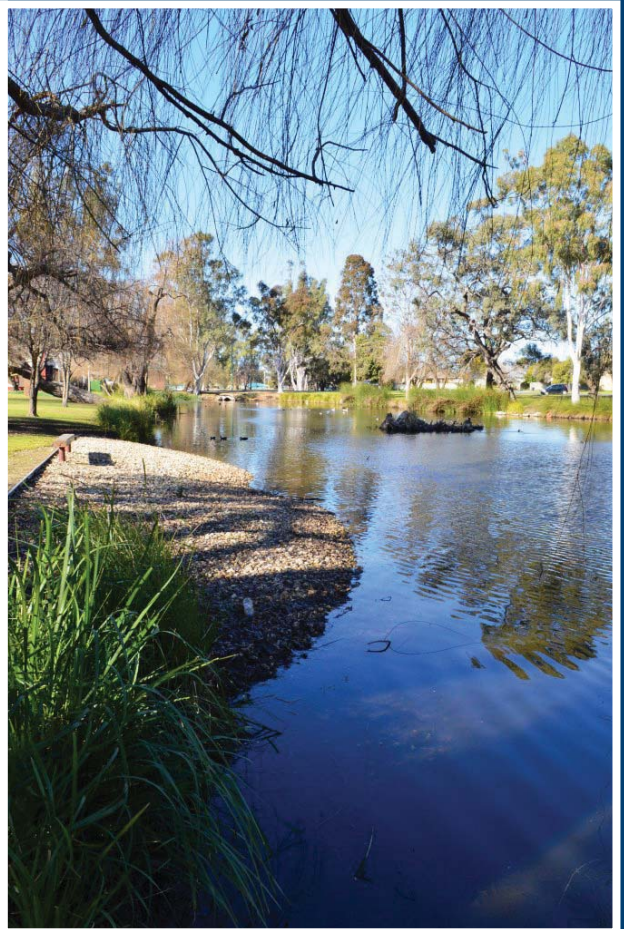


General Purpose Financial Statements



For the year ended 12 May 2016



The former Deniliquin Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for the former Deniliquin Council.
- (ii) The former Deniliquin 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 Edward River Council on 03 February 2017. Council has the power to amend and reissue these financial statements.
-

The former Deniliquin Council

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

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

The former Deniliquin Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

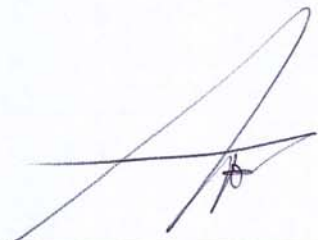
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

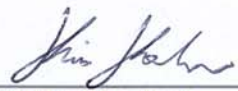
Signed in accordance with a resolution of Edward River Council made on 02 February 2017.



Mr Ashley Hall
Administrator



Mr Barry Barlow
Interim General Manager



Mr Kristopher Kershaw
Responsible Accounting Officer

The former Deniliquin Council

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget ¹			Actual	Actual
1/7/15			1/7/15	1/7/14
to 12/05/16	\$ '000	Notes	to 12/5/16	to 30/6/15
	Income from continuing operations			
	Revenue:			
n/a	Rates and annual charges	3a	8,721 ²	8,925
n/a	User charges and fees	3b	3,018	3,027
n/a	Interest and investment revenue	3c	757	616
n/a	Other revenues	3d	491	436
n/a	Grants and contributions provided for operating purposes	3e,f	4,380 ³	4,503
n/a	Grants and contributions provided for capital purposes	3e,f	604	158
n/a	Total income from continuing operations		17,971	17,665
	Expenses from continuing operations			
n/a	Employee benefits and on-costs	4a	5,063	5,427
n/a	Borrowing costs	4b	165	256
n/a	Materials and contracts	4c	3,221	3,227
n/a	Depreciation and amortisation	4d	3,878	4,243
n/a	Other expenses	4e	2,369	2,981
n/a	Net losses from the disposal of assets	5	335	204
n/a	Total expenses from continuing operations		15,031	16,338
n/a	Operating result from continuing operations		2,940	1,327
n/a	Net operating result for the period		2,940	1,327
n/a	Net operating result attributable to Council		2,940	1,327
n/a	Net operating result for the period before grants and contributions provided for capital purposes		2,336	1,169

¹ Original budget as approved by Council is not required for these financial statements because the reporting period is shorter than the budget period.

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

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

The former Deniliquin Council

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

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Net operating result for the period (as per Income Statement)		2,940	1,327
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	–	101,524
Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(1,342)
Total items which will not be reclassified subsequently to the operating result		–	100,182
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the period		–	100,182
Total comprehensive income for the period		2,940	101,509
Total comprehensive income attributable to Council		2,940	101,509

The former Deniliquin Council

Statement of Financial Position
as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	8,305	5,853
Investments	6b	11,250	11,500
Receivables	7	3,271	1,858
Other	8	50	26
Total current assets		22,876	19,237
Non-current assets			
Receivables	7	229	98
Infrastructure, property, plant and equipment	9	236,202	237,775
Intangible assets	25	528	654
Total non-current assets		236,959	238,527
TOTAL ASSETS		259,835	257,764
LIABILITIES			
Current liabilities			
Payables	10	1,077	1,612
Borrowings	10	589	589
Provisions	10	2,082	1,885
Total current liabilities		3,748	4,086
Non-current liabilities			
Payables	10	49	49
Borrowings	10	3,123	3,712
Provisions	10	58	–
Total non-current liabilities		3,230	3,761
TOTAL LIABILITIES		6,978	7,847
Net assets		252,857	249,917
EQUITY			
Retained earnings	20	50,017	47,077
Revaluation reserves	20	202,840	202,840
Council equity interest		252,857	249,917
Total equity		252,857	249,917

The former Deniliquin Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
1/7/15 to 12/5/16						
Opening balance (as per last year's audited accounts)		47,077	202,840	249,917	–	249,917
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		47,077	202,840	249,917	–	249,917
c. Net operating result for the period		2,940	–	2,940	–	2,940
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Other reserves movements (ELE)	20b (ii)	–	–	–	–	–
Other comprehensive income		–	–	–	–	–
Total comprehensive income (c&d)		2,940	–	2,940	–	2,940
Equity – balance at end of the reporting period		50,017	202,840	252,857	–	252,857

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
1/7/14 to 30/6/15						
Opening balance (as per last year's audited accounts)		45,750	102,658	148,408	–	148,408
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		45,750	102,658	148,408	–	148,408
c. Net operating result for the year		1,327	–	1,327	–	1,327
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	101,524	101,524	–	101,524
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(1,342)	(1,342)	–	(1,342)
– Other reserves movements (ELE)	20b (ii)	–	–	–	–	–
Other comprehensive income		–	100,182	100,182	–	100,182
Total comprehensive income (c&d)		1,327	100,182	101,509	–	101,509
Equity – balance at end of the year		47,077	202,840	249,917	–	249,917

The former Deniliquin Council

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget ¹ 1/7/15 to 12/05/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Cash flows from operating activities				
Receipts:				
n/a	Rates and annual charges		8,196	9,258
n/a	User charges and fees		2,786	3,450
n/a	Investment and interest revenue received		637	559
n/a	Grants and contributions		4,124	5,202
n/a	Other		1,041	1,187
Payments:				
n/a	Employee benefits and on-costs		(4,883)	(5,576)
n/a	Materials and contracts		(4,126)	(2,523)
n/a	Borrowing costs		(182)	(258)
n/a	Bonds, deposits and retention amounts refunded		(23)	(28)
n/a	Other		(2,265)	(3,521)
n/a	Net cash provided (or used in) operating activities	11b	5,305	7,750
Cash flows from investing activities				
Receipts:				
n/a	Sale of investment securities		11,500	5,300
n/a	Sale of infrastructure, property, plant and equipment		57	9
Payments:				
n/a	Purchase of investment securities		(11,250)	(11,499)
n/a	Purchase of infrastructure, property, plant and equipment		(2,571)	(2,925)
n/a	Net cash provided (or used in) investing activities		(2,264)	(9,115)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
n/a	Repayment of borrowings and advances		(589)	(589)
n/a	Net cash flow provided (used in) financing activities		(589)	(589)
n/a	Net increase/(decrease) in cash and cash equivalents		2,452	(1,954)
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	5,853	7,807
n/a	Cash and cash equivalents – end of reporting period	11a	8,305	5,853
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	11,250	11,500
	Total cash, cash equivalents and investments		19,555	17,353

¹ The original budget as approved by Council is not required for these financial statements because the reporting period is shorter than the budget period.

Please refer to Note 11 for additional cash flow information

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

(ii) New and amended standards adopted by Council

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

(iii) Early adoption of accounting standards

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

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

(iv) Basis of accounting

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

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

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

(v) Changes in accounting policies

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

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

(vi) Critical accounting estimates

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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

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

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

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

- (iii) Estimated remediation provisions.

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

(b) Revenue recognition

Income recognition as a result of Council's amalgamation

The former Deniliquin Council was amalgamated on 12 May 2016 with Conargo Shire Council to form the new Edward River Council.

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

The former Deniliquin Council has also recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured.

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

Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Edward River Council.

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

Control over granted assets/ 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.

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

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

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was

expended on Council's operations during the current period.

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

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

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

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

User charges, fees and other Income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Deniliquin Council Water Supply Fund
- Deniliquin Council Sewerage Fund

Due to their immaterial nature, the following Section 355 committees have been excluded from these financial statements:

- Deniliquin Council Concert Band
- Deniliquin Floodplain Risk Management Advisory Committee
- Cemetery Advisory Committee
- Deniliquin Council Tidy Towns committee
- Deniliquin Council Heritage Committee
- Memorial Park Users Advisory Committee
- Deniliquin Council Community Safety & Crime Prevention Advisory Committee

- Deniliquin Council Airport Advisory Committee
- Deniliquin Council Community Garden Committee

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

Total income from continuing operations	\$17,971
Total expenditure from continuing operations	\$15,031
Total net assets held (i.e. equity)	\$252,857

Note:

Where actual figures are not known, best estimates have been applied.

(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.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

The results of all joint ventures and associates for the financial year to 30 June 2016 have been used in determined the result for equity accounting purposes with any significant transactions which occurred between 12 May 2016 and 30 June 2016 being adjusted/excluded.

County councils

Council is a member of the following county councils (which are bodies incorporated under the *Local Government Act*):

- **Central Murray County Council**

The County Council is responsible for the management of weeds within the Council area.

There are four Councils, Berrigan, Conargo, Deniliquin and Murray, included in the County Council.

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 the entity has not been consolidated or otherwise included within these financial statements.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Finance leases

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Financial assets – reclassification

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

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(iii) Types of investments

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

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

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

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

(i) Inventories

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

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

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

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

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

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

(ii) Inventory held for distribution

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

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

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

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

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

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

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

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

Acquisition of assets

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

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

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Other assets**
(as approximated by depreciated historical cost)

Due to the proclamation date of 12 May 2016, the Council had not completed revaluations for the 2015/2016 reporting period and therefore the following assets have not been revalued for these financial statements:

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Council has assessed the current carrying values of the above Asset Classes and do not believe that (at balance date) it is materially different from their fair value.

Initial recognition

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

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

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

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

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

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

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

Capitalisation thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Plant and Equipment

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

Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Water and Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Other Infrastructure Assets

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

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 and E include:

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 15 years
- Other plant and equipment	5 to 15 years

Other Equipment

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

Buildings

- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 75 years

Transportation Assets

- Sealed Roads: Surface	15 to 20 years
- Sealed Roads: Structure	20 to 50 years
- Unsealed roads	10 to 20 years
- Bridge: Concrete	80 to 100 years
- Road Pavements	60 years
- Kerb, Gutter and Paths	40 years
- Other road assets	10 to 50 years

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps (structures)	60 to 75 years
- Pumps (mechanical and electrical)	25 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	20 to 50 years
- Other Open Space/ Recreational Assets	10 to 20 years
- Other Infrastructure	10 to 50 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.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Disposal and derecognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(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 incorporate the assets, their values and depreciation charges within these financial statements.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(p) 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.

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

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

These costs are then depreciated over the lives of the assets to which they relate.

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

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

These costs are charged to the Income Statement.

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

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

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

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

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

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

(q) 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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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.

(r) 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.

(s) 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.

(t) 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.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(u) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

There were no qualifying assets in the 2015/16 year.

(v) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(w) 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.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/02/2016 and covers the period ended 30/06/2015

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$ 154,342.

The amount of additional contributions included in the total employer contribution advised above is \$ 119,474.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 105,074 as at 12 May 2016.

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.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/2016.

(x) Self-insurance

Council does not self-insure.

(y) 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.

(z) Taxes

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

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

Goods and Services Tax (GST)

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

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

Receivables and payables within the Statement of Financial Position 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 Statement of Financial Position.

Operating cash flows within the Statement of Cash Flow 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.

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

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

Council has not adopted any of these standards early.

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

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

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

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

first time adoption of the standard are likely to include:

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

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

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

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

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

(ab) Rounding of amounts

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

(ac) Comparative figures

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Governance	n/a	15	10	n/a	934	481	n/a	(919)	(471)	3	2	–	–
Administration	n/a	241	752	n/a	2,443	1,750	n/a	(2,202)	(998)	–	3	17,027	16,040
Public order and safety	n/a	1,062	1,282	n/a	1,442	1,472	n/a	(380)	(190)	1,043	1,249	2,794	2,708
Health	n/a	23	9	n/a	111	109	n/a	(88)	(100)	–	–	2,326	2,300
Environment	n/a	1,284	1,371	n/a	983	1,580	n/a	301	(209)	–	44	18,540	18,816
Community services and education	n/a	1	5	n/a	3	1	n/a	(2)	4	1	5	–	–
Housing and community amenities	n/a	289	311	n/a	420	513	n/a	(131)	(202)	102	35	20,677	20,217
Water supplies	n/a	2,941	2,848	n/a	1,665	2,594	n/a	1,276	254	35	36	46,779	45,434
Sewerage services	n/a	2,660	2,716	n/a	1,302	2,032	n/a	1,358	684	33	35	41,228	39,379
Recreation and culture	n/a	512	286	n/a	2,483	1,910	n/a	(1,971)	(1,624)	68	32	27,810	29,604
Mining, manufacturing and construction	n/a	–	1	n/a	100	114	n/a	(100)	(113)	–	–	17	–
Transport and communication	n/a	1,294	636	n/a	2,598	2,901	n/a	(1,304)	(2,265)	993	374	76,537	76,134
Economic affairs	n/a	631	736	n/a	547	881	n/a	84	(145)	–	–	6,100	7,132
Total functions and activities	n/a	10,953	10,963	n/a	15,031	16,338	n/a	(4,078)	(5,375)	2,278	1,815	259,835	257,764
Share of gains/(losses) in associates and joint ventures (using the equity method)	n/a	–	–	n/a	–	–	n/a	–	–	–	–	–	–
General purpose income ²	n/a	7,018	6,702	n/a	–	–	n/a	7,018	6,702	2,357	2,431	–	–
Operating result from continuing operations	n/a	17,971	17,665	n/a	15,031	16,338	n/a	2,940	1,327	4,635	4,246	259,835	257,764

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
(a) Rates and annual charges ^{1,2}			
Ordinary rates			
Residential		3,135	2,852
Farmland		187	186
Business		956	953
Other		26	26
Total ordinary rates		4,304	4,017
Special rates			
Business promotion levy		79	–
Total special rates		79	–
<hr/>			
\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		923	1,083
Stormwater management services		63	74
Water supply services		1,031	1,194
Sewerage services		2,212	2,442
Waste management services (non-domestic)		109	115
Total annual charges		4,338	4,908
TOTAL RATES AND ANNUAL CHARGES		8,721	8,925

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		117	36
Water supply services		1,606	1,414
Sewerage services		211	259
Total user charges		1,934	1,709
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		37	59
Inspection services		34	36
Other – certificates and permits		36	45
Private works – section 67		146	410
Regulatory fees		22	32
Re-zoning fees		11	–
Section 149 certificates (EPA Act)		14	18
Section 603 certificates		19	24
Total fees and charges – statutory/regulatory		319	624
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		118	117
Animal control		6	6
Caravan park		54	15
Cemeteries		69	70
Leaseback fees – Council vehicles		84	45
Library and art gallery		10	13
Medical centre		79	89
Park rents		12	4
RMS (formerly RTA) charges (state roads not controlled by Council)		192	210
Saleyards		12	16
Sewerage connection fees		8	–
Tourism		12	12
Truckwash		73	71
Other		36	26
Total fees and charges – other		765	694
TOTAL USER CHARGES AND FEES		3,018	3,027

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		37	89
– Interest earned on investments (interest and coupon payment income)		475	485
– Interest (other)		11	22
Dividend income		234	–
Impairment (losses)/reversals			
– Investments other than available for sale		–	20
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>757</u>	<u>616</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		15	89
General Council cash and investments		342	165
Restricted investments/funds – external:			
Water fund operations		252	256
Sewerage fund operations		121	55
Domestic waste management operations		27	51
Total interest and investment revenue recognised		<u>757</u>	<u>616</u>
(d) Other revenues			
Rental income – other council properties		44	42
Fines		13	13
Legal fees recovery – rates and charges (extra charges)		68	117
Legal fees recovery – other		1	–
Bonds retained by council		76	–
Commissions and agency fees		5	15
Court settlement proceeds		115	–
Diesel rebate		32	22
Insurance claim recoveries		4	14
Insurance rebates		50	137
Other (workers comp reimbursement)		18	5
Recycling income (non-domestic)		1	8
Sales – general		58	51
Other		6	12
<u>TOTAL OTHER REVENUE</u>		<u>491</u>	<u>436</u>

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	2,279 ¹	2,351	–	–
Pensioners' rates subsidies – general component	78	80	–	–
Total general purpose	2,357	2,431	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	35	36	–	–
– Sewerage	33	35	–	–
– Domestic waste management	27	28	–	–
Community services and education	–	6	–	–
Environmental protection	61	16	–	–
Heritage and cultural	21	12	–	–
Library	–	3	–	–
Library – per capita	27	27	–	–
Library – special projects	6	6	–	–
NSW rural fire services	1,039	1,249	–	–
Recreation and culture	2	20	–	–
Street lighting	33	38	–	–
Transport (roads to recovery)	352	123	–	–
Transport (other roads and bridges funding)	38	57	604	156
Other	–	1	–	2
Total specific purpose	1,674	1,657	604	158
Total grants	4,031	4,088	604	158
Grant revenue is attributable to:				
– Commonwealth funding	2,631	2,474	–	–
– State funding	1,398	1,614	604	158
– Other funding	2	–	–	–
	4,031	4,088	604	158

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 64 – water supply contributions	7	15	–	–
S 64 – sewerage service contributions	8	14	–	–
Total developer contributions	15	29	–	–
Other contributions:				
Library services	153	186	–	–
Other (planning – LEP)	1	17	–	–
RMS contributions (regional roads, block grant)	180	177	–	–
Other	–	6	–	–
Total other contributions	334	386	–	–
Total contributions	349	415	–	–
TOTAL GRANTS AND CONTRIBUTIONS	4,380	4,503	604	158

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	318	317
Add: grants and contributions recognised in the current period but not yet spent:	854	1
Less: grants and contributions recognised in a previous reporting period now spent:	(279)	–
Net increase (decrease) in restricted assets during the period	575	1
Unexpended and held as restricted assets	893	318
Comprising:		
– Specific purpose unexpended grants	854	279
– Developer contributions	39	39
	893	318

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(a) Employee benefits and on-costs			
Salaries and wages		3,583	4,486
Travel expenses		31	22
Employee leave entitlements (ELE)		973	480
Superannuation		507	534
Workers' compensation insurance		113	113
Fringe benefit tax (FBT)		36	32
Training costs (other than salaries and wages)		81	100
Protective clothing		20	17
Recruitment costs		–	4
OH&S expenses		1	7
Total employee costs		5,345	5,795
Less: capitalised costs		(282)	(368)
TOTAL EMPLOYEE COSTS EXPENSED		5,063	5,427
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		61	64
Number of 'full-time equivalent' employees (FTE) at 12/5/2016 (incl. vacancies)		63	66
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		165	236
Other debts		–	20
Total interest bearing liability costs expensed		165	256
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		165	256
(c) Materials and contracts			
Raw materials and consumables		2,183	2,483
Contractor and consultancy costs		782	470
Auditors remuneration ⁽¹⁾		57	22
Legal expenses:			
– Legal expenses: planning and development		1	2
– Legal expenses: debt recovery		66	63
– Legal expenses: other		7	11
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		8	11
Other		117	165
TOTAL MATERIALS AND CONTRACTS		3,221	3,227

(continued on the next page...)

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
		41	22
		16	–
		57	22
2. Operating lease payments are attributable to:			
Other		8	11
		8	11

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
(d) Depreciation, amortisation and impairment					
Plant and equipment		–	–	282	315
Office equipment		–	–	84	85
Furniture and fittings		–	–	9	9
Land improvements (depreciable)		–	–	43	11
Infrastructure:					
– Buildings – non-specialised		–	–	133	176
– Buildings – specialised		–	1,342	500	533
– Other structures		–	–	66	107
– Roads		–	–	888	1,003
– Bridges		–	–	13	16
– Footpaths		–	–	224	342
– Stormwater drainage		–	–	223	296
– Water supply network		–	–	540	584
– Sewerage network		–	–	546	480
– Swimming pools		–	–	70	25
– Other open space/recreational assets		–	–	78	63
Other assets					
– Library books		–	–	29	28
Intangible assets	25	–	–	150	170
Total depreciation and impairment costs		–	1,342	3,878	4,243
Less: IPP&E impairments (to)/from equity	9a	–	(1,342)	–	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	3,878	4,243

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(e) Other expenses			
Other expenses for the period include the following:			
Advertising		73	101
Bank charges		28	30
Cleaning		20	24
Contributions/levies to other levels of government		741	711
Councillor expenses – mayoral fee		19	23
Councillor expenses – councillors' fees		71	75
Councillors' expenses (incl. mayor) – other (excluding fees above)		43	38
Donations, contributions and assistance to other organisations (Section 356)		89	187
Electricity and heating		377	572
Insurance		398	496
Licences, fees and permits		97	96
Office expenses (including computer expenses)		126	149
Postage		26	22
Printing and stationery		15	20
Street lighting		81	127
Subscriptions and publications		51	91
Telephone and communications		47	72
Tourism expenses (excluding employee costs)		17	10
Valuation fees		30	109
Other		15	28
<u>TOTAL OTHER EXPENSES</u>		<u>2,369</u>	<u>2,981</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		57	9
Less: carrying amount of plant and equipment assets sold/written off		(10)	–
Net gain/(loss) on disposal		47	9
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(382)	(213)
Net gain/(loss) on disposal		(382)	(213)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		11,500	5,300
Less: carrying amount of financial assets sold/redeemed/matured		(11,500)	(5,300)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(335)</u>	<u>(204)</u>

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		824	–	1,056	–
Cash-equivalent assets ¹					
– Deposits at call		781	–	2,298	–
– Short-term deposits		6,700	–	2,499	–
Total cash and cash equivalents		8,305	–	5,853	–
Investments (Note 6b)					
– Long term deposits		11,250	–	11,500	–
Total investments		11,250	–	11,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		19,555	–	17,353	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		8,305	–	5,853	–
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Investments

b. 'Held to maturity'		11,250	–	11,500	–
Investments	6(b-ii)	11,250	–	11,500	–

Note 6(b-i)**Reconciliation of investments classified as 'held to maturity'**

Balance at beginning of period		11,500	–	5,281	–
Additions		11,250	–	11,500	–
Impairment (loss)/prior loss reversal (via P&L)		–	–	19	–
Disposals (sales and redemptions)		(11,500)	–	(5,300)	–
Balance at end of period		11,250	–	11,500	–

Comprising:

– NCD's (with maturities > 3 months)		11,250	–	11,500	–
Total		11,250	–	11,500	–

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	19,555	–	17,353	–
attributable to:				
External restrictions (refer below)	12,618	–	10,305	–
Internal restrictions (refer below)	1,484	–	1,400	–
Unrestricted	5,453	–	5,648	–
	19,555	–	17,353	–
1/7/15 to 12/5/16	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance
Details of restrictions				
External restrictions – included in liabilities				
Nil				
External restrictions – other				
Developer contributions – general (D)	39	15	(15)	39
Specific purpose unexpended grants (F)	279	854	(279)	854
Water supplies (G)	6,943	984	–	7,927
Sewerage services (G)	1,303	745	–	2,048
Domestic waste management (G)	1,300	–	–	1,300
CMRL balance	34	–	(34)	–
Deniliquin community gardens	2	–	–	2
Deniliquin fishing club	100	–	(100)	–
Developer contributions to future works	139	–	(139)	–
Library reserve	166	185	–	351
Deniliquin band committee	–	17	–	17
Business promotion levy	–	80	–	80
External restrictions – other	10,305	2,880	(567)	12,618
Total external restrictions	10,305	2,880	(567)	12,618
Internal restrictions				
Plant and vehicle replacement	276	242	–	518
Employees leave entitlement	737	–	–	737
Deposits, retentions and bonds	166	13	–	179
Airport industrial land	50	–	–	50
Land development fund	171	–	(171)	–
Total internal restrictions	1,400	255	(171)	1,484
TOTAL RESTRICTIONS	11,705	3,135	(738)	14,102

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Purpose					
Rates and annual charges		732 ¹	136 ¹	245	98
Interest and extra charges		92	18	81	–
User charges and fees		780	75	525	–
Private works		28	–	75	–
Accrued revenues					
– Interest on investments		213	–	122	–
– Other income accruals		183	–	104	–
Amounts due from other councils		162	–	339	–
Australian tax office amounts		64	–	53	–
Government grants and subsidies		914	–	54	–
Net GST receivable		–	–	127	–
RMCC state roads		104	–	165	–
Other debtors		4	–	3	–
Total		3,276	229	1,893	98
Less: provision for impairment					
Other debtors		(5)	–	(35)	–
Total provision for impairment – receivables		(5)	–	(35)	–
TOTAL NET RECEIVABLES		3,271	229	1,858	98
Externally restricted receivables					
Water supply					
– Rates and availability charges		1	22	26	16
– Other		606	–	620	–
Sewerage services					
– Rates and availability charges		7	35	102	22
– Other		89	–	103	–
Domestic waste management		–	9	42	–
Total external restrictions		703	66	893	38
Internally restricted receivables					
Nil					
Unrestricted receivables		2,568	163	965	60
TOTAL NET RECEIVABLES		3,271	229	1,858	98

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

Notes on debtors above:

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(a) Inventories					
Nil					
(b) Other assets					
Prepayments		50	–	26	–
TOTAL OTHER ASSETS		<u>50</u>	<u>–</u>	<u>26</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

(a) Inventory write downs

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

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

The former Deniliquin Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period					as at 12/5/2016					
	At	At	Accumulated		Carrying	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	At	At	Accumulated		Carrying	
	cost	fair value	depreciation	impairment	value						cost	fair value	depreciation	impairment	value	
Capital work in progress	264	–	–	–	264	192	198	–	–	(261)	393	–	–	–	–	393
Plant and equipment	–	5,235	4,096	–	1,139	77	11	(10)	(282)	–	–	5,178	4,243	–	–	935
Office equipment	–	2,063	1,812	–	251	56	–	–	(84)	–	–	2,119	1,896	–	–	223
Furniture and fittings	–	135	67	–	68	3	–	–	(9)	–	–	139	77	–	–	62
Land:																
– Operational land	–	3,920	–	–	3,920	–	57	–	–	56	–	4,033	–	–	–	4,033
– Community land	–	1,766	–	–	1,766	–	–	–	–	–	–	1,766	–	–	–	1,766
Land improvements – depreciable	–	2,856	1,012	–	1,844	–	207	–	(43)	–	–	3,062	1,054	–	–	2,008
Infrastructure:																
– Buildings – non-specialised	–	8,482	2,483	–	5,999	–	15	–	(133)	–	–	8,497	2,616	–	–	5,881
– Buildings – specialised	–	38,687	6,644	–	32,043	154	265	(112)	(500)	176	–	39,106	7,080	–	–	32,026
– Other structures	–	18,839	511	–	18,328	–	18	–	(66)	–	–	18,857	577	–	–	18,280
– Roads	–	62,363	9,708	–	52,655	797	–	(257)	(888)	24	–	62,699	10,368	–	–	52,331
– Bridges	–	2,401	106	–	2,295	–	–	–	(13)	–	–	2,401	119	–	–	2,282
– Footpaths	–	21,512	5,447	–	16,065	105	–	(13)	(224)	–	–	21,593	5,660	–	–	15,933
– Stormwater drainage	–	26,377	7,782	–	18,595	–	47	–	(223)	–	–	26,424	8,005	–	–	18,419
– Water supply network	–	52,626	14,834	–	37,792	111	–	–	(540)	–	–	52,736	15,373	–	–	37,363
– Sewerage network	–	51,523	13,680	–	37,843	51	–	–	(546)	–	–	51,574	14,226	–	–	37,348
– Swimming pools	–	4,043	751	–	3,292	–	–	–	(70)	–	–	4,043	821	–	–	3,222
– Other open space/recreational assets	–	4,177	680	–	3,497	6	143	–	(78)	5	–	4,332	759	–	–	3,573
Other assets:																
– Library books	–	1,029	910	–	119	34	–	–	(29)	–	–	1,063	939	–	–	124
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	264	308,034	70,523	–	237,775	1,586	961	(392)	(3,728)	–	393	309,622	73,813	–	–	236,202

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	46	–	–	46	–	–	–	–
Plant and equipment	–	102	75	27	–	102	66	36
Office equipment	–	5	4	1	–	5	4	1
Infrastructure	–	52,736	15,373	37,363	–	52,626	14,834	37,792
Total water supply	46	52,843	15,452	37,437	–	52,733	14,904	37,829
Sewerage services								
WIP	53	–	–	53	–	–	–	–
Plant and equipment	–	46	40	6	–	42	39	3
Office equipment	–	4	4	–	–	4	4	–
Infrastructure	–	51,574	14,226	37,348	–	51,523	13,680	37,843
Total sewerage services	53	51,624	14,270	37,407	–	51,569	13,723	37,846
TOTAL RESTRICTED I,PP&E	99	104,467	29,722	74,844	–	104,302	28,627	75,675

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

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15

(i) Impairment losses recognised direct to equity (ARR):

– Impairment of town hall. Change of use – no public access		–	(1,342)
Total impairment losses		–	(1,342)
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	–	(1,342)

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Payables					
Goods and services – operating expenditure		261	–	864	–
Accrued expenses:					
– Borrowings		–	–	17	–
– Salaries and wages		86	–	151	–
– Other expenditure accruals		478	–	291	–
ATO – net GST payable		42	–	–	–
Long service levy		9	–	4	–
Payments received in advance		115	–	187	–
Security bonds, deposits and retentions		67	49	90	49
Other		19	–	8	–
Total payables		1,077	49	1,612	49
Borrowings					
Loans – secured ¹		589	3,123	589	3,712
Total borrowings		589	3,123	589	3,712
Provisions					
Employee benefits:					
Annual leave		513	–	493	–
Sick leave		317	–	269	–
Long service leave		1,062	56	1,029	–
RDO leave		20	–	–	–
Time in lieu leave		82	–	–	–
ELE on-costs		88	2	94	–
Total provisions		2,082	58	1,885	–
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		3,748	3,230	4,086	3,761
(i) Liabilities relating to restricted assets					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Externally restricted assets					
Water		19	–	62	–
Sewer		257	926	626	1,094
Liabilities relating to externally restricted assets		276	926	688	1,094
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		276	926	688	1,094
Total liabilities relating to unrestricted assets		3,472	2,304	3,398	2,667
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		3,748	3,230	4,086	3,761

¹ Loans are secured over the general rating income of Council

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16	Actual 30/6/15
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,383	1,148
	1,383	1,148

Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16				Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	493	333	(332)	19	–	513
Sick leave	269	231	(235)	52	–	317
Long service leave	1,029	226	(151)	14	–	1,118
Time in lieu leave	–	102	–	–	–	102
ELE on-costs	94	(4)	–	–	–	90
TOTAL	1,885	888	(718)	85	–	2,140

- 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.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	8,305	5,853
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		8,305	5,853
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,940	1,327
Adjust for non-cash items:			
Depreciation and amortisation		3,878	4,243
Net losses/(gains) on disposal of assets		335	204
Impairment losses/(prior period reversals) – financial investments		–	(20)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,514)	1,614
Increase/(decrease) in provision for doubtful debts		(30)	–
Decrease/(increase) in other assets		(24)	(7)
Increase/(decrease) in payables		(603)	391
Increase/(decrease) in accrued interest payable		(17)	(2)
Increase/(decrease) in other accrued expenses payable		122	112
Increase/(decrease) in other liabilities		(37)	13
Increase/(decrease) in employee leave entitlements		255	(125)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		5,305	7,750
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		82	82
Total financing arrangements		82	82
(ii) Secured loan liabilities			

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

(e) Bank guarantees

Bank guarantee for major development project - \$700,000 Westpac term deposit secured by first mortgage over property.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Road infrastructure		348	417
Waste facility recycling		–	130
Software		–	13
Sewer infrastructure		2,199	–
Total commitments		2,547	560
These expenditures are payable as follows:			
Within the next year		2,547	560
Total payable		2,547	560
Sources for funding of capital commitments:			
Unrestricted general funds		–	400
Unexpended grants		348	160
Externally restricted reserves		2,199	–
Total sources of funding		2,547	560
Details of capital commitments			
1. Road Infrastructure - Fixing Country Roads program \$348k			
2. Sewer Infrastructure - New reservoir for industrial area \$2,199k			
(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		–	11
Later than one year and not later than 5 years		–	13
Later than 5 years		–	–
Total non-cancellable operating lease commitments		–	24
b. Non-cancellable operating leases include the following assets:			
Contingent rentals may be payable depending on the condition of items or usage during the lease term.			
Conditions relating to operating leases:			
– All operating lease agreements are secured only against the leased asset.			
– No lease agreements impose any financial restrictions on Council regarding future debt etc.			

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,671</u>	15.38%	7.84%	2.34%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>17,367</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>12,987</u>	72.27%	73.61%	75.51%
Total continuing operating revenue ⁽¹⁾	<u>17,971</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>9,555</u>	4.57x	3.57x	3.16x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,089</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>6,714</u>	8.90x	6.95x	5.79x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>754</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>978</u>	10.57%	4.30%	7.10%
Rates, annual and extra charges collectible	<u>9,250</u>			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	<u>19,555</u>	19.44 mths	16.7 mths	12.0 mths
Payments from cash flow of operating and financing activities	<u>1,006</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.

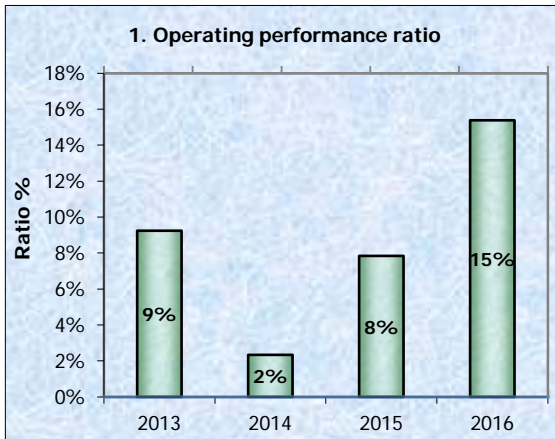
⁽³⁾ Refer to Note 10(a).

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

The former Deniliquin Council

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

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



Purpose of operating performance ratio

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

Commentary on 12/5/16 result

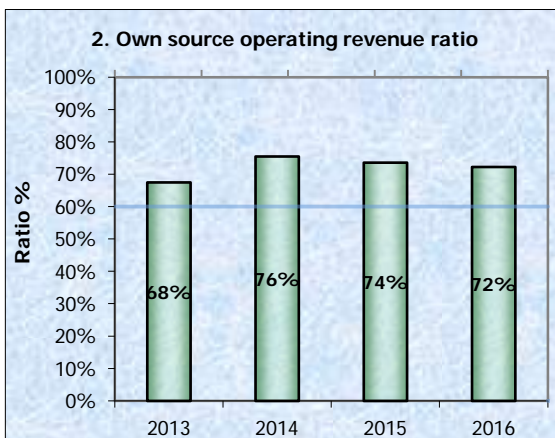
12/5/16 ratio 15.38%

Council has continued to produce an operating surplus for the 2015/16 financial year. Council has been able to keep expenditure within reasonable levels.

Benchmark: Minimum $\geq 0.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 12/5/16 result

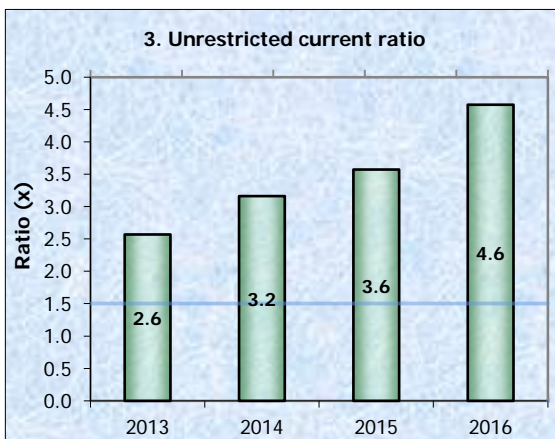
12/5/16 ratio 72.27%

Council has maintained its own source revenue ratio at nearly three-quarters of all revenue. This has remained unchanged on the previous year.

Benchmark: Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 12/5/16 result

12/5/16 ratio 4.57x

Council continues to maintain a healthy unrestricted current ratio. Increase from 3.6 to 4.2 due in part to the water and sewer funds both generating sizable operating surpluses. This has led to an increase in cash held in these funds for the year ending 12th May 2016.

Benchmark: Minimum ≥ 1.50

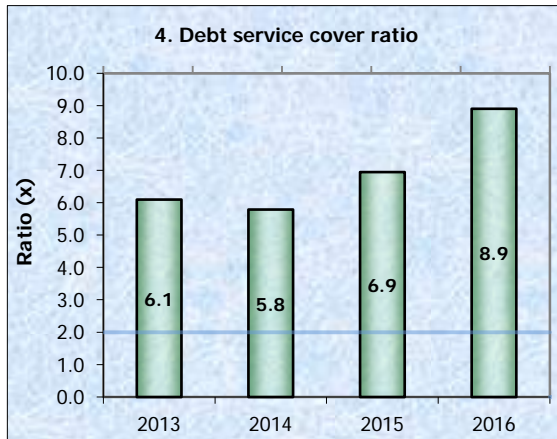
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

The former Deniliquin Council

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

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



Purpose of debt service cover ratio

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

Commentary on 12/5/16 result

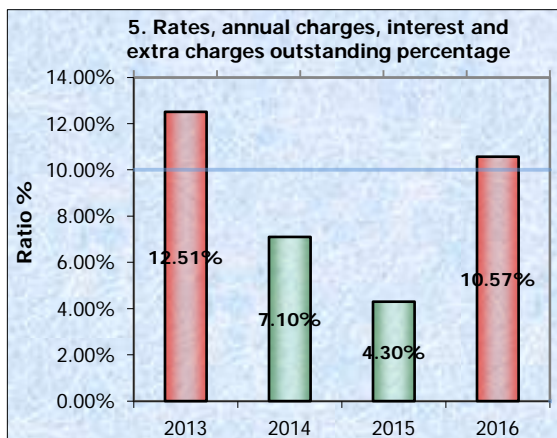
12/5/16 ratio 8.90x

Debt service ratio is higher when compared to previous years due to revenue including 100% rates revenue and Financial Assistance Grant revenue up to 12th May 2016 instead of these amounts being pro-rated to 30th June 2016.

Benchmark: Minimum >=2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 12/5/16 result

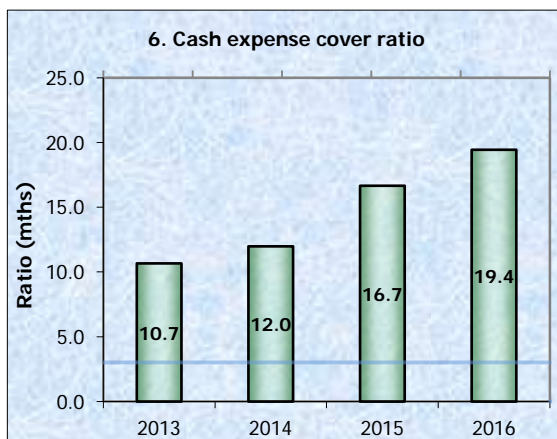
12/5/16 ratio 10.57%

Outstanding rates is higher at 10.57% when compared to the previous year of 4.30%. This is due to the financial year finishing on the 12th May 2016 and 100% of rates been reconised as revenue. The 4th instalment wasn't due until the 31st May 2016.

Benchmark: Maximum <10.00%

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 19.44 mths

Council is more than capable to cover immediate expenses. Ratio is higher than expected due to expenses for the period 13th May to 30th June 2016 not been included in the 2015/16 financial year.

Benchmark: Minimum >=3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁵ 12/5/16
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	20.75%	28.49%	11.24%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 7.86%	23.61%	4.11%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	98.54%	98.42%	60.81%
Total continuing operating revenue ⁽¹⁾	prior period: 98.22%	98.25%	61.82%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	449.16x	8.34x	4.57x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 122.40x	2.41x	3.57x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	0.00	6.15x	7.89x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	18.92x	4.92x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	2.36%	1.95%	-8.05%
Rates, annual and extra charges collectible	prior period: 4.54%	5.35%	3.83%
6. Cash expense cover ratio			
<u>Current period's cash and cash equivalents plus all term deposits</u> x12	9.07 mths	7.91 mths	23.86 mths
Payments from cash flow of operating and financing activities	prior period: 11.26 mths	8.55 mths	19.48 mths

Notes

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
Financial assets				
Cash and cash equivalents	8,305	5,853	8,323	5,853
Investments				
– 'Held to maturity'	11,250	11,500	11,250	11,500
Receivables	3,500	1,956	3,145	1,380
Total financial assets	23,055	19,309	22,718	18,733
Financial liabilities				
Payables	1,126	1,661	963	1,661
Loans/advances	3,712	4,301	3,712	4,301
Total financial liabilities	4,838	5,962	4,675	5,962

Fair value is determined as follows:

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council 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.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
At 12/5/16				
Possible impact of a 1% movement in interest rates	131	131	(131)	(131)
At 30/6/15				
Possible impact of a 1% movement in interest rates	173	173	(173)	(173)

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	79%	65%	0%	24%
Overdue	21%	35%	100%	76%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	500	1,697	–	404
< 1 year overdue	214	570	248	844
1 – 2 years overdue	124	116	56	50
2 – 5 years overdue	21	36	39	29
> 5 years overdue	9	218	–	321
	868	2,637	343	1,648
(iii) Movement in provision for impairment of receivables			12/5/16	30/6/15
Balance at the beginning of the period			35	35
+ new provisions recognised during the period			5	–
– previous impairment losses reversed			(35)	–
Balance at the end of the period			5	35

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	116	1,008	–	–	–	–	–	1,124	1,126
Loans and advances	–	796	737	706	676	559	240	3,714	3,712
Total financial liabilities	116	1,804	737	706	676	559	240	4,838	4,838
1/7/14 to 30/6/15									
Trade/other payables	139	1,522	–	–	–	–	–	1,661	1,661
Loans and advances	–	798	796	737	706	676	799	4,512	4,301
Total financial liabilities	139	2,320	796	737	706	676	799	6,173	5,962

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

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,126	0.00%	1,661	0.00%
Loans and advances – fixed interest rate	3,712	5.10%	4,301	5.10%
	<u>4,838</u>		<u>5,962</u>	

Note 16. Material budget variations

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	11	–	–	–	–	–	11	–
Parking	8	–	–	–	–	–	8	–
Open space	4	–	–	–	–	–	4	–
Community facilities	9	–	–	–	–	–	9	–
Other	1	–	–	–	–	–	1	–
S94 contributions – under a plan	33	–	–	–	–	–	33	–
Total S94 revenue under plans	33	–	–	–	–	–	33	–
S94 not under plans	6	–	–	–	–	–	6	–
S64 contributions	–	15	–	–	(15)	–	–	–
Total contributions	39	15	–	–	(15)	–	39	–

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – 1999 PLAN

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	11	–	–	–	–	–	11	–
Parking	8	–	–	–	–	–	8	–
Open space	4	–	–	–	–	–	4	–
Community facilities	9	–	–	–	–	–	9	–
Other	1	–	–	–	–	–	1	–
Total	33	–	–	–	–	–	33	–

S94 CONTRIBUTIONS – NOT UNDER A PLAN

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council 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 24/02/2016 and covers the period ended 30/06/2016. However, the position is monitored annually and the actuary has estimated that as at 12/05/2016 the prior period deficit still exists.

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 expense at Note 4(a) for the period ending 12/05/2016 was \$154,342. The amount of additional contributions included in the total employer contribution advised above is \$119,474. The share of this deficit that can be attributed to council is \$105,074.

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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(iv) Bank guarantee

Council, on the 7 March 2016, provided a bank guarantee to the value of \$700,000. The guarantee was placed by Council to help secure a major development which would bring significant employment and economic opportunities to Deniliquin and the surrounding region. Council placed a term deposit for the amount and this bank guarantee can be called on by the Favouree if certain conditions are not met. Council expects that, in the event the bank guarantee is called by the Favouree, it will be able to recover the full \$700,000 via sale proceeds from sale of land owned by the Favouree. A land valuation at the time of providing the bank guarantee confirmed that the land subject to the mortgage would be sufficient to cover the bank guarantee.

(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.

Council has recognised the following areas for the expenditure of these funds:

Roads		
Parking		
Open Space		
Community Facilities	\$	9,000
Other	\$	7,000

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.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

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) Mortgage over Land

Council has a first mortgage over land in return for a \$700,000 bank guarantee. The mortgage was entered into on the 7 March 2016 and will remain in place until such time the bank guarantee is either no longer required (approximately six months from the mortgage date) or called on by the Favouree. If, in the event the bank guarantee is called by the Favouree, Council will have the right as first mortgage to sell land owned by the Favouree to recover the \$700,000.

(iii) Infringement notices/fines

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

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities

\$ '000

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

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		47,077	45,750
a. Net operating result for the period		2,940	1,327
Balance at end of the reporting period		50,017	47,077
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		202,840	202,840
Total		202,840	202,840
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		202,840	102,658
– Revaluations for the period	9(a)	–	101,524
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	–	(1,342)
– Balance at end of period		202,840	202,840
TOTAL VALUE OF RESERVES		202,840	202,840

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(d) Voluntary changes in accounting policies

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges ²	975	2,149	5,597
User charges and fees	1,596	225	1,197
Interest and investment revenue	252	121	384
Other revenues	9	55	427
Grants and contributions provided for operating purposes	35	33	4,312
Grants and contributions provided for capital purposes	7	8	589
Total income from continuing operations	2,874	2,591	12,506
Expenses from continuing operations			
Employee benefits and on-costs	423	282	4,358
Borrowing costs	–	49	116
Materials and contracts	953	819	1,449
Depreciation and amortisation	540	545	2,793
Other expenses	345	142	1,882
Net losses from the disposal of assets	–	–	335
Total expenses from continuing operations	2,261	1,837	10,933
Operating result from continuing operations	613	754	1,573
Net operating result for the period	613	754	1,573
Net operating result attributable to each council fund	613	754	1,573
Net operating result for the period before grants and contributions provided for capital purposes	606	746	984
Alternative net operating result for the period before grants and contributions provided for capital purposes	606	746	639

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

as at 12 May 2016

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

Statement of Financial Position by fund \$ '000	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	1,427	1,048	5,830
Investments	6,500	1,000	3,750
Receivables	607	86	2,578
Other	–	10	40
Total current assets	8,534	2,144	12,198
Non-current assets			
Receivables	22	35	172
Infrastructure, property, plant and equipment	37,437	37,407	161,358
Intangible assets	–	–	528
Total non-current assets	37,459	37,442	162,058
TOTAL ASSETS	45,993	39,586	174,256
LIABILITIES			
Current liabilities			
Payables	19	89	969
Borrowings	–	168	421
Provisions	–	–	2,082
Total current liabilities	19	257	3,472
Non-current liabilities			
Payables	–	–	49
Borrowings	–	926	2,197
Provisions	–	–	58
Total non-current liabilities	–	926	2,304
TOTAL LIABILITIES	19	1,183	5,776
Net assets	45,974	38,403	168,480
EQUITY			
Retained earnings	8,406	8,670	32,941
Revaluation reserves	37,568	29,733	135,539
Total equity	45,974	38,403	168,480

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 03/02/17.

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

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

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

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

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

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

Amalgamation of operations for the former Deniliquin Council to form Edward River Council

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

The proclamation automatically transferred the assets, rights and liabilities of the former Deniliquin Council to Edward River Council on 13 May 2016.

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

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

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

\$ '000	Actual 12/5/16	Actual 30/6/15
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	867	852
Accumulated amortisation (1/7)	(213)	(43)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	654	809
Movements for the period		
– Purchases	24	15
– Amortisation charges	(150)	(170)
Closing values:		
Gross book value (12/5/16)	891	867
Accumulated amortisation (12/5/16)	(363)	(213)
Accumulated impairment (12/5/16)	–	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	528	654

¹ The net book value of intangible assets represent:

– Software	528	654
	528	654

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no material outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- 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:

1/7/15 to 12/5/16	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	–	–	935	935
Office equipment	30/06/15	–	–	223	223
Furniture and fittings	30/06/15	–	–	62	62
Operational land	30/06/15	–	–	4,033	4,033
Community land	30/06/15	–	–	1,766	1,766
Land improvements – depreciable	30/06/15	–	–	2,008	2,008
Buildings – non-specialised	30/06/15	–	–	5,881	5,881
Buildings – specialised	30/06/15	–	–	32,026	32,026
Other structures	30/06/15	–	–	18,280	18,280
Roads	30/06/15	–	–	52,331	52,331
Bridges	30/06/15	–	–	2,282	2,282
Footpaths and kerb	30/06/15	–	–	15,933	15,933
Stormwater drainage	30/06/15	–	–	18,419	18,419
Water supply network	30/06/15	–	–	37,363	37,363
Sewerage network	30/06/15	–	–	37,349	37,349
Swimming pools	30/06/15	–	–	3,222	3,222
Other open spaces/recreational assets	30/06/15	–	–	3,573	3,573
Library books	30/06/15	–	–	123	123
Total infrastructure, property, plant and equipment		–	–	235,809	235,809

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

1/7/14 to 30/6/15	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	–	–	1,139	1,139
Office equipment	30/06/15	–	–	251	251
Furniture and fittings	30/06/15	–	–	68	68
Operational land	30/06/15	–	–	3,920	3,920
Community land	30/06/15	–	–	1,766	1,766
Land improvements – depreciable	30/06/15	–	–	1,844	1,844
Buildings – non-specialised	30/06/15	–	–	5,999	5,999
Buildings – specialised	30/06/15	–	–	32,043	32,043
Other structures	30/06/15	–	–	18,328	18,328
Roads	30/06/15	–	–	52,655	52,655
Bridges	30/06/15	–	–	2,295	2,295
Footpaths and kerb	30/06/15	–	–	16,065	16,065
Stormwater drainage	30/06/15	–	–	18,595	18,595
Water supply network	30/06/15	–	–	37,792	37,792
Sewerage network	30/06/15	–	–	37,843	37,843
Swimming pools	30/06/15	–	–	3,292	3,292
Other open spaces/recreational assets	30/06/15	–	–	3,497	3,497
Library books	30/06/14	–	–	119	119
Total infrastructure, property, plant and equipment		–	–	237,511	237,511

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

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

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Financial assets

Council now only has Term Deposit and Cash at Bank/ On-call amounts. Amounts are as per audit certificates supplied by the banking institution.

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

Plant and Equipment - This class of asset category is not valued at fair value. The category is at cost, but is disclosed as fair value. As per Code Update 22 - Appendix I put out by the Office of Local Government (NSW), the Office has stated that NSW Councils may use depreciated historic cost as a representation of fair value as long as Council has undertaken a high level review to determine if there has been any impairment to the assets. Council has done this and on this basis, valuation is deemed to be based on Level 3 inputs. There has been no change to the valuation process during the reporting year.

Office Equipment - Same Plant and Equipment above.

Furniture and Fittings - Same Plant and Equipment above.

Operational Land - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is valued in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines). Operational Land should be valued at market value after considering the buyers and sellers in the market and, where possible, include elements such as zoning limitations, alternative use and size of the land.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, PDSLIVE property searches, Benchmarking, APV database of recent projects and on-site visits.

Community Land - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is valued in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines). Council is unable to provide neither observable nor unobservable valuation techniques and therefore it is reported as a Level 3.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, PDSLIVE property searches, Benchmarking, APV database of recent projects and on-site visits.

Land Improvements (Depreciable) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide, Benchmarking, APV database of recent projects and on-site visits.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Buildings (Non - Specialised) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately. This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Buildings (Specialised) - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Buildings (Non-Specialised) above for valuation method and data sources.

Other Structures - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide, Benchmarking, APV database of recent projects and on-site visits.

Roads - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual construction or purchase prices, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Bridges - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

Footpaths - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

Stormwater - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Roads above for valuation method and data sources.

Water Supply Network - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual construction or purchase prices, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Sewer Network - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Water Supply Network above for valuation method and data sources.

Swimming Pools - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. The valuation method is based on determining the Replacement Cost of the modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed future economic benefit and impairment. In accordance with the depreciation requirements of AASB 116, "complex assets" are componentised and depreciated separately (splitting each component into the short and long life parts). This is consistent with the AASB's May 2015 decision regarding residual value.

Sources of data used when determining revaluations include: Actual sales evidence, mapping evidence, Rawlinson's Construction Guide (or similar), Benchmarking, APV database of recent projects and on-site visits.

Other Open Spaces/ Recreational Assets - The latest valuation was conducted by APV Valuers during the 2014/15 financial year. Refer to Swimming Pools above for valuation method and data sources.

Library Books - Same Plant and Equipment above.

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/14	1,404	253	65	2,752	4,474
Purchases (GBV)	40	113	29	13	195
Depreciation and impairment	(315)	(85)	(9)	–	(409)
Adjustments and transfers	10	(30)	(17)	(6)	(43)
Revaluation movements	–	–	–	1,161	1,161
Closing balance – 30/6/15	1,139	251	68	3,920	5,378
Transfers from/(to) another asset class	–	–	–	56	56
Purchases (GBV)	88	56	3	57	204
Disposals (WDV)	(10)	–	–	–	(10)
Depreciation and impairment	(315)	(181)	(9)	–	(505)
Closing balance – 12/5/16	902	126	62	4,033	5,123

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Community land	Land improvement	Buildings non- specialised	Buildings specialised	Total
Opening balance – 1/7/14	2,446	2,265	4,155	12,592	21,458
Purchases (GBV)	–	243	–	86	329
Depreciation and impairment	–	(11)	(176)	(1,875)	(2,062)
Adjustments and transfers	–	507	(439)	(182)	(114)
Revaluation movements	(680)	(1,160)	2,459	21,422	22,041
Closing balance – 30/6/15	1,766	1,844	5,999	32,043	41,652
Transfers from/(to) another asset class	–	–	–	176	176
Purchases (GBV)	–	206	15	419	640
Disposals (WDV)	–	–	–	(112)	(112)
Depreciation and impairment	–	(42)	(153)	(572)	(767)
Closing balance – 12/5/16	1,766	2,008	5,861	31,954	41,589
	Other structures	Roads	Bridges	Footpaths	Total
Opening balance – 1/7/14	15,209	35,181	720	2,866	53,976
Purchases (GBV)	–	1,090	–	238	1,328
Disposals (WDV)	–	(205)	–	(4)	(209)
Depreciation and impairment	(107)	(1,003)	(16)	(342)	(1,468)
Other movement	–	(938)	–	1,032	94
Revaluation movements	3,226	18,530	1,591	12,275	35,622
Closing balance – 30/6/15	18,328	52,655	2,295	16,065	89,343
Transfers from/(to) another asset class	–	24	–	–	24
Purchases (GBV)	18	798	–	104	920
Disposals (WDV)	–	(257)	–	(13)	(270)
Depreciation and impairment	(77)	(1,036)	(15)	(257)	(1,385)
Closing balance – 12/5/16	18,269	52,184	2,280	15,899	88,632

The former Deniliquin Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
Opening balance – 1/7/14	10,946	26,294	18,970	668	56,878
Purchases (GBV)	141	113	479	33	766
Disposals (WDV)	–	(4)	–	–	(4)
Depreciation and impairment	(296)	(584)	(480)	(25)	(1,385)
Revaluation movements	7,804	11,973	18,874	2,616	41,267
Closing balance – 30/6/15	18,595	37,792	37,843	3,292	97,522
Purchases (GBV)	47	111	51	–	209
Depreciation and impairment	(256)	(540)	(545)	(74)	(1,415)
Closing balance – 12/5/16	18,386	37,363	37,349	3,218	96,316

	Other open spaces	Library books	Work in progress	Total
Opening balance – 1/7/14	2,063	107	13	2,183
Purchases (GBV)	–	41	251	292
Depreciation and impairment	(63)	(28)	–	(91)
Other movement	64	(1)	–	63
Revaluation movements	1,433	–	–	1,433
Closing balance – 30/6/15	3,497	119	264	3,880
Transfers from/(to) another asset class	5	–	(261)	(256)
Purchases (GBV)	150	34	390	574
Depreciation and impairment	(79)	(29)	–	(108)
Closing balance – 12/5/16	3,573	124	393	4,090

The former Deniliquin Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant & Equipment	902	Cost Approach	Gross replacement cost, remaining useful life and residual value.
Office Equipment	126	Cost Approach	Gross replacement cost and remaining useful life.
Furniture & Fittings	62	Cost Approach	Gross replacement cost and remaining useful life.
Operational Land	4,033	Market Value Approach	Comparison to other similar land sales/ property prices, use of land and land area.
Community Land	1,766	Market Value/ Cost Approach	Use of land, zoning conditions and unit rates per square metre.
Land Improvements	2,008	Cost Approach - Depreciated Replacement	Unit rates, pattern of consumption and consumption score.
Buildings – Non Specialised	5,861	Cost Approach - Depreciated Replacement	Unit rates, residual value, pattern of consumption and consumption score.
Buildings – Specialised	31,954	Cost Approach - Depreciated Replacement	Unit rates, pattern of consumption and consumption score.
Other Structures	18,269	Cost Approach - Depreciated Replacement	Unit rates, pattern of consumption and consumption score.
Roads	52,184	Cost Approach - Depreciated Replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Bridges	2,280	Cost Approach - Depreciated Replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Footpaths	15,899	Cost Approach - Depreciated Replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.
Stormwater	18,386	Cost Approach - Depreciated Replacement	Asset condition, relationship between asset consumption rating scale and the level of consumed service potential and unit rate cost.

(continued on the next page...)

The former Deniliquin Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (12/5/16) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E (continued)			
Water Supply Network	37,363	Cost Approach - Depreciated Replacement	Unit rate cost from market evidence, split between short and long life components, valuation profiles and consumption score.
Sewerage network	37,349	Cost Approach - Depreciated Replacement	Unit rate cost from market evidence, split between short and long life components, valuation profiles and consumption score.
Swimming Pools	3,218	Cost Approach - Depreciated Replacement	Unit rates, pattern of consumption and consumption score.
Open Spaces/ Recreation	3,573	Cost Approach - Replacement Cost	Unit rates, pattern of consumption and consumption score.
Library Books	124	Cost Approach	Gross replacement cost and remaining useful life.

(5). Highest and best use

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

The former Deniliquin Council

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

Note 28. Council information and contact details

Principal place of business:

1 Civic Place
Deniliquin NSW 2710

Contact details

Mailing address:

PO Box 270
Deniliquin NSW 2710

Opening hours:

Monday to Friday
9.00 am to 5.00pm

Telephone: 02 5898 3000

Facsimile: 02 5898 3029

Internet: www.deniliquin.nsw.gov.au

Email: council@deniliquin.nsw.gov.au

Officers

INTERIM GENERAL MANAGER

Mr Barry Barlow

RESPONSIBLE ACCOUNTING OFFICER

Mr Kristopher Kershaw

Members

ADMINISTRATOR

Mr Ashley Hall

Other information

ABN: 90 513 847 629



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

The former Deniliquin Council

To the Administrator of Edward River Council

Opinion

I have audited the accompanying financial statements of the former Deniliquin Council (the Council), which comprise the statement of financial position as at 12 May 2016, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial 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 12 May 2016, and of its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

- 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 Administrator's Responsibility for the Financial Statements

The Council is 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 Administrator determines 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 Administrator must assess the Council's ability to continue as a going concern. The assessment must disclose, as applicable, matters related to going concern including the dissolution of the Council by an Act of Parliament and the use of the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

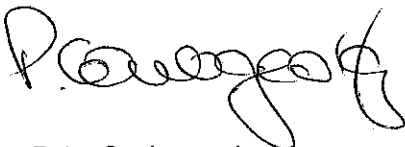
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

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/Home.aspx>. 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 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.



Peter Coulogeorgiou
Director, Financial Audit Services

3 February 2017
SYDNEY



The former Deniliquin Council

Report on the Conduct of the Audit

for the period ended 12 May 2016



Barry Barlow
Interim General Manager
The Former Deniliquin Council
PO Box 270
DENILIKUIN NSW 2710

Contact: Peter Coulogeorgiou
Phone no: (02) 9275 7460
Our ref: D1701876/1682

1 February 2017

The former Deniliquin Council

Report on the Conduct of the Audit

for the period ended 12 May 2016

I have audited the general purpose financial statements of the former Deniliquin Council (the Council) and the special purpose financial statements for the Water Supply and Sewerage Business Activities for the period ended 12 May 2016, as required by Section 415 of the *Local Government Act 1993 (the Act)*.

The Administrator of the newly created Edward River Council is responsible for preparing financial statements which give a true and fair view of the financial position and performance of the Council and the business activities, are in accordance with the Act and comply with Australian Accounting Standards. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

In accordance with section 417 of the Act, I report on the conduct of the audit of the Council for the period ended 12 May 2016.

AUDIT RESULT

I expressed an unmodified opinion on the Council's general purpose financial statements and the special purpose financial statements for the Water Supply and Sewerage Business Activities. A significant matter is noted below. The Council complied with the requirements of the Act, Chapter 13, Part 3, Division 2.

CONDUCT OF THE AUDIT

I conducted my audit in accordance with Australian Auditing Standards and statutory requirements. The audit provides reasonable assurance to the Administrator that the financial reports are free of material misstatement. The audit does not guarantee every amount, disclosure or assertion subject to audit is error free. The terms 'reasonable assurance' and 'material' recognise an audit does not examine all evidence and transactions.

OPERATING RESULT

The Council's operating result from continuing operations was a surplus of \$2.9 million for the period ended 12 May 2016 (\$1.3 million for the year ended 30 June 2015). This includes \$3.9 million (\$4.2 million) of depreciation and amortisation.

The Council's net operating result for the year before capital grants and contributions was a surplus of \$2.3 million for the period ended 12 May 2016 (\$1.2 million for the year ended 30 June 2015).

INCOME STATEMENT

Total income increased by 1.73 per cent, which is mainly attributed to increases in grants and contributions for capital purposes of \$448,000 for roads funding. Total expenses decreased by 8 per cent, which is mainly attributed to the Council ceasing to exist on 12 May 2016, some seven weeks less than the comparative reporting period.

	2016		2015	
	\$'000	%	\$'000	%
Income				
Rates and annual charges	8,721	-2.29	8,925	1.83
User charges and fees	3,018	-0.30	3,027	-11.54
Interest and investment revenue	757	22.89	616	8.83
Other revenues	491	12.61	436	28.99
Grants and contributions provided for operating purposes	4,380	-2.73	4,503	30.07
Grants and contributions provided for capital purposes	604	282.28	158	-79.85
Other Income				
Total Income	17,971	1.73	17,665	1.89
Expenses				
Employee benefits and on-costs	5,063	6.71	5,427	1.83
Borrowing costs	165	-35.55	256	-11.54
Materials and contracts	3,221	-0.19	3,227	8.83
Depreciation and amortisation	3,878	-8.60	4,243	28.99
Impairment	2,369	-20.53	2,981	30.07
Other expenses	335	64.22	204	-79.85
Total Expenses	15,031	-8.00	16,338	1.89

FINANCIAL POSITION

Net assets increased by 1.18 per cent compared with the prior year, largely due to an increase in current assets. The increase in current assets of 18.92 per cent is due to an increase in cash held and additional receivables at 12 May 2016. Some of this increase is due to the timing of the merger with the former Conargo Shire Council.

Non-current assets decreased by 0.66 per cent due to depreciation of \$3.7 million for the period, which was \$1.2 million higher than assets purchased for the period.

Total current liabilities decreased by 8.27 per cent due to a decrease in payables at period end. The drop was due to the timing of the council merger.

	2016 \$'000	2015 \$'000	Increase (Decrease) \$000	Increase (Decrease) %
Net assets	252,857	249,917	2,940	1.18
Total current assets	22,876	19,237	3,639	18.92
Total non-current assets	236,959	238,527	(1,568)	(0.66)
Total current liabilities	3,748	4,086	(338)	(8.27)
Total non-current liabilities	3,230	3,761	(531)	(14.12)

PERFORMANCE INDICATORS

Key Performance Indicators			
For the year ended	12 May 2016	30 June 2015	30 June 2014
Operating performance ratio (%)	15.38	7.84	2.34
Own source operating revenue (%)	72.27	73.61	75.51
Unrestricted current ratio (times)	4.57x	3.57x	3.16x
Debt Service Cover ratio (times)	8.90x	6.95x	5.79x
Rates and annual charges outstanding (%)	10.57	4.30	7.10
Cash expense cover ratio (months)	19.44	16.7	12

* See Appendix A for definitions to the key performance indicators

The operating performance ratio is in surplus, which indicates the Council's operating revenues exceed operating expenses. This large increase in ratio from prior year is predominately due to the timing of the announced merger.

The Council's own source revenue percentage decreased slightly due to the timing of period end.

The Council's unrestricted current ratio is greater than one. This indicates the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

The debt service cover ratio of 8.90x indicates that Council has cash to pay its debts as they fall due.

The percentage of rates and annual charges outstanding at 12 May 2016 is skewed due to the timing of year end and time elapsed since raising of the fourth quarter rates instalments.

At 12 May 2016, the Council had the capacity to cover 19 months of cash expenditure without additional cash inflows.

OTHER MATTERS

Compliance with Legislative Requirements

My audit procedures were targeted specifically towards forming an opinion on the Council's financial statements. This included testing whether the Council complied with legislative requirements that may materially impact the financial statements.

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

Significant Matters

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Deniliquin Council would be amalgamated with Conargo Shire Council to form the new Edward River Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Deniliquin Council to Edward River Council on 13 May 2016.

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

These proclamation clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts). This ensures the general business and operations of the former councils are preserved, including contracts and services.

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

Management Letter

I will issue a final Management Letter upon completing the audit. It will detail further matters identified during the audit. I believe these matters are not significant and have therefore not mentioned them in this report.

ACKNOWLEDGEMENT

I thank the staff of Edward River Council for their courtesy and assistance during the audit.



Peter Coulogeorgiou
Director, Financial Audit Services

1 February 2017
SYDNEY

cc: Ashley Hall, Administrator

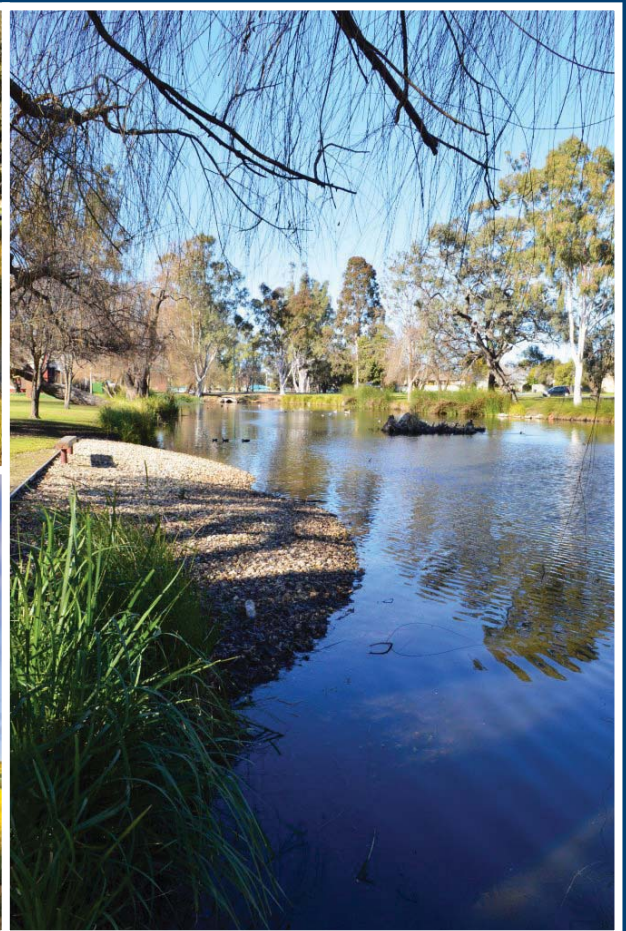
APPENDIX A

Definitions of Key Performance Indicators

Key Performance Indicators Definitions		
Indicator	Formula	Description
Operating performance percentage (%)	Total continuing operating revenue* excluding capital grants and contributions less operating expenses / Total continuing operating revenue* excluding capital grants and contributions	A positive result indicates a surplus, and the larger the percentage, the stronger the result. A negative result indicates a deficit. Operating deficits cannot be sustained in the long term.
Own source operating revenue (%)	Total continuing operating revenue excluding all grants and contributions / Total continuing operating revenue inclusive of all grants and contributions	A larger result indicates a greater proportion of revenue derived from the council's own operations. A higher percentage means less proportion of revenue comes from grants and contributions.
Unrestricted current ratio	Current assets less all external restrictions / Current liabilities less specific purpose liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities.
Debt service cover ratio	Operating results before capital excluding interest and depreciation, impairment and amortisation / Principal repayments (from the statement of cash flows) + borrowing costs (from the income statement)	Indicates ability to cover debt obligations through revenue. A ratio of less than one may indicate issues with repayment of obligations.
Rates and annual charges outstanding (%)	Rates and annual charges outstanding / Rates and annual charges collectible	Indicates proportion of outstanding rates at balance date. A higher percentage may indicate issues with debt collectability.
Cash expense cover ratio (months)	Cash, cash equivalents and term deposits / Payments from cash flows of operating and financing activities	Indicates the ability to cover operating payments through cash reserves. A ratio of less than twelve months may indicate liquidity issues.

* Excludes fair value adjustments, reversal of revaluation decrements, net gain/loss on sale of assets, and net share/loss of interests in joint ventures.

Special Purpose Financial Statements



For the year ended 12 May 2016



The former Deniliquin Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
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Statement of Financial Position – Other Business Activities	n/a
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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).
-

The former Deniliquin Council

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

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

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

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

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

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

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


Signed in accordance with a resolution of Edward River Council made on 02 February 2017.



Mr Ashley Hall
Administrator



Mr Barry Barlow
Interim General Manager



Mr Kristopher Kershaw
Responsible Accounting Officer

The former Deniliquin Council

Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	975	1,194
User charges	1,596	1,414
Fees	–	–
Interest	252	256
Grants and contributions provided for non-capital purposes	35	37
Other income	9	–
Total income from continuing operations	2,867	2,901
Expenses from continuing operations		
Employee benefits and on-costs	423	472
Borrowing costs	–	–
Materials and contracts	953	1,121
Depreciation and impairment	540	594
Water purchase charges	–	–
Loss on sale of assets	–	4
Calculated taxation equivalents	11	11
Other expenses	345	471
Total expenses from continuing operations	2,272	2,673
Surplus (deficit) from continuing operations before capital amounts	595	228
Grants and contributions provided for capital purposes	7	15
Surplus (deficit) from continuing operations after capital amounts	602	243
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	602	243
Less: corporate taxation equivalent (30%) [based on result before capital]	(179)	(68)
SURPLUS (DEFICIT) AFTER TAX	424	175
Plus opening retained profits	7,804	7,652
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	11	11
– Corporate taxation equivalent	179	68
Less:		
– Tax equivalent dividend paid	(11)	(11)
– Surplus dividend paid	–	(91)
Closing retained profits	8,406	7,804
Return on capital %	1.6%	0.6%
Subsidy from Council	270	903
Calculation of dividend payable:		
Surplus (deficit) after tax	424	175
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	424	175
Potential dividend calculated from surplus	212	87

The former Deniliquin Council

Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	2,149	2,442
User charges	211	257
Liquid trade waste charges	–	–
Fees	14	2
Interest	121	55
Grants and contributions provided for non-capital purposes	33	35
Other income	55	–
Total income from continuing operations	2,583	2,791
Expenses from continuing operations		
Employee benefits and on-costs	282	430
Borrowing costs	49	69
Materials and contracts	819	828
Depreciation and impairment	545	488
Loss on sale of assets	–	–
Calculated taxation equivalents	10	10
Other expenses	142	307
Total expenses from continuing operations	1,847	2,132
Surplus (deficit) from continuing operations before capital amounts	736	659
Grants and contributions provided for capital purposes	8	14
Surplus (deficit) from continuing operations after capital amounts	744	673
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	744	673
Less: corporate taxation equivalent (30%) [based on result before capital]	(221)	(198)
SURPLUS (DEFICIT) AFTER TAX	523	475
Plus opening retained profits	7,926	7,353
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	10	10
– Corporate taxation equivalent	221	198
Less:		
– Tax equivalent dividend paid	(10)	(10)
– Surplus dividend paid	–	(100)
Closing retained profits	8,670	7,926
Return on capital %	2.1%	1.9%
Subsidy from Council	79	405
Calculation of dividend payable:		
Surplus (deficit) after tax	523	475
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	523	475
Potential dividend calculated from surplus	262	238

The former Deniliquin Council

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

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	1,427	1,873
Investments	6,500	5,070
Receivables	607	646
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	8,534	7,589
Non-current assets		
Investments	–	–
Receivables	22	16
Inventories	–	–
Infrastructure, property, plant and equipment	37,437	37,829
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	37,459	37,845
TOTAL ASSETS	45,993	45,434
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	19	62
Borrowings	–	–
Provisions	–	–
Total current liabilities	19	62
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	19	62
NET ASSETS	45,974	45,372
EQUITY		
Retained earnings	8,406	7,804
Revaluation reserves	37,568	37,568
Council equity interest	45,974	45,372
Non-controlling equity interest	–	–
TOTAL EQUITY	45,974	45,372

The former Deniliquin Council

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

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	1,048	1,220
Investments	1,000	83
Receivables	86	205
Inventories	–	–
Other	10	3
Non-current assets classified as held for sale	–	–
Total Current Assets	2,144	1,511
Non-current assets		
Investments	–	–
Receivables	35	22
Inventories	–	–
Infrastructure, property, plant and equipment	37,407	37,846
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	37,442	37,868
TOTAL ASSETS	39,586	39,379
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	89	458
Borrowings	168	168
Provisions	–	–
Total current liabilities	257	626
Non-current liabilities		
Payables	–	–
Borrowings	926	1,094
Provisions	–	–
Total non-current liabilities	926	1,094
TOTAL LIABILITIES	1,183	1,720
NET ASSETS	38,403	37,659
EQUITY		
Retained earnings	8,670	7,926
Revaluation reserves	29,733	29,733
Council equity interest	38,403	37,659
Non-controlling equity interest	–	–
TOTAL EQUITY	38,403	37,659

The former Deniliquin Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

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

The former Deniliquin Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies

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

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared business activities

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

Category 1

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

a) **Deniliquin Council Water Supply**

Comprising the whole of the operations and assets of the water supply systems servicing the town of Deniliquin.

b) **Deniliquin Council Sewerage Service**

Comprising the whole of the operations and assets of the sewer reticulation and treatment system servicing the town of Deniliquin.

Category 2

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

Nil

Monetary amounts

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

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

The former Deniliquin Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

The former Deniliquin Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

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

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

(iv) Dividends

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

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

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

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

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

The former Deniliquin Council

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

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

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	11,000
(ii)	Number of assessments multiplied by \$3/assessment	11,610
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	11,000
(iv)	Amounts actually paid for tax equivalents	11,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	211,750
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	105,100
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	452,100

2016 Surplus	423,500	2015 Surplus	174,600	2014 Surplus	(55,000)
		2015 Dividend	91,000	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	105,100
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

The former Deniliquin Council

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

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,622
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)]	%	62.41%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	37,409
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,559
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	156
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.37%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

The former Deniliquin Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	10,000
(ii)	Number of assessments multiplied by \$3/assessment	10,659
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	10,000
(iv)	Amounts actually paid for tax equivalents	10,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	261,600
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	96,590
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,449,400

2016 Surplus	523,200	2015 Surplus	475,300	2014 Surplus	550,900
		2015 Dividend	100,000	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	96,590
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

The former Deniliquin Council

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

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

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

12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,470
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	37,401
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,192
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	108
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)]	%	1.95%
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	5,092
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.34%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	264
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.66%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

The former Deniliquin Council

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

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

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

12/5/16

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-10.53%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
			1,242
			- 324
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,325
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	68

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
The former Deniliquin Council

To the Administrator of Edward River Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of the former Deniliquin Council (the Council)'s Declared Business Activities, being its water supply and sewerage services, which comprise the statement of financial position for the Council's Declared Business Activities as at 12 May 2016, the income statement of the Declared Business Activities for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information Business Activity declared by Council and the Statement by Councillors and Management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Declared Business Activities as at 12 May 2016, and their financial performance for the period then ended in accordance with those applicable Australian Accounting Standards described in Note 1, and the Local Government Code of Accounting Practice and Financial Reporting.

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 those 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 the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

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 the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial statements may not be suitable for another purpose. My report is intended solely for the Council.

The Administrator's Responsibility for the Financial Statements

The Council is 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 Local Government Code of Accounting Practice and Financial Reporting. The Administrator's responsibility also includes such internal control as the Administrator determines 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.

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, and
- issue an Independent Auditor's Report including my opinion.

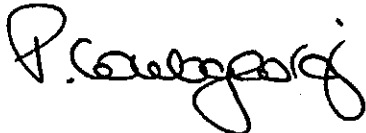
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

A further 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/Home.aspx>.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

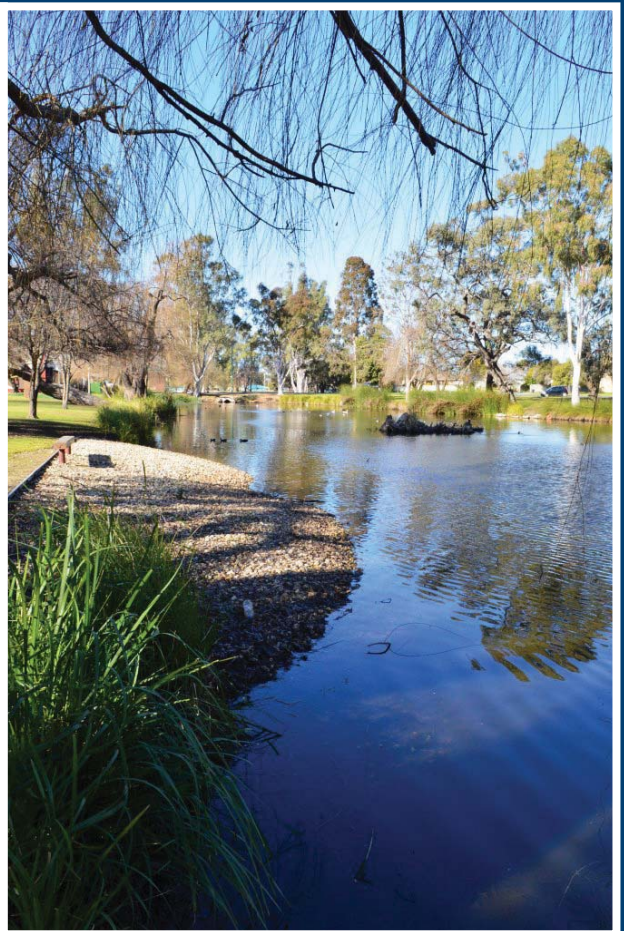
- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Peter Coulogeorgiou
Director, Financial Audit Services

3 February 2017
SYDNEY

Special Schedules Financial Statements



For the year ended 12 May 2016



The former Deniliquin Council

Special Schedules

for the period 1 July 2015 to 12 May 2016

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¹ Special Schedules are not audited.

Background

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

The former Deniliquin Council

Special Schedule 1 – Net Cost of Services for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	934	15	–	(919)
Administration	2,443	241	–	(2,202)
Public order and safety				
Fire service levy, fire protection, emergency services	1,342	1,040	–	(302)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	100	22	–	(78)
Other	–	–	–	–
Total public order and safety	1,442	1,062	–	(380)
Health	111	23	–	(88)
Environment				
Noxious plants and insect/vermin control	19	–	–	(19)
Other environmental protection	185	63	–	(122)
Solid waste management	490	1,221	–	731
Street cleaning	–	–	–	–
Drainage	289	–	–	(289)
Stormwater management	–	–	–	–
Total environment	983	1,284	–	301
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	1	–	1
Aged persons and disabled	2	–	–	(2)
Children's services	1	–	–	(1)
Total community services and education	3	1	–	(2)
Housing and community amenities				
Public cemeteries	79	68	–	(11)
Public conveniences	2	–	–	(2)
Street lighting	81	33	–	(48)
Town planning	258	188	–	(70)
Other community amenities	–	–	–	–
Total housing and community amenities	420	289	–	(131)
Water supplies	1,665	2,941	–	1,276
Sewerage services	1,302	2,660	–	1,358

The former Deniliquin Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	587	434	–	(153)
Museums	69	9	–	(60)
Art galleries	–	–	–	–
Community centres and halls	787	6	–	(781)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	16	20	–	4
Sporting grounds and venues	158	–	–	(158)
Swimming pools	278	–	–	(278)
Parks and gardens (lakes)	477	12	20	(445)
Other sport and recreation	111	1	10	(100)
Total recreation and culture	2,483	482	30	(1,971)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	100	–	–	(100)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	100	–	–	(100)
Transport and communication				
Urban roads (UR) – local	948	–	–	(948)
Urban roads – regional	35	35	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	310	38	–	(272)
Aerodromes	76	23	–	(53)
Other transport and communication	1,229	624	574	(31)
Total transport and communication	2,598	720	574	(1,304)
Economic affairs				
Camping areas and caravan parks	–	54	–	54
Other economic affairs	547	577	–	30
Total economic affairs	547	631	–	84
Totals – functions	15,031	10,349	604	(4,078)
General purpose revenues ⁽¹⁾		7,018		7,018
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	15,031	17,367	604	2,940

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

(2) As per the Income Statement

The former Deniliquin Council

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

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–							–	–
Treasury corporation	–	–	–							–	–
Other state government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	589	3,712	4,301	–	589	–	–	165	589	3,123	3,712
Other	–	–	–							–	–
Total loans	589	3,712	4,301	–	589	–	–	165	589	3,123	3,712
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	589	3,712	4,301	–	589	–	–	165	589	3,123	3,712

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

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

The former Deniliquin Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	662	662
b. Engineering and supervision	80	144
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	199	277
d. Maintenance expenses	–	–
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	184	266
i. Maintenance expenses	44	52
– Treatment		
j. Operation expenses (excluding chemical costs)	386	432
k. Chemical costs	–	–
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	4	14
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	540	584
b. Plant and equipment	10	10
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	152	149
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	11	11
5. Total expenses	2,272	2,601

The former Deniliquin Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges		
a. Access (including rates)	795	967
b. Usage charges	1,320	1,156
7. Non-residential charges		
a. Access (including rates)	180	160
b. Usage charges	276	257
8. Extra charges	–	–
9. Interest income	252	256
10. Other income	9	–
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	35	37
c. Other grants	–	–
12. Contributions		
a. Developer charges	7	15
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	2,874	2,848
14. Gain (or loss) on disposal of assets	–	(4)
15. Operating result	602	243
15a. Operating result (less grants for acquisition of assets)	602	243

The former Deniliquin Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	46	–
c. Renewals	110	113
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	156	113
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	3,259	3,128
b. Residential (unoccupied, ie. vacant lot)	90	90
c. Non-residential (occupied)	501	412
d. Non-residential (unoccupied, ie. vacant lot)	20	20
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 62,774	\$ 67,136

The former Deniliquin Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,927	–	7,927
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	1	22	23
c. User charges	403	–	403
d. Other	203	–	203
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	37,409	37,409
b. Plant and equipment	–	28	28
29. Other assets	–	–	–
30. Total assets	8,534	37,459	45,993
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	19	–	19
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	19	–	19
36. NET ASSETS COMMITTED	8,515	37,459	45,974
EQUITY			
37. Accumulated surplus			8,406
38. Asset revaluation reserve			37,568
39. TOTAL EQUITY			45,974
Note to system assets:			
40. Current replacement cost of system assets			52,782
41. Accumulated current cost depreciation of system assets			(15,373)
42. Written down current cost of system assets			37,409

The former Deniliquin Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	611	614
b. Engineering and supervision	24	64
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	138	137
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	39	70
e. Maintenance expenses	17	34
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	48	80
i. Effluent management	13	12
j. Biosolids management	–	–
k. Maintenance expenses	286	371
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	16	11
3. Depreciation expenses		
a. System assets	545	484
b. Plant and equipment	4	4
4. Miscellaneous expenses		
a. Interest expenses	49	64
b. Revaluation decrements	–	–
c. Other expenses	47	88
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	10	10
5. Total expenses	1,847	2,043

The former Deniliquin Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges (including rates)	1,823	2,202
7. Non-residential charges		
a. Access (including rates)	326	307
b. Usage charges	142	47
8. Trade waste charges		
a. Annual fees	14	13
b. Usage charges	63	38
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	121	55
11. Other income	61	5
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	33	35
c. Other grants	–	–
13. Contributions		
a. Developer charges	8	14
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>2,591</u>	<u>2,716</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>744</u>	<u>673</u>
16a. Operating result (less grants for acquisition of assets)	744	673

The former Deniliquin Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	93
b. New assets for growth	–	–
c. Renewals	104	386
d. Plant and equipment	4	–
18. Repayment of debt	168	–
19. Totals	276	479
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	3,021	2,857
b. Residential (unoccupied, ie. vacant lot)	67	90
c. Non-residential (occupied)	446	382
d. Non-residential (unoccupied, ie. vacant lot)	19	17
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 62,774	\$ 63,536

The former Deniliquin Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,048	–	2,048
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	7	35	42
c. User charges	79	–	79
d. Other	10	–	10
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	37,401	37,401
b. Plant and equipment	–	6	6
30. Other assets	–	–	–
31. Total assets	<u>2,144</u>	<u>37,442</u>	<u>39,586</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	89	–	89
34. Borrowings	168	926	1,094
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>257</u>	<u>926</u>	<u>1,183</u>
37. NET ASSETS COMMITTED	<u>1,887</u>	<u>36,516</u>	<u>38,403</u>
EQUITY			
38. Accumulated surplus			8,670
39. Asset revaluation reserve			29,733
40. TOTAL EQUITY			<u>38,403</u>
Note to system assets:			
41. Current replacement cost of system assets			51,627
42. Accumulated current cost depreciation of system assets			(14,226)
43. Written down current cost of system assets			<u>37,401</u>

The former Deniliquin Council

Notes to Special Schedules 3 and 5 for the period 1 July 2015 to 12 May 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

The former Deniliquin Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	32	–	35	15	5,881	8,497	10%	35%	43%	11%	1%
	Buildings – specialised	93	–	106	87	32,026	39,106	26%	28%	26%	19%	1%
	Sub-total	125	–	141	102	37,907	47,603	23.1%	29.2%	29.0%	17.6%	1.0%
Other structures	Other structures	–	–	7	12	18,280	18,857	68%	32%	0%	0%	0%
	Sub-total	–	–	7	12	18,280	18,857	68.0%	32.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	–	–	459	923	46,404	54,207	15%	55%	30%	0%	0%
	Unsealed roads	–	–	56	131	5,927	6,662	6%	18%	14%	62%	0%
	Bridges	–	–	–	–	2,282	2,401	0%	100%	0%	0%	0%
	Footpaths	–	–	66	74	4,188	7,150	7%	35%	55%	3%	0%
	Other road assets	470	–	30	–	11,709	14,323	13%	27%	41%	15%	4%
	Other	46	–	10	–	36	38	38%	31%	29%	1%	1%
	Sub-total	516	–	621	1,128	70,546	84,781	12.9%	46.9%	31.9%	7.7%	0.7%
Water supply network	Water supply network	451	–	91	48	33,278	44,336	1%	20%	60%	19%	0%
	Other	47	–	20	–	4,085	8,290	16%	71%	6%	6%	1%
	Sub-total	498	–	111	48	37,363	52,626	3.4%	28.0%	51.5%	17.0%	0.2%
Sewerage network	Sewerage network	429	–	347	457	31,973	43,662	18%	40%	38%	2%	2%
	Other	–	–	15	–	5,375	7,861	10%	23%	6%	25%	36%
	Sub-total	429	–	362	457	37,348	51,523	16.8%	37.4%	33.1%	5.5%	7.2%

The former Deniliquin Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	172	–	47	68	18,200	26,195	11%	23%	46%	20%	0%
	Other	–	–	–	–	219	229	37%	63%	0%	0%	0%
	Sub-total	172	–	47	68	18,419	26,424	11.2%	23.3%	45.6%	19.8%	0.0%
Open space/recreational assets	Swimming pools	–	–	10	36	3,222	4,043	1%	65%	34%	0%	0%
	Other	35	–	50	43	3,573	4,332	46%	37%	8%	8%	1%
	Sub-total	35	–	60	79	6,795	8,375	24.3%	50.5%	20.6%	4.1%	0.5%
TOTAL – ALL ASSETS		1,775	–	1,349	1,894	226,658	290,189	17.3%	35.9%	34.0%	11.1%	1.7%

Notes:

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

Infrastructure asset condition assessment 'key'

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

The former Deniliquin Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>1,586</u>	48.34%	36.10%	45.44%
Depreciation, amortisation and impairment	<u>3,281</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>1,775</u>	0.78%	0.77%	21.88%
Carrying value of infrastructure assets	<u>228,666</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>1,894</u>	1.40	0.96	0.60
Required asset maintenance	<u>1,349</u>			

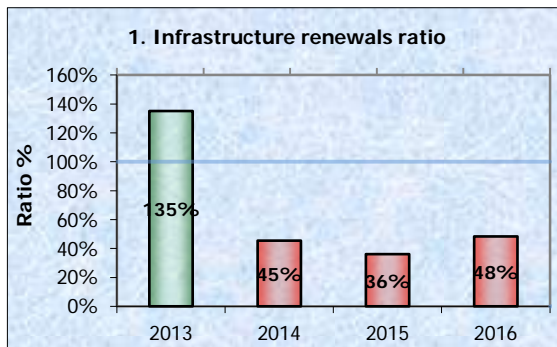
Notes

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

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

The former Deniliquin Council

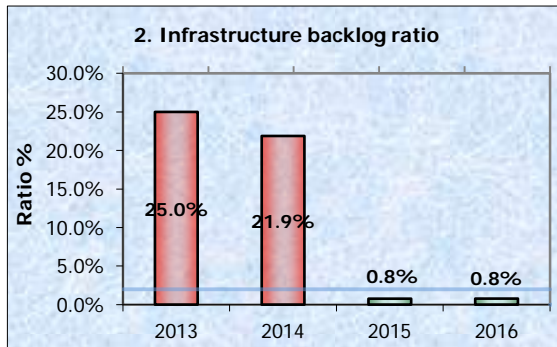
Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Commentary on 12/5/16 result	
12/5/16 ratio	48.34%
<p>Council has continued to spend less in infrastructure renewal due to a decrease in available funding sources, especially in Capital Grant funding. Although, there has been an improvement on the 2015 year of 36%.</p>	

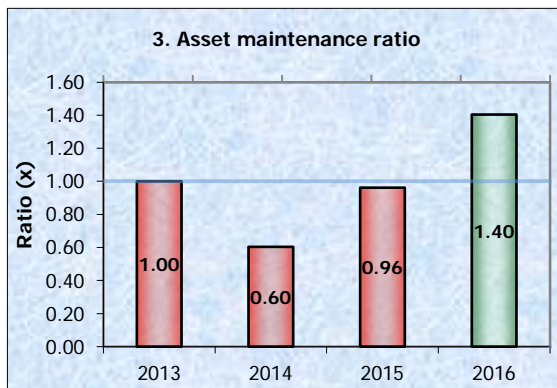
■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Commentary on 12/5/16 result	
12/5/16 ratio	0.78%
<p>There has been a great improvement in the backlog due to Council undertaking a full and detailed review of its assets. It was determined that the backlog in previous years was too high.</p>	

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: — Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Commentary on 12/5/16 result	
12/5/16 ratio	1.40 x
<p>There has been an improvement in the asset maintenance ratio due to Council spending additional budget on sealed road maintenance.</p>	

■ Ratio achieves benchmark
■ Ratio is outside benchmark

The former Deniliquin Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁽¹⁾ 12/5/16
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	20.56%	9.34%	64.87%
Depreciation, amortisation and impairment	prior period: 19.35%	80.42%	33.15%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	1.33%	1.15%	0.55%
Carrying value of infrastructure assets	prior period: 1.32%	1.13%	0.55%
3. Asset maintenance ratio			
Actual asset maintenance	0.43	1.26	1.59
Required asset maintenance	prior period: 1.14	0.84	0.93

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.