	-0.16%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	213

- 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

Federation Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	52,000
(ii)	Number of assessments multiplied by \$3/assessment	17,157
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	17,157
(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]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	154,413
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	377,674

2017 Surplus (584,000)

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	–
(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

Federation Council

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

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

2017

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	3,581
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	42,377
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	3,082
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	781
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-1.20%
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	7,710
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.58%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,407
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)]	%	-0.69%
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%

Federation Council

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

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

2017

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)]	%	-11.03%
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)		-
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	(455)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	45

- 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.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Federation Council

To the Councillors of the Federation Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Domestic Waste.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the period 13 May 2016 to 30 June 2017, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

30 October 2017
SYDNEY

Federation Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017

**Creating Opportunity, Celebrating
Community**



Federation Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

Contents		Page
Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Federation Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	2,052	5,002	10,079	13,029
Administration	2,805	507	–	(2,298)
Public order and safety				
Fire service levy, fire protection, emergency services	872	349	–	(523)
Enforcement of local government regulations	40	10	–	(30)
Animal control	114	28	–	(86)
Other	–	–	–	–
Total public order and safety	1,026	387	–	(639)
Health	241	20	–	(221)
Environment				
Noxious plants and insect/vermin control	393	175	–	(218)
Other environmental protection	177	17	–	(160)
Solid waste management	2,387	2,072	–	(315)
Street cleaning	22	–	–	(22)
Drainage	356	–	28	(328)
Stormwater management	54	–	–	(54)
Total environment	3,389	2,264	28	(1,097)
Community services and education				
Administration and education	225	94	–	(131)
Aged persons and disabled	71	25	–	(46)
Children's services	150	163	–	13
Total community services and education	446	282	–	(164)
Housing and community amenities				
Public cemeteries	158	168	–	10
Public conveniences	143	–	–	(143)
Street lighting	242	53	–	(189)
Town planning	227	273	2	48
Other community amenities	104	33	–	(71)
Total housing and community amenities	874	527	2	(345)
Water supplies	4,235	4,374	227	366
Sewerage services	4,281	3,850	26	(405)

Federation Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	544	67	–	(477)
Museums	36	13	–	(23)
Art galleries	–	–	–	–
Community centres and halls	152	14	20	(118)
Other cultural services	8	–	–	(8)
Sporting grounds and venues	501	11	50	(440)
Swimming pools	388	22	250	(116)
Parks and gardens (lakes)	908	14	34	(860)
Other sport and recreation	68	–	–	(68)
Total recreation and culture	2,605	141	354	(2,110)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	2,477	229	135	(2,113)
Other mining, manufacturing and construction	57	14	–	(43)
Total mining, manufacturing and const.	2,534	243	135	(2,156)
Transport and communication				
Urban roads (UR) – local	1,621	9	62	(1,550)
Urban roads – regional	1,241	–	–	(1,241)
Sealed rural roads (SRR) – local	1,926	1,237	974	285
Sealed rural roads (SRR) – regional	1,789	1,697	1,371	1,279
Unsealed rural roads (URR) – local	4,138	500	–	(3,638)
Parking areas	23	–	–	(23)
Footpaths	315	–	36	(279)
Aerodromes	87	77	–	(10)
Other transport and communication	1,442	873	–	(569)
Total transport and communication	12,582	4,393	2,443	(5,746)
Economic affairs				
Camping areas and caravan parks	155	189	–	34
Other economic affairs	956	1,323	–	367
Total economic affairs	1,111	1,512	–	401
Totals – functions	38,181	23,502	13,294	(1,385)
General purpose revenues ⁽¹⁾		17,295		17,295
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	38,181	40,797	13,294	15,910

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

(2) As reported in the Income Statement

Federation Council

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

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	131	4,064	4,195	–	89	–	–	290	95	4,011	4,106
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	131	4,064	4,195	–	89	–	–	290	95	4,011	4,106
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	131	4,064	4,195	–	89	–	–	290	95	4,011	4,106

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

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

Federation Council

Special Schedule 3 – Water Supply Income Statement

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

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	727
b. Engineering and supervision	–
2. Operation and maintenance expenses	
– dams and weirs	
a. Operation expenses	–
b. Maintenance expenses	–
– Mains	
c. Operation expenses	145
d. Maintenance expenses	347
– Reservoirs	
e. Operation expenses	46
f. Maintenance expenses	31
– Pumping stations	
g. Operation expenses (excluding energy costs)	82
h. Energy costs	9
i. Maintenance expenses	198
– Treatment	
j. Operation expenses (excluding chemical costs)	557
k. Chemical costs	123
l. Maintenance expenses	488
– Other	
m. Operation expenses	27
n. Maintenance expenses	309
o. Purchase of water	–
3. Depreciation expenses	
a. System assets	1,106
b. Plant and equipment	–
4. Miscellaneous expenses	
a. Interest expenses	–
b. Revaluation decrements	–
c. Other expenses	133
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
g. Tax equivalents dividends (actually paid)	–
5. Total expenses	4,328

Federation Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges	
a. Access (including rates)	546
b. Usage charges	1,874
7. Non-residential charges	
a. Access (including rates)	–
b. Usage charges	1,455
8. Extra charges	34
9. Interest income	250
10. Other income	170
10a. Aboriginal Communities Water and Sewerage Program	–
11. Grants	
a. Grants for acquisition of assets	213
b. Grants for pensioner rebates	35
c. Other grants	–
12. Contributions	
a. Developer charges	15
b. Developer provided assets	–
c. Other contributions	–
13. Total income	<u>4,592</u>
14. Gain (or loss) on disposal of assets	–
15. Operating result	<u>264</u>
15a. Operating result (less grants for acquisition of assets)	51

Federation Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
16. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	–
c. Renewals	1,626
d. Plant and equipment	–
17. Repayment of debt	–
18. Totals	<u>1,626</u>
Non-operating funds employed	
19. Proceeds from disposal of assets	–
20. Borrowing utilised	–
21. Totals	<u>–</u>
C Rates and charges	
22. Number of assessments	
a. Residential (occupied)	5,069
b. Residential (unoccupied, ie. vacant lot)	166
c. Non-residential (occupied)	502
d. Non-residential (unoccupied, ie. vacant lot)	41
23. Number of ETs for which developer charges were received	17 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 116,883

Federation Council

Special Schedule 4 – Water Supply Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	210	–	210
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,528	–	7,528
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	19	–	19
c. User charges	441	–	441
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	41,402	41,402
b. Plant and equipment	–	808	808
29. Other assets	–	–	–
30. Total assets	8,198	42,210	50,408
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	–	–	–
36. NET ASSETS COMMITTED	8,198	42,210	50,408
EQUITY			
37. Accumulated surplus			49,804
38. Asset revaluation reserve			604
39. Other reserves			–
40. TOTAL EQUITY			50,408
Note to system assets:			
41. Current replacement cost of system assets			62,114
42. Accumulated current cost depreciation of system assets			(20,712)
43. Written down current cost of system assets			41,402

Federation Council

Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	597
b. Engineering and supervision	46
2. Operation and maintenance expenses	
– mains	
a. Operation expenses	122
b. Maintenance expenses	329
– Pumping stations	
c. Operation expenses (excluding energy costs)	260
d. Energy costs	60
e. Maintenance expenses	276
– Treatment	
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	477
g. Chemical costs	139
h. Energy costs	40
i. Effluent management	–
j. Biosolids management	94
k. Maintenance expenses	376
– Other	
l. Operation expenses	26
m. Maintenance expenses	240
3. Depreciation expenses	
a. System assets	1,026
b. Plant and equipment	1
4. Miscellaneous expenses	
a. Interest expenses	218
b. Revaluation decrements	–
c. Other expenses	(37)
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
g. Tax equivalents dividends (actually paid)	–
5. Total expenses	4,290

Federation Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges (including rates)	2,860
7. Non-residential charges	
a. Access (including rates)	–
b. Usage charges	606
8. Trade waste charges	
a. Annual fees	14
b. Usage charges	48
c. Excess mass charges	–
d. Re-inspection fees	–
9. Extra charges	–
10. Interest income	203
11. Other income	17
11a. Aboriginal Communities Water and Sewerage Program	–
12. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	10
c. Other grants	–
13. Contributions	
a. Developer charges	26
b. Developer provided assets	–
c. Other contributions	–
14. Total income	3,784
15. Gain (or loss) on disposal of assets	–
16. Operating result	(506)
16a. Operating result (less grants for acquisition of assets)	(506)

Federation Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
17. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	–
c. Renewals	435
d. Plant and equipment	346
18. Repayment of debt	–
19. Totals	<u>781</u>
Non-operating funds employed	
20. Proceeds from disposal of assets	–
21. Borrowing utilised	–
22. Totals	<u>–</u>
C Rates and charges	
23. Number of assessments	
a. Residential (occupied)	5,070
b. Residential (unoccupied, ie. vacant lot)	152
c. Non-residential (occupied)	431
d. Non-residential (unoccupied, ie. vacant lot)	66
24. Number of ETs for which developer charges were received	17 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 122,993

Federation Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	226	–	226
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,483	–	5,483
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	309	–	309
c. User charges	354	–	354
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	42,377	42,377
b. Plant and equipment	–	1,629	1,629
30. Other assets	–	–	–
31. Total assets	6,372	44,006	50,378
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	58	2,562	2,620
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	58	2,562	2,620
37. NET ASSETS COMMITTED	6,314	41,444	47,758
EQUITY			
38. Accumulated surplus			47,102
39. Asset revaluation reserve			656
40. Other reserves			–
41. TOTAL EQUITY			47,758
Note to system assets:			
42. Current replacement cost of system assets			59,237
43. Accumulated current cost depreciation of system assets			(16,860)
44. Written down current cost of system assets			42,377

Federation Council

Notes to Special Schedules 3 and 5 for the period 13 May 2016 to 30 June 2017

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.

Federation Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Garbage Depots	5	5	20	4	266	470	0%	82%	17%	1%	0%
	Buildings – non-specialised	40	40	35	8	2,205	4,362	0%	92%	0%	8%	0%
	Buildings – specialised	307	307	107	142	6,507	17,468	11%	82%	2%	5%	0%
	Council Works Depot	–	–	60	95	758	1,389	14%	78%	5%	3%	0%
	Council Halls/Community	–	–	110	76	8,932	23,352	0%	4%	81%	15%	0%
	Health Centres	–	–	15	12	305	724	0%	0%	100%		0%
	Museum	–	–	20	6	912	2,072	0%	71%	0%	29%	0%
	Pre Schools	–	–	10	10	711	1,918	0%	0%	82%	18%	0%
	Rural Fire Service Building	–	–	3	2	1,302	1,668	33%	66%	0%	1%	0%
	Saleyards	36	36	30	46	1,839	3,263	11%	7%	81%	0%	1%
	Other	227	227	40	35	6,251		19%	42%	31%	6%	
	Sub-total	615	615	450	436	29,988	56,686	5.3%	41.5%	43.0%	10.1%	0.1%
Other structures	Other structures	34	34	25	27	708	2,529	0%	95%	5%	0%	0%
	Balldale Water Supply	576	576	5	8	457	1,173	51%	41%	5%	0%	3%
	Sub-total	610	610	30	35	1,165	3,702	16.2%	77.9%	5.0%	0.0%	1.0%

Federation Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Sealed roads	9,656	9,656	1,855	1,918	141,550	178,218	59%	22%	15%	3%	1%
	Unsealed roads	710	710	1,620	1,601	28,228	36,100	69%	19%	10%	1%	1%
	Bridges	90	90	34	26	14,376	20,180	56%	38%	6%	0%	0%
	Footpaths	–	–	37	26	5,624	6,544	71%	28%	1%	0%	0%
	Bulk earthworks	–	–	–	–	68,961	68,961	100%	0%	0%	0%	0%
	Bikepath	–	–	15	8	904	1,018	85%	15%	0%	0%	0%
	Kerb and Gutter	29	29	20	28	16,239	18,238	87%	11%	1%	1%	0%
	Car Parks	446	446	30	12	1,098	1,768	84%	13%	0%	1%	2%
	Other	–	–	–	–	1,579	2,281	40%	50%	10%	0%	0%
	Sub-total	10,931	10,931	3,611	3,619	278,559	333,308	70.2%	17.7%	9.6%	1.8%	0.7%
Water supply network	Water supply network											
	Mains	2,345	2,345	355	181	25,919	37,614	57%	37%	4%	1%	1%
	Reservoirs	36	36	20	8	4,071	6,477	2%	79%	19%	0%	0%
	Pumping Stations	1,052	1,052	40	25	685	2,696	14%	9%	72%	4%	1%
	Treatment Plants	832	832	140	170	9,347	15,662	27%	45%	27%	1%	0%
	Other	–	–	–	–	168	230	0%	100%	0%	0%	0%
Sub-total	4,265	4,265	555	384	40,190	62,679	41.8%	42.4%	14.2%	1.0%	0.6%	

Federation Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Sewerage network	40	40	94	35	7,054	8,692	0%	100%	0%	0%	0%
	Mains	127	127	115	136	15,263	20,886	65%	33%	0%	2%	0%
	Pumping Stations	423	423	60	91	1,539	2,817	45%	42%	10%	3%	0%
	Treatment	1,375	1,375	140	160	13,835	20,777	64%	23%	13%	0%	0%
	Manholes	744	744	15	8	4,338	6,324	57%	37%	6%	0%	0%
	Sub-total	2,709	2,709	424	430	42,029	59,496	53.4%	40.1%	5.7%	0.8%	0.0%
Stormwater	Stormwater drainage	58	58	168	145	31,282	36,072	94%	6%	0%	0%	0%
	Sub-total	58	58	168	145	31,282	36,072	94.0%	6.0%	0.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	1,576	1,576	76	43	1,853	6,240	6%	20%	59%	10%	5%
	Boat Ramps	15	15	15	12	131	341	20%	20%	55%	5%	0%
	Playground Equipment	80	80	36	35	475	660	0%	45%	40%	15%	0%
	Sub-total	1,671	1,671	127	90	2,459	7,241	6.1%	22.3%	57.1%	10.2%	4.3%
TOTAL – ALL ASSETS		20,859	20,859	5,365	5,139	425,672	559,184	59.0%	25.0%	13.0%	2.4%	0.5%

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

Federation Council

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

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	<u>11,630</u>	108.51%
Depreciation, amortisation and impairment	<u>10,718</u>	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	<u>20,859</u>	5.81%
Net carrying amount of infrastructure assets	<u>359,289</u>	
3. Asset maintenance ratio		
Actual asset maintenance	<u>5,139</u>	0.96
Required asset maintenance	<u>5,365</u>	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	<u>20,859</u>	3.73%
Gross replacement cost	<u>559,184</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.

Federation Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the period 13 May 2016 to 30 June 2017

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	132.69%	63.26%	110.85%
Depreciation, amortisation and impairment			
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	10.61%	6.45%	5.01%
Net carrying amount of infrastructure assets			
3. Asset maintenance ratio			
Actual asset maintenance	0.69	1.01	0.99
Required asset maintenance			
4. Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council	6.80%	4.55%	3.18%
Gross replacement cost			

Notes

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

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

Federation Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		Former Corowa Shire Council	Former Urana Shire Council	Total
Notional general income calculation ⁽¹⁾				
Last year notional general income yield	a	5,517	1,649	7,166
Plus or minus adjustments ⁽²⁾	b	–	–	–
Notional general income	c = (a + b)	<u>5,517</u>	<u>1,649</u>	<u>7,166</u>
Permissible income calculation				
Special variation percentage ⁽³⁾	d	7.00%	0.00%	
Or rate peg percentage	e	0.00%	1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	
Less expiring special variation amount	g	–	–	–
Plus special variation amount	h = d x (c – g)	386	–	386
Or plus rate peg amount	i = c x e	–	25	25
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–
Sub-total	k = (c + g + h + i + j)	<u>5,903</u>	<u>1,674</u>	<u>7,577</u>
Plus (or minus) last year's carry forward total	l	–	2	2
Less valuation objections claimed in the previous year	m	–	–	–
Sub-total	n = (l + m)	<u>–</u>	<u>2</u>	<u>2</u>
Total permissible income	o = k + n	<u>5,903</u>	<u>1,676</u>	<u>7,579</u>
Less notional general income yield	p	5,903	1,676	7,579
Catch-up or (excess) result	q = o – p	<u>–</u>	<u>–</u>	<u>–</u>
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–
Less unused catch-up ⁽⁵⁾	s	–	–	–
Carry forward to next year	t = q + r – s	<u>–</u>	<u>–</u>	<u>–</u>

Federation Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Federation Council

To the Councillors of Federation Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Federation Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Federation Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

30 October 2017
SYDNEY