

Goldenfields Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"Committed to provide regional economic opportunity and lifestyle choices through provision of a quality water supply by innovative leadership showing environmental responsibility in cooperation with the community, constituent councils and governments"



Goldenfields Water County Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 07 October 2016. Council has the power to amend and reissue these financial statements.
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Goldenfields Water County Council

General Purpose Financial Statements for the year ended 30 June 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 financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

An end of year 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 year (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.

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

Goldenfields Water County Council

General Purpose Financial Statements for the year ended 30 June 2016

Statement by Members 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 year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 25 August 2016.



Peter Speirs
CHAIRMAN



David McCann
COUNCILLOR



Phillip Rudd
GENERAL MANAGER



Gerard Carr
RESPONSIBLE ACCOUNTING OFFICER

Goldenfields Water County Council

Income Statement

for the year ended 30 June 2016

Budget ¹			Actual	Actual
2016	\$ '000	Notes	2016	2015
Income from continuing operations				
<i>Revenue:</i>				
4,545	Rates and annual charges	3a	4,584	4,433
14,885	User charges and fees	3b	15,057	14,680
1,050	Interest and investment revenue	3c	1,203	969
320	Other revenues	3d	123	641
160	Grants and contributions provided for operating purposes	3e,f	202	189
600	Grants and contributions provided for capital purposes	3e,f	1,237	747
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	4	23
<u>21,560</u>	Total income from continuing operations		<u>22,410</u>	<u>21,682</u>
Expenses from continuing operations				
4,080	Employee benefits and on-costs	4a	5,074	4,873
1,900	Materials and contracts	4c	1,835	1,844
5,075	Depreciation and amortisation	4d	5,624	5,200
3,910	Other expenses	4e	2,970	3,491
<u>14,965</u>	Total expenses from continuing operations		<u>15,503</u>	<u>15,408</u>
<u>6,595</u>	Operating result from continuing operations		<u>6,907</u>	<u>6,274</u>
<u>6,595</u>	Net operating result for the year		<u>6,907</u>	<u>6,274</u>
6,595	Net operating result attributable to Council		<u>6,907</u>	<u>6,274</u>
<u>5,995</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>5,670</u>	<u>5,527</u>

¹ Original budget as approved by Council – refer Note 16

Goldenfields Water County Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		6,907	6,274
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	4,559	3,263
Total items which will not be reclassified subsequently to the operating result		4,559	3,263
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		4,559	3,263
Total comprehensive income for the year		11,466	9,537
Total comprehensive income attributable to Council		11,466	9,537

Goldenfields Water County Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,435	4,000
Receivables	7	5,265	5,064
Inventories	8	617	741
Other	8	153	4
Total current assets		9,470	9,809
Non-current assets			
Investments	6b	38,000	29,000
Infrastructure, property, plant and equipment	9	215,746	212,474
Total non-current assets		253,746	241,474
TOTAL ASSETS		263,216	251,283
LIABILITIES			
Current liabilities			
Payables	10	1,669	1,263
Provisions	10	1,446	1,387
Total current liabilities		3,115	2,650
Non-current liabilities			
Payables	10	2	1
Provisions	10	19	18
Total non-current liabilities		21	19
TOTAL LIABILITIES		3,136	2,669
Net assets		260,080	248,614
EQUITY			
Retained earnings	20	83,769	76,862
Revaluation reserves	20	176,311	171,752
Council equity interest		260,080	248,614
Non-controlling equity interests		–	–
Total equity		260,080	248,614

Goldenfields Water County Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		76,862	171,752	248,614	–	248,614
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)		76,862	171,752	248,614	–	248,614
c. Net operating result for the year		6,907	–	6,907	–	6,907
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	4,559	4,559	–	4,559
Other comprehensive income		–	4,559	4,559	–	4,559
Total comprehensive income (c&d)		6,907	4,559	11,466	–	11,466
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		83,769	176,311	260,080	–	260,080

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		70,588	168,489	239,077	–	239,077
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)		70,588	168,489	239,077	–	239,077
c. Net operating result for the year		6,274	–	6,274	–	6,274
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	3,263	3,263	–	3,263
Other comprehensive income		–	3,263	3,263	–	3,263
Total comprehensive income (c&d)		6,274	3,263	9,537	–	9,537
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		76,862	171,752	248,614	–	248,614

Goldenfields Water County Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
–	Annual charges		4,458	4,311
–	User charges and fees		15,702	14,310
–	Investment and interest revenue received		1,101	854
–	Grants and contributions		1,439	498
–	Bonds, deposits and retention amounts received		1	–
–	Other		123	1,657
Payments:				
–	Employee benefits and on-costs		(5,102)	(4,579)
–	Materials and contracts		(1,613)	(2,287)
–	Bonds, deposits and retention amounts refunded		–	(39)
–	Other		(3,341)	(3,711)
–	Net cash provided (or used in) operating activities	11b	12,768	11,014
Cash flows from investing activities				
Receipts:				
–	Sale of infrastructure, property, plant and equipment		766	539
–	Deferred debtors receipts		–	112
Payments:				
–	Purchase of investment securities		(9,000)	(7,000)
–	Purchase of infrastructure, property, plant and equipment		(5,099)	(2,386)
–	Net cash provided (or used in) investing activities		(13,333)	(8,735)
Cash flows from financing activities				
Nil				
–	Net increase/(decrease) in cash and cash equivalents		(565)	2,279
	Plus: cash and cash equivalents – beginning of year	11a	4,000	1,721
–	Cash and cash equivalents – end of the year	11a	3,435	4,000
Additional Information:				
	plus: Investments on hand – end of year	6b	38,000	29,000
Total cash, cash equivalents and investments			41,435	33,000

Please refer to Note 11 for information on the following:

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

- (i) the write down of any asset on the basis of impairment (if warranted), and
- (ii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment) that are accounted for at fair valuation.

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

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years 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)].

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include estimated fair values of infrastructure, property, plant and equipment.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Annual Charges, Grants and Contributions

Annual charges, grants and contributions are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from annual charges is obtained when the account is raised as it is an enforceable debt linked to the property.

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 year.

User charges, fees and other Income

User charges, fees and other income 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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Rents & Other Income

Rents and other income are recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

(d) Leases

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

Council did not hold any leases during the year ended 30th June 2016.

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term and are primarily classified as current assets.

(ii) Loans and receivables

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

Council has not classified any financial assets as loans or receivables.

(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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

Council has not classified any financial assets as available-for-sale.

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

Financial assets at fair value through profit and loss are subsequently carried at fair value.

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.

Impairment

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

(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.

(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.

(h) Receivables

Receivables (excluding 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.

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.

Goldenfields Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Stores

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

(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:

- **Water Supply Network** (Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)

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

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

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

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Plant & Equipment

Office Furniture > \$5,000
Office Equipment > \$5,000
Other Plant & Equipment > \$5,000

Buildings

- Construction / extensions 100% Capitalised
- Renovations > \$5,000

Water Assets

Reticulation extensions > \$5,000
Other > \$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&E include:

Plant & Equipment

- Office Equipment 5 to 10 years
- Office Furniture 10 to 20 years
- Computer Equipment 4 years
- Vehicles 5 to 10 years
- Heavy Plant 5 to 10 years
- Other Plant and Equipment 5 to 20 years

Buildings

30 to 60 years

Water Assets

- Bores 25 to 30 years
- Mains 50 to 100 years
- Pumping Stations 40 to 70 years
- Reservoirs 100 to 120 years
- Water Treatment Plants 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 (p) on asset impairment.

Disposal and derecognition

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

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

(k) Land

Land 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) Intangible assets

Council has not classified any assets as intangible.

(m) 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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(n) Investment property

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

Council has not held any investment properties during the financial year ended 30th June 2016.

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

As at 30th June 2016, Goldenfields Water County Council did not have any non-current assets held for sale.

(p) Impairment of assets

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

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.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

A review conducted as at 30th June 2016 found that no assets held by Goldenfields Water County Council were impaired.

(q) Payables

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

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

(r) Borrowings

Council did not have any borrowings as at 30th June 2016.

(s) 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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(t) 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 and annual leave are all classified as current liabilities.

(ii) Other long-term obligations

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

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

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

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and

currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$206,070.15.

The amount of additional contributions included in the total employer contribution advised above is \$144,000.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$67,547 as at 30 June 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.

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(u) Self-insurance

Council does not self-insure.

(v) 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.

(w) 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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

GST incurred is not recoverable from the Australian Tax Office (ATO).

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

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

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

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

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

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

(x) 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 30 June 2016.

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

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

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

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

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

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).

(y) Rounding of amounts

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

(z) Comparative figures

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

(aa) Disclaimer

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 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 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Water supplies	20,244	21,111	20,141	14,965	15,503	14,976	5,279	5,608	5,165	60	64	263,216	251,283
Economic affairs	–	–	475	–	–	432	–	–	43	–	–	–	–
Total functions and activities	20,244	21,111	20,616	14,965	15,503	15,408	5,279	5,608	5,208	60	64	263,216	251,283
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	1,316	1,299	1,066	–	–	–	1,316	1,299	1,066	96	97	–	–
Operating result from continuing operations	21,560	22,410	21,682	14,965	15,503	15,408	6,595	6,907	6,274	156	161	263,216	251,283

1. Includes: Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Note 2(b). Council Functions / Activities - Component Descriptions

Details relating to the Council's functions / activities as reported above are as follows:

WATER SUPPLIES

Council is responsible for water supply functions within the Local Government areas of Bland, Coolamon, Cootamundra (rural only), Junee, Temora & part of Narrandera. Council also supplies bulk water to Cootamundra (town), Harden and Young Shire Councils. Council does not undertake any other functions.

Goldenfields Water County Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Annual charges			
Ordinary rates			
Nil			
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Water Availability Charges			
– Residential		1,208	1,161
– Non residential		846	812
– Bulk supplies to councils		1,252	1,216
– Rural		1,278	1,244
Total annual charges		4,584	4,433
TOTAL RATES AND ANNUAL CHARGES		4,584	4,433
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Residential		4,365	4,106
Non residential		2,478	2,143
Rural		3,609	4,208
Bulk supplies to councils		4,360	4,015
Total user charges		14,812	14,472
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works		16	10
Section 603 certificates		42	41
Tapping fees		142	119
Connection application fees		43	31
Disconnection fees		2	3
Other		–	4
Total fees and charges – statutory/regulatory		245	208
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Nil			
TOTAL USER CHARGES AND FEES		15,057	14,680

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue charges		60	40
– Interest earned on investments (interest and coupon payment income)		1,143	927
Other		–	2
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,203</u>	<u>969</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue annual charges		60	40
General Council cash and investments		1,143	929
<u>Total interest and investment revenue recognised</u>		<u>1,203</u>	<u>969</u>
(d) Other revenues			
Rental income – other council properties		63	41
Diesel rebate		4	2
Employment / training incentives		8	5
New data networks		17	475
Sale of old materials		6	87
Statecover insurance rebates		13	22
Statewide insurance rebates		12	6
Other		–	3
<u>TOTAL OTHER REVENUE</u>		<u>123</u>	<u>641</u>

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Pensioners' rates subsidies – general component	96	97	–	–
Total general purpose	96	97	–	–
Specific purpose				
NSW Environmental Trust	60	33	–	–
NSW Environmental Education grant	–	31	–	–
Total specific purpose	60	64	–	–
Total grants	156	161	–	–
Grant revenue is attributable to:				
– State funding	156	161	–	–
	156	161	–	–
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
Nil				
Other contributions:				
Staff vehicle lease/fuel contributions	21	28	–	–
Water supplies – headworks contributions	–	–	1,237	747
LSL Contributions from other Councils	25	–	–	–
Total other contributions	46	28	1,237	747
Total contributions	46	28	1,237	747
TOTAL GRANTS AND CONTRIBUTIONS	202	189	1,237	747

(g) Restrictions relating to grants and contributions

Nil

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		3,113	2,860
Employee termination costs (where material – other than vested leave paid)		139	37
Travel expenses		144	159
Employee leave entitlements (ELE)		613	630
ELE on-costs		(17)	52
Superannuation		586	594
Workers' compensation insurance		84	84
Fringe benefit tax (FBT)		63	40
Payroll tax		200	191
Training costs (other than salaries and wages)		165	98
Protective clothing		36	23
Recruitment costs		162	87
Other		83	99
Total employee costs		5,371	4,954
Less: capitalised costs		(297)	(81)
TOTAL EMPLOYEE COSTS EXPENSED		5,074	4,873
Number of 'full-time equivalent' employees (FTE) at year end		50	42
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		55	44
(b) Borrowing costs			
Nil			
(c) Materials and contracts			
Raw materials and consumables		5,898	3,287
Purchase of water		95	100
Contractor and consultancy costs:			
– GHD (engineering design)		–	18
– Local Land Services (GWCC Wildlife Corridor Management)		183	–
– Paul Milne Drilling (bore construction)		–	212
– Open Spatial (Managed Services)		103	–
– Taggle Systems (data acquisition network)		–	452
– Taggle Systems (data fees)		56	–
– Other		–	24
Auditors remuneration ⁽¹⁾		22	13
Legal expenses:			
– Legal expenses: other		79	43
Total materials and contracts		6,436	4,149
Less: capitalised costs		(4,601)	(2,305)
TOTAL MATERIALS AND CONTRACTS		1,835	1,844

Goldenfields Water County Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		12	13
– Other audit and assurance services		10	–
Remuneration for audit and other assurance services		22	13
Total Auditor remuneration		22	13

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		–	–	578	436
Office equipment		–	–	34	38
Furniture and fittings		–	–	8	5
Infrastructure:					
– Buildings – non-specialised		–	–	99	98
– Water mains		–	–	3,234	3,119
– Reservoirs		–	–	636	622
– Pumping stations		–	–	626	486
– Treatment plants		–	–	371	364
– Bores		–	–	55	38
Total depreciation and impairment costs		–	–	5,641	5,206
Less: capitalised costs		–	–	(17)	(6)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	5,624	5,200

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		9	8
Bank charges		12	10
Collection agencies		62	70
Members expenses – chairperson’s fee		14	15
Members expenses – members fees		70	72
Members expenses (incl. chairperson) – other (excluding fees above)		10	11
Donations, contributions and assistance to other organisations (Section 356)		260	207
Electricity and heating		1,957	2,462
Insurance		180	201
Postage		31	25
Printing and stationery		38	37
Subscriptions and publications		60	69
Telephone and communications		199	256
Other		68	48
<u>TOTAL OTHER EXPENSES</u>		<u>2,970</u>	<u>3,491</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		766	539
Less: carrying amount of plant and equipment assets sold/written off		(762)	(516)
Net gain/(loss) on disposal		<u>4</u>	<u>23</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>4</u>	<u>23</u>

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,185	–	750	–
Cash-equivalent assets ¹					
– Deposits at call		2,250	–	3,250	–
Total cash and cash equivalents		3,435	–	4,000	–
Investments (Note 6b)					
– Long term deposits		–	38,000	–	29,000
Total investments		–	38,000	–	29,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		3,435	38,000	4,000	29,000

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		3,435	–	4,000	–
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Investments

a. 'Held to maturity'	6(b-i)	–	38,000	–	29,000
Investments		–	38,000	–	29,000

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		–	29,000	20,000	2,000
Additions		–	9,000	–	27,000
Disposals (sales and redemptions)		–	–	(20,000)	–
Balance at end of year		–	38,000	–	29,000

Comprising:

– Long term deposits		–	38,000	–	29,000
Total		–	38,000	–	29,000

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

Goldenfields Water County Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	3,435	38,000	4,000	29,000
attributable to:				
External restrictions (refer below)	–	–	–	–
Internal restrictions (refer below)	–	33,546	–	27,865
Unrestricted	3,435	4,454	4,000	1,135
	3,435	38,000	4,000	29,000

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions

Nil

Internal restrictions

Plant and vehicle replacement	1,275	1,968	(2,043)	1,200
Infrastructure replacement	25,245	6,638	(2,915)	28,968
Employees leave entitlement	1,287	468	(393)	1,362
Data network business	43	–	(43)	–
Deposits, retentions and bonds	15	1	–	16
Sales Fluctuation Reserve	–	2,000	–	2,000
Total internal restrictions	27,865	11,075	(5,394)	33,546
TOTAL RESTRICTIONS	27,865	11,075	(5,394)	33,546

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Availability (access) charges		1,225	–	1,099	–
Interest and extra charges		84	–	63	–
User charges and fees		2,873	–	2,587	–
Private works		–	–	314	–
Accrued revenues					
– Interest on investments		502	–	421	–
Amts from other councils – developer con		–	–	120	–
Deferred developer contributions		485	–	324	–
Government grants and subsidies		95	–	95	–
Net GST receivable		16	–	58	–
Other debtors		10	–	9	–
Total		5,290	–	5,090	–
Less: provision for impairment					
User charges and fees		(25)	–	(26)	–
Total provision for impairment – receivables		(25)	–	(26)	–
<u>TOTAL NET RECEIVABLES</u>		<u>5,265</u>	<u>–</u>	<u>5,064</u>	<u>–</u>

There are no restrictions applicable to the above assets.

Notes on debtors above:

- (i) Availability charges outstanding are secured against the property.
- (ii) An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue 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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		617	–	741	–
Total inventories at cost		617	–	741	–
Nil					
TOTAL INVENTORIES		617	–	741	–
(b) Other assets					
Prepayments		153	–	4	–
TOTAL OTHER ASSETS		153	–	4	–

Externally restricted assets

There are no restrictions applicable to the above assets.

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

Goldenfields Water County Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period						as at 30/6/2016			
	At	At	Accumulated	Carrying	Additions	Additions	Carrying	Depreciation	WIP	Revaluation	At	At	Accumulated	Carrying
	cost	fair value	depreciation	value	renewals	new assets	value of disposals	expense	transfers	increments to equity (ARR)	cost	fair value	depreciation	value
Capital work in progress	409	–	–	409	–	2	–	–	(409)	–	2	–	–	2
Plant and equipment	–	6,461	1,582	4,879	1,167	973	(762)	(578)	–	–	–	7,601	1,922	5,679
Office equipment	–	240	132	108	60	–	–	(34)	–	–	–	250	116	134
Furniture and fittings	–	78	33	45	–	–	–	(8)	–	–	–	78	41	37
Land:														
– Operational land	–	1,942	–	1,942	–	12	–	–	–	–	–	1,954	–	1,954
Infrastructure:														
– Buildings – non-specialised	–	5,257	1,907	3,350	3	1,202	–	(99)	409	–	–	6,871	2,006	4,865
– Water mains	–	260,318	121,253	139,065	699	546	–	(3,234)	–	1,266	–	265,689	127,347	138,342
– Reservoirs	–	60,826	25,197	35,629	68	–	–	(636)	–	577	–	61,941	26,303	35,638
– Pumping stations	–	22,101	11,486	10,615	145	–	–	(626)	–	2,450	–	22,053	9,469	12,584
– Treatment plants	–	23,773	8,537	15,236	15	11	–	(371)	–	259	–	24,217	9,068	15,149
– Bores	–	2,053	857	1,196	211	3	–	(55)	–	7	–	2,279	917	1,362
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	409	383,049	170,984	212,474	2,368	2,749	(762)	(5,641)	–	4,559	2	392,933	177,189	215,746

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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

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

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		679	–	581	–
Payments received in advance		713	–	95	–
Accrued expenses:					
– Salaries and wages		136	–	224	–
– Employee expense on-costs		109	2	112	1
– Other expenditure accruals		16	–	236	–
Security bonds, deposits and retentions		16	–	15	–
Total payables		1,669	2	1,263	1
Borrowings					
Nil					
Provisions					
Employee benefits:					
Annual leave		471	–	440	–
Long service leave		873	18	830	17
ELE on-costs		102	1	117	1
Total provisions		1,446	19	1,387	18
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>3,115</u>	<u>21</u>	<u>2,650</u>	<u>19</u>
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Nil					
Internally restricted assets					
Employee Benefits		1,344	18	1,270	17
Security Bonds, Deposits & Retentions		15	–	15	–
Liabilities relating to internally restricted assets		1,359	18	1,285	17
Total liabilities relating to restricted assets		1,359	18	1,285	17
Total liabilities relating to unrestricted assets		1,756	3	1,365	2
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		3,115	21	2,650	19

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
---------	----------------	----------------

(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	1,085	1,069
	<u>1,085</u>	<u>1,069</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	440	264	(233)	–	–	471
Long service leave	847	204	(160)	–	–	891
ELE on-costs	118	–	(15)	–	–	103
TOTAL	1,405	468	(408)	–	–	1,465

- 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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	3,435	4,000
Balance as per the Statement of Cash Flows		3,435	4,000
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,907	6,274
Adjust for non-cash items:			
Depreciation and amortisation		5,624	5,200
Net losses/(gains) on disposal of assets		(4)	(23)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(200)	(551)
Increase/(decrease) in provision for doubtful debts		(1)	(2)
Decrease/(increase) in inventories		124	(198)
Decrease/(increase) in other assets		(149)	4
Increase/(decrease) in payables		98	43
Increase/(decrease) in other accrued expenses payable		(308)	340
Increase/(decrease) in other liabilities		617	(132)
Increase/(decrease) in employee leave entitlements		60	59
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,768	11,014
(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:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		39	39
Total financing arrangements		539	539
Amounts utilised as at balance date:			
– Credit cards/purchase cards		11	22
Total financing arrangements utilised		11	22

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

Note 12. Commitments for expenditure

Nil

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>5,666</u>	26.77%	26.32%	23.40%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>21,169</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>20,967</u>	93.58%	95.68%	96.80%
Total continuing operating revenue ⁽¹⁾	<u>22,406</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>9,470</u>	4.67x	6.20x	17.63x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,030</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>11,290</u>	0.00x	0.00x	0.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–			
5. Annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>1,309</u>	22.55%	21.13%	20.15%
Rates, annual and extra charges collectible	<u>5,806</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>41,435</u>	49.45 mths	37.3 mths	26.3 mths
Payments from cash flow of operating and financing activities	<u>838</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).

Goldenfields Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

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

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>14%</td> </tr> <tr> <td>2014</td> <td>23%</td> </tr> <tr> <td>2015</td> <td>26%</td> </tr> <tr> <td>2016</td> <td>27%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	14%	2014	23%	2015	26%	2016	27%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 26.77%</p> <p>Council's operating performance has improved over recent years through improvements to internal operations and favourable weather conditions.</p>
Year	Ratio %											
2013	14%											
2014	23%											
2015	26%											
2016	27%											
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>97%</td> </tr> <tr> <td>2014</td> <td>97%</td> </tr> <tr> <td>2015</td> <td>96%</td> </tr> <tr> <td>2016</td> <td>94%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	97%	2014	97%	2015	96%	2016	94%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 93.58%</p> <p>Council remains predominately self funding.</p>
Year	Ratio %											
2013	97%											
2014	97%											
2015	96%											
2016	94%											
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>13.0</td> </tr> <tr> <td>2014</td> <td>17.6</td> </tr> <tr> <td>2015</td> <td>6.2</td> </tr> <tr> <td>2016</td> <td>4.7</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (x)	2013	13.0	2014	17.6	2015	6.2	2016	4.7	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 4.67x</p> <p>Council's unrestricted current ratio has continued to decline as a greater proportion of funds are invested in deposits with a maturity in excess of 12 months. In spite of this, the current ratio remains sound. If all investments were classified as current the unrestricted current ratio would be 23.38x.</p>
Year	Ratio (x)											
2013	13.0											
2014	17.6											
2015	6.2											
2016	4.7											

Ratio achieves benchmark
 Ratio is outside benchmark

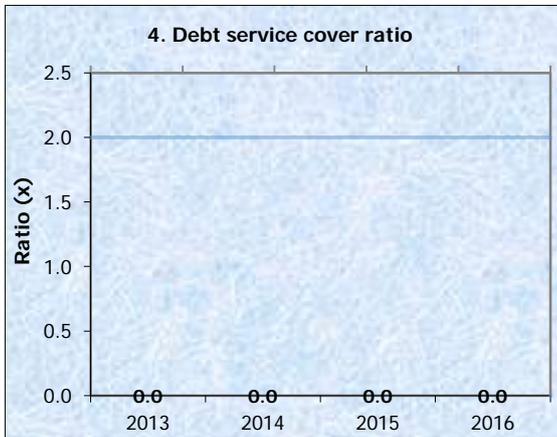
Ratio achieves benchmark
 Ratio is outside benchmark

Ratio achieves benchmark
 Ratio is outside benchmark

Goldenfields Water County Council

Notes to the Financial Statements for the year ended 30 June 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 2015/16 result

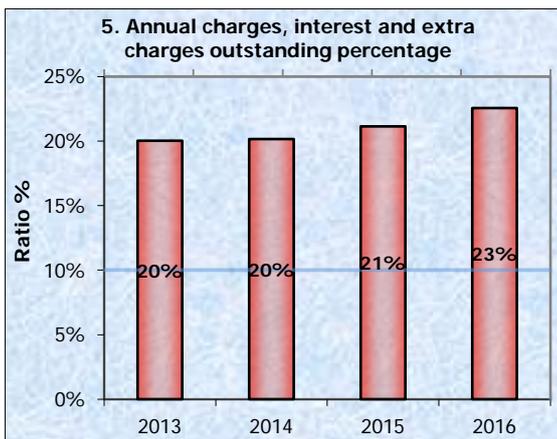
2015/16 ratio 0.00x

Council has no borrowings.

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 2015/16 result

2015/16 ratio 22.55%

This ratio is very misleading in Council's case, as it bills its customers quarterly in arrears. The final billing run for 2015/16 was actually run in the new year. The ratio has been trending upwards over recent years, and Council will be increasing their focus on debt recovery in the 2016/17 year.

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 2015/16 result

2015/16 ratio 49.45 mths

Again, Council's cash expense cover ratio reflects a healthy position.

Benchmark: ——— Minimum ≥ 3.00

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

 Ratio achieves benchmark
 Ratio is outside benchmark

Goldenfields Water County Council

Notes to the Financial Statements for the year ended 30 June 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.

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	3,435	4,000	3,435	4,000
Investments				
– 'Held to maturity'	38,000	29,000	38,000	29,000
Receivables	5,265	5,064	5,265	5,064
Total financial assets	46,700	38,064	46,700	38,064
Financial liabilities				
Payables	958	1,169	958	1,169
Total financial liabilities	958	1,169	958	1,169

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a bi-monthly basis.

The risks associated with the investments held are:

- **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
2016				
Possible impact of a 1% movement in interest rates	414	414	(414)	(414)
2015				
Possible impact of a 1% movement in interest rates	330	330	(330)	(330)

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) 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.

Credit risk on 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 accounts 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 bi-monthly.

Council makes suitable provision for doubtful receivables as required.

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:

	2016	2016	2015	2015
	Annual charges	Other receivables	Annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	71%	78%	82%	89%
Overdue	29%	22%	18%	11%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	Annual charges	Other receivables	Annual charges	Other receivables
Current	Current	995	3,151	902	3,548
< 1 year overdue	0 – 30 days overdue	130	614	197	443
1 – 2 years overdue	30 – 60 days overdue	100	300	–	–
		1,225	4,065	1,099	3,991

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	26	28
– amounts already provided for and written off this year	(1)	(2)
Balance at the end of the year	25	26

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 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		
2016									
Trade/other payables	16	942	–	–	–	–	–	958	958
Total financial liabilities	16	942	–	–	–	–	–	958	958
2015									
Trade/other payables	15	1,153	–	–	–	–	1	1,169	1,169
Total financial liabilities	15	1,153	–	–	–	–	1	1,169	1,169

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	958	0.00%	1,169	0.00%
	958		1,169	

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 25 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	4,545	4,584	39	1%	F
User charges and fees	14,885	15,057	172	1%	F
Interest and investment revenue	1,050	1,203	153	15%	F
This variation is due to a higher than anticipated level of investments.					
Other revenues	320	123	(197)	(62%)	U
This variation is a result of a budgeting error.					
Operating grants and contributions	160	202	42	26%	F
A contribution of \$25k was received from another Council for a new employee's LSL contribution.					
Capital grants and contributions	600	1,237	637	106%	F
Headworks contributions were greater than expected due to increased subdivision activity. A portion of this revenue is included in deferred developer charges, with sales unrealised.					
Net gains from disposal of assets	-	4	4	0%	F
No gain or loss on disposal of assets was budgeted.					

Goldenfields Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	4,080	5,074	(994)	(24%)	U
Staff numbers have increased during the year. Recruitment costs and staff training costs have increased accordingly in addition to a return to focusing on staff training.					
Materials and contracts	1,900	1,835	65	3%	F
Depreciation and amortisation	5,075	5,624	(549)	(11%)	U
The majority of the increase in depreciation expense this year was the result of a revaluation of Pump Stations and Bores. Other factors contributing to the increase include the addition of significant new assets such as the new Temora Depot Building and the Data Network rollout.					
Other expenses	3,910	2,970	940	24%	F
Electricity Costs were \$878K lower than budgeted as a result of pumping efficiencies and reduced contract pricing. Telephone charges were also \$84k less than budget.					

Note 17. Statement of Developer Contributions

Council currently has no S94 Developer Contribution Plans or S94 Funds on hand from prior years.

Goldenfields Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Note 19. Interests in other entities

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		76,862	70,588
a. Net operating result for the year		6,907	6,274
Balance at end of the reporting period		83,769	76,862
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		176,311	171,752
Total		176,311	171,752
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		171,752	168,489
– Revaluations for the year	9(a)	4,559	3,263
– Balance at end of year		176,311	171,752
TOTAL VALUE OF RESERVES		176,311	171,752

(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 year.

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 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 (30 June 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 07/10/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 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 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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:

2016	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 & Equipment	30/06/16	–	–	5,678	5,678
Office Equipment	30/06/16	–	–	134	134
Furniture & Fittings	30/06/16	–	–	37	37
Operational Land	30/06/08	–	1,954	–	1,954
Buildings - Non Specialised	30/06/12	–	4,865	–	4,865
Water Mains	30/06/16	–	–	138,342	138,342
Reservoirs	30/06/16	–	–	35,638	35,638
Pumping Stations	30/06/16	–	–	12,584	12,584
Treatment Plants	30/06/16	–	–	15,149	15,149
Bores	30/06/16	–	–	1,362	1,362
Total infrastructure, property, plant and equipment		–	6,819	208,924	215,743
2015					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/15	–	–	4,879	4,879
Office Equipment	30/06/15	–	–	108	108
Furniture & Fittings	30/06/15	–	–	45	45
Operational Land	30/06/08	–	1,942	–	1,942
Buildings - Non Specialised	30/06/12	–	3,350	–	3,350
Water Mains	30/06/15	–	–	139,065	139,065
Reservoirs	30/06/15	–	–	35,629	35,629
Pumping Stations	30/06/15	–	–	10,615	10,615
Treatment Plants	30/06/15	–	–	15,236	15,236
Bores	30/06/15	–	–	1,196	1,196
Total infrastructure, property, plant and equipment		–	5,292	206,773	212,065

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

	IPP&E	Total
Opening balance – 1/7/14	205,668	205,668
Purchases (GBV)	1,944	1,944
Disposals (WDV)	(516)	(516)
Depreciation and impairment	(5,108)	(5,108)
FV gains – other comprehensive income	3,263	3,263
Transfers	1,522	1,522
Closing balance – 30/6/15	<u>206,773</u>	<u>206,773</u>
Purchases (GBV)	3,897	3,897
Disposals (WDV)	(762)	(762)
Depreciation and impairment	(5,543)	(5,543)
FV gains – other comprehensive income	4,559	4,559
Closing balance – 30/6/16	<u>208,924</u>	<u>208,924</u>

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	4,584	4,433	4,096	4,014	3,142
User charges revenue	15,057	14,680	13,605	11,675	9,592
Interest and investment revenue (losses)	1,203	969	883	918	989
Grants income – operating and capital	156	161	109	101	7,075
Total income from continuing operations	22,410	21,682	19,348	17,426	21,348
Sale proceeds from I,PP&E	766	539	433	530	302
New loan borrowings and advances	–	–	–	–	–
Outflows:					
Employee benefits and on-cost expenses	5,074	4,873	4,103	4,047	4,495
Borrowing costs	–	–	–	–	–
Materials and contracts expenses	1,835	1,844	1,619	1,756	1,583
Total expenses from continuing operations	15,503	15,408	14,416	14,426	14,782
Total cash purchases of I,PP&E	5,099	2,386	6,292	3,737	19,277
Total loan repayments (incl. finance leases)	–	–	–	–	–
Operating surplus/(deficit) (excl. capital income)	5,670	5,527	4,460	2,547	(856)
Financial position figures	2016	2015	2014	2013	2012
Current assets	9,470	9,809	26,793	23,050	18,560
Current liabilities	3,115	2,650	2,340	2,561	2,794
Net current assets	6,355	7,159	24,453	20,489	15,766
Cash and investments – unrestricted	7,889	5,135	47	89	63
Cash and investments – internal restrictions	33,546	27,865	23,674	20,622	16,995
Cash and investments – total	41,435	33,000	23,721	20,711	17,058
Total borrowings outstanding (Loans, advances and finance leases)	–	–	–	–	–
Total value of I,PP&E (excl. land and earthworks)	390,981	381,516	377,353	363,520	430,105
Total accumulated depreciation	177,189	170,984	166,669	158,945	197,270
Indicative remaining useful life (as a % of GBV)	55%	55%	56%	56%	54%

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

Goldenfields Water County Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 29. Council information and contact details

Principal place of business:

84 Parkes Street
TEMORA NSW 2666

Contact details

Mailing address:

PO Box 220
TEMORA NSW 2666

Opening hours:

9:00am to 4:30pm
Monday to Friday

Telephone: 02 6977 3200

Facsimile: 02 6977 3299

Internet: www.gwcc.nsw.gov.au

Email: office@gwcc.nsw.gov.au

Officers

GENERAL MANAGER

Phillip Rudd

RESPONSIBLE ACCOUNTING OFFICER

Gerard Carr

PUBLIC OFFICER

Gerard Carr

AUDITORS

Auswild & Co
4 Dugan Street
DEAKIN ACT 2600

Elected members

CHAIRMAN

Peter Speirs

COUNCILLORS

Peter Speirs
David McCann
Andrew Clinton
Peter Templeton
Kevin Morris
Christine Ferguson
Wendy Tuckerman

Other information

ABN: 54 357 453 921



Independent auditor's report to the Councillors of the Goldenfields Water County Council and the Chief Executive Officer of the Office of Local Government

We have audited the accompanying general purpose financial report of the Goldenfields Water County Council, which comprises the Statement by Councillors and Management, Statement of Financial Position as at 30th June, 2016, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes.

Councils' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Our audit responsibility does not extend to the original budget information included in the Income Statement, Cash Flow Statement, Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the additional information disclosed in Note 28. Accordingly, we do not express an opinion on these matters. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

Independence

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

Audit Opinion

In our opinion:

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

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to the following matter.

Council has adopted a valuation methodology for its water infrastructure assets based on the unit rates applicable to construction/replacement works undertaken by Council. Additionally, Council performed the valuations on the basis of design and construction using modern technology (MEERA approach). Council's data in adopting the new valuation techniques is limited and accordingly, further changes to the stated values may arise as Council's water infrastructure is renewed/replaced and/or new information comes to hand.

AUSWILD & CO.

G.J. BRADLEY
Principal
Registered Auditor No: 1249

CANBERRA
7th October, 2016

GOLDENFIELDS WATER
COUNTY COUNCIL
REPORT ON THE CONDUCT
OF THE AUDIT
2016



Auswild & Co

CHARTERED ACCOUNTANTS

ABN: 29 725 771 792

7th October, 2016

Councillor Peter Speirs
Chairman
Goldenfields Water County Council
P.O. Box 220
TEMORA. N.S.W. 2666

Dear Cr Speirs,

Having completed an audit examination of the books of account and associated records of the Goldenfields Water County Council for the twelve months period ended 30 June 2016 we have pleasure in submitting our report on the conduct of the audit in accordance with Section 417 (3) of the Local Government Act 1993.

BACKGROUND

Council is required to prepare two sets of financial statements for audit each year, these being:

General Purpose Financial Statements

These financial statements present the actual financial position and performance of the Council. Council has prepared the general purpose financial statements in accordance with:

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

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

These financial statements have been prepared in much the same manner as those of the previous year.

Special Purpose Financial Statements

These financial statements have been prepared in accordance with the requirements of the National Competition Policy which requires separate financial statements for each declared business activity. Water operations are a declared business activity and consequently Council is required to adopt the policies and principles enunciated in the National Competition Policy which inter alia requires Council to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector.

The principle differences between the general purpose financial statements and the special purpose financial statements are that:

- certain taxes and other costs have been imputed in the special purpose financial statements (ie income tax and land tax),
- the special purpose financial statements contain additional disclosures such as council subsidies, return on investments and dividends paid.

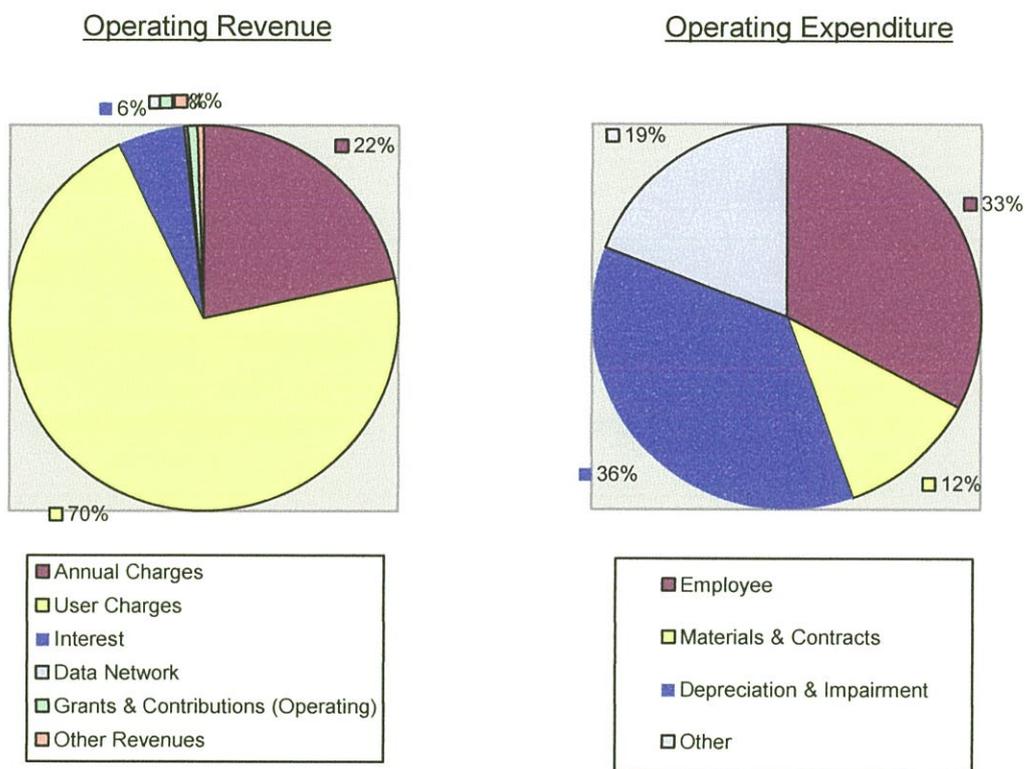
Auditor's Responsibility

As part of our role as auditor of Council, Section 415 (3) of the *Local Government Act 1993* and the *Local Government (General) Regulation* requires us to consider and provide comment on the material items affecting the general purpose financial statements and other matters pertinent to the audit. The following section of this report provides an understanding of Council's financial position as at 30 June 2016, its performance for the year then ended, its cash flows and other material financial matters.

FINANCIAL RESULTS

Council reported an operating surplus before capital grants and contributions of \$5.67 million for the year ended 30 June 2016 (2015 – surplus of \$5.53 million). Excluding capital grants and contributions, operating revenues (\$21.17 million) for the year increased approximately 1.14% on those of the previous year whilst during the same period operating expenses (\$15.50 million) increased approximately 0.62%.

A breakdown of Council’s operating revenues and expenses for the year is as follows:



In addition to operating revenues, Council received capital grants and contributions of \$1,237,000 (2015 - \$747,000).

In the twelve months period to 30 June 2016, Council’s operating result from continuing operations (**including** capital grants and contributions) was a surplus of \$6.91 million compared with a surplus of \$6.27 million in the previous year.



BUDGET COMPARISON

The net operating surplus for the year of \$6.91 million was higher than the original budget expectations which anticipated a surplus of \$6.60 million.

Details of material variations between the original budget and actual results are detailed in Note 16 to the General Purpose Financial Reports. In essence the better than expected results have been attributed to:-

	Budget \$	Actual \$
Favorable Variances		
Income		
<i>User charges and fees</i>	14,885,000	15,057,000
Favourable weather conditions have resulted in increases in water sales.		
<i>Operating Grants & Contributions</i>	160,000	202,000
A LSL contribution was transferred for a new employee		
<i>Capital Grants & Contributions</i>	600,000	1,237,000
Headworks contributions were greater than expected due to increased subdivision activity.		
<i>Interest Income</i>	1,050,000	1,203,000
Cash available for investments and interest rates exceeded budget expectations.		
Expenses		
<i>Other Expenses</i>	3,910,000	2,970,000
Significant savings were achieved in electricity costs.		
Unfavorable Variances		
<i>Employee Costs</i>	4,080,000	5,074,000
Staff numbers and training costs increased.		
<i>Depreciation</i>	5,075,000	5,624,000
Upward revaluations occurred with Pump Stations and Bores		



DETAILED AUDIT OBSERVATIONS

OPERATING INCOME

Annual Charges

Council levied an annual charge on 7,544 occupied residential customers (2015 - 7,512) and 3,334 non-residential customers (2015 - 3,424). Additionally, Council supplied 4 bulk customers who retailed water within their Shire's.

In setting the water annual charges for 2015/2016 Council resolved to adopt a 2.5% increase across all categories. This action has resulted in revenues from annual charges increasing from \$4.43 million in 2014/15 to \$4.58 million in 2015/16.

Rebates of \$192,000 were provided to eligible pensioners and a subsidy of \$96,000 was received from the Office of Local Government towards the cost of these rebates.

Interest and extra charges on overdue accounts for the year was \$60,000 (2015 - \$40,000) and outstanding charges were subject to interest at the rate of 8.5% (2015 - 8.5%).

User Charges and Fees

Council derived \$14.81 million from **water user charges** (2015 - \$14.47 million) and a further \$245,000 from **fees** (2015 - \$208,000) imposed during the twelve months period ended 30 June 2016.

The increase in revenue from user charges has resulted from increased sales and Council's decision to apply a 2.5% increase to consumption charges.

Sales of water in the past five years have been:

Year	Retail Sales (mL)	Bulk Sales (mL)	Total (mL)
2011/2012	3,969	2,118	6,087
2012/2013	4,841	2,631	7,472
2013/2014	5,636	2,640	8,276
2014/2015	5,593	2,788	8,381
2015/2016	5,457	2,946	8,403



Interest

Interest and investment revenues rose substantially in the current year, primarily in response to increased monies available for investment.

Interest income was earned as follows:

	2016	2015
	\$	\$
Overdue Annual & Usage Charges	60,000	40,000
General Investments	<u>1,143,000</u>	<u>929,000</u>
	\$1,203,000	\$969,000

Interest income for the year represented approximately 5.37% of Council's total income (2015 – 4.47%) and contributed 21.22% to the operating surplus (before capital grants and contributions).

We again emphasise that interest income has represented a very important component of Council's budget over many years.

Other Revenues

Council's launched a new Data Network business in 2014/2015 which raised revenues of approx. \$475,000 (including a one-off installation charge). This activity was significantly scaled back in the current year and revenues were reduced to \$17,000.

Grants, Subsidies and Contributions

Operating Grants and Contributions

Council was again the recipient of only minor operating grants and contributions in the current year. Operating grants and contributions received included, pensioner rebates (\$96,000), environmental grants (\$60,000), vehicle leases (\$21,000) and LSL contributions (\$25,000).

Capital Grants and Contributions

Council did not receive any capital grants during the reporting period however Headwork contributions received amounted to \$1,237,000 (2015 -\$747,000).

In accordance with the Code of Accounting Practice, all grant and contribution monies received in 2015/2016 (both expended and unexpended) have been brought to account as income. At year end Council had expended all grants and contributions received.

OPERATING EXPENSES

Expenses from continuing operations (\$15.50 million) were higher than the original budget expectations (\$14.97 million) however they remained much in line with those of the previous year (\$15.41 million).

Impacting on operating expenses for the year were:

Employee Costs

Employee costs (\$5.07 million) increased considerably on those of the previous year (\$4.87 million), principally due to the increase in the number of full time equivalent employees and termination/recruitment costs. In the twelve months period, salaries and wages expenses rose 8.8% to \$3.11 million and at year end Council's "Equivalent Full Time" employees numbered 50 (2015 – 42).

Materials & Contracts

Material and contracts expenses (\$1.84 million) have remained virtually unchanged in the twelve months period however we report that there has been a significant increase in capital works.

Depreciation

Depreciation expenses increased approx. \$424,000 (8.15%) in the current year.

Depreciation expenses are of course inextricably linked to the asset values and we note that asset values may continue to fluctuate as Council undertakes further studies of its infrastructure assets. In particular, we refer to our comments contained in our Audit Opinion Report (refer Emphasis of Matter) and note that Council continues its valuation of infrastructure assets based on modern technical equivalents.

Currently depreciation expenses account for approximately 36.28% of Council's total operating expenses (2015 – 33.75%).

Other Expenses

Council has continued to make substantial savings in electricity and heating expenses which have decreased \$505,000 to \$1.96 million. These savings have been attributed to pumping efficiencies and reduced contract pricing.

ASSETS

Cash & Investments

At balance date Council controlled cash and investments totalling \$41.44 million (2015 - \$33.00 million).

Council utilises its investments to cover internally imposed restrictions which comprise employee entitlements (\$1.36 million), plant & vehicle replacement (\$1.20 million), infrastructure replacement (\$28.97 million) and bonds & retentions (\$16,000).

All investments held are interest bearing cash deposits and Council has not required the use of overdraft facilities during the year.

Debtors

At balance date net outstanding water availability, consumption charges and interest amounted to \$4.16 million (2015 - \$3.72 million) of which approx. 71% was current. We are also pleased to report that Council is not materially exposed to the arrears of any one customer.

Outstanding arrears have been subject to interest at the rate of 8.5% per annum and we report that Council has maintained a provision for doubtful debts of \$25,000.

Property, Plant & Equipment

During the reporting period Council expended \$5.10 million on the acquisition/construction of assets (2015 - \$2.39 million).

The principal items being:-

	\$ '000's
Plant & Equipment	2,140
Buildings	1,205
Water Mains	1,245
Bores	214

Further, we report that Council sold assets with a book valued \$762,000. The sale of these assets has resulted in a profit of \$4,000 being brought to account (2015 – profit of \$23,000).

During the year Council continued to revalue certain classes of infrastructure assets in accordance with recent validated data and unit rates. Additionally, all infrastructure assets were subject to annual indexation as required by the Code of Accounting Practice.

The combined action of asset movements and revaluations has resulted in the written down value of property, plant and equipment increasing from \$212.47 million in 2014/2015 to \$215.75 million as at 30 June 2016.

We again note that Council's infrastructure has been valued "in-house" and fair values were based on the adoption of modern technical equivalents products of which Council had only compiled limited data. Council considers that future infrastructure valuations may vary significantly as unit rates and installation techniques become more refined and reliable.

Provisions

At 30 June 2016 the Provision for Employee Accrued Entitlements totalled \$1.47 million.

The components of the liability are:-

	2016	2015
	\$	\$
Annual Leave	471,000	440,000
Long Service Leave	891,000	847,000
On Costs (Super)	103,000	118,000

The average leave entitlement per employee as at 30 June 2016 was \$29,300 (2015 - \$33,450). At year end Council had set aside funds amounting to \$1.36 million or 93% of the employee leave entitlement liability. Such funds have been identified as an internally restricted asset.

SUMMARY

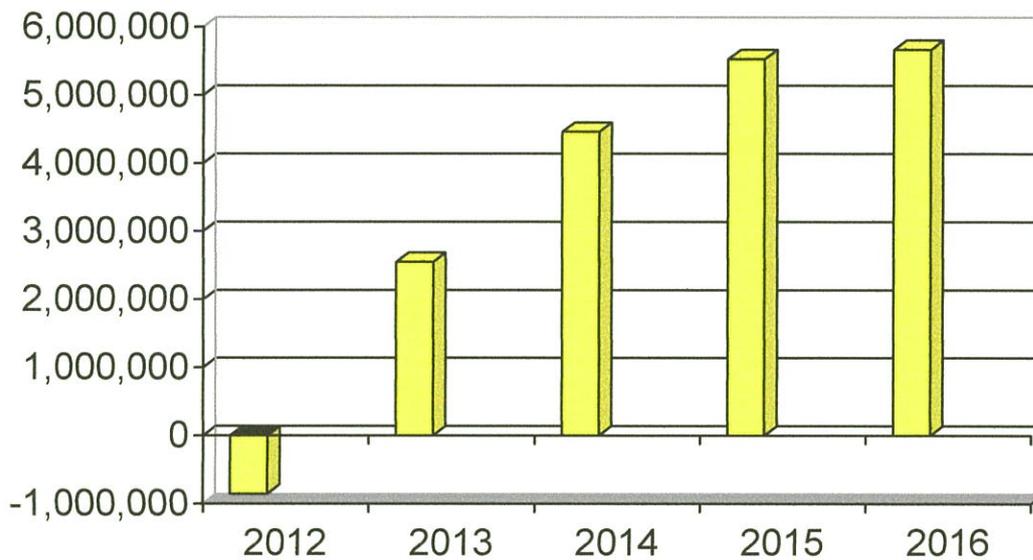
In analysing Council's financial results for the year, particular attention must be given to the following:-

- Operating result before capital amounts (surplus \$5.67 million)
- Net increase in cash & investments held (\$8.44 million)
- Internal and unrestricted investments amounting to \$41.44 million
- Performance ratios

Operating Result

Council reported an operating surplus before capital amounts of \$5,670,000 for the twelve months period to 30 June 2016. This surplus has resulted after allowing for depreciation expenses of \$5.62 million and was much in line with both the original budget expectations (surplus \$6.00 million) and the result of the previous year (surplus \$5.53 million).

Operating Surplus before Capital Amounts



As illustrated this is a very sound operating result and has continued the upward trend of the past five years.

Income and expenditure items that have materially impacted on Council's operating result for the year included:

<u>Income</u>	2016 \$	2015 \$	Variance \$
Annual Charges	4,584,000	4,433,000	151,000
Water Usage	14,812,000	14,472,000	340,000
Interest on Investments	1,143,000	927,000	216,000
Data Network	17,000	475,000	(458,000)
<u>Expenses</u>			
Employee Costs	5,074,000	4,873,000	201,000
Materials & Contracts	1,835,000	1,844,000	(9,000)
Depreciation	5,624,000	5,200,000	424,000
Electricity & Heating	1,957,000	2,462,000	(505,000)



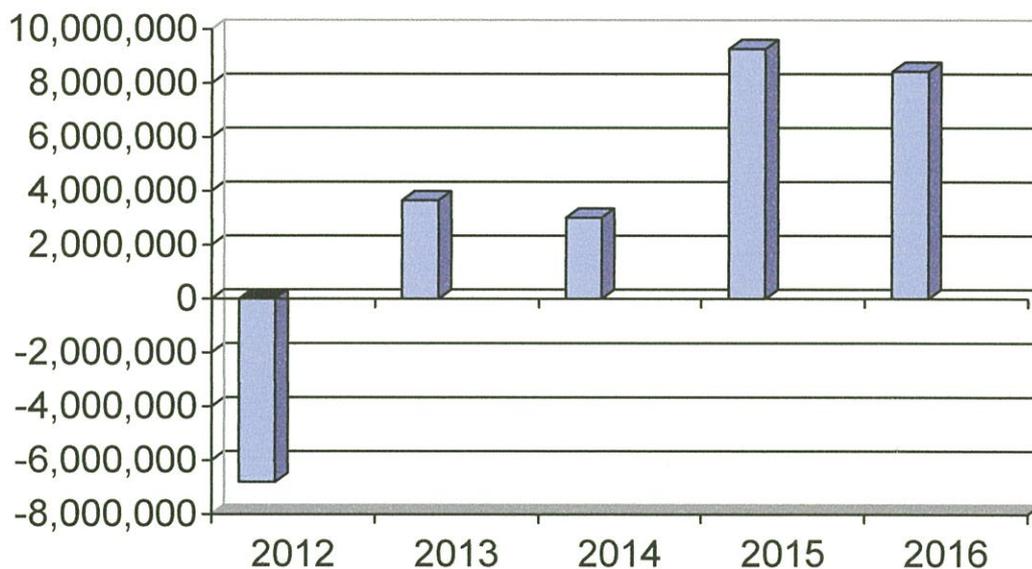
In our opinion, Goldenfields Water County Council is now well positioned to achieve future operating surpluses with the proviso that water sales remain sound. This situation will be greatly assisted should depreciation expenses stabilise as a result of future revaluations which although foreshadowed are by no means certain.

Cash Flow (Cash & Investments)

Council achieved a cash surplus of \$12.77 million from its general operating activities which was principally utilised to purchase/construct assets (net \$4.33 million).

These actions have resulted in Council recording an increase in cash and investment held of \$8.44 million for the year (2015 - increase of \$9.28 million).

Cash Flow Surplus/Deficit



For comparative purposes, we note the following factors that have impacted on the cash flow surplus in the current year.

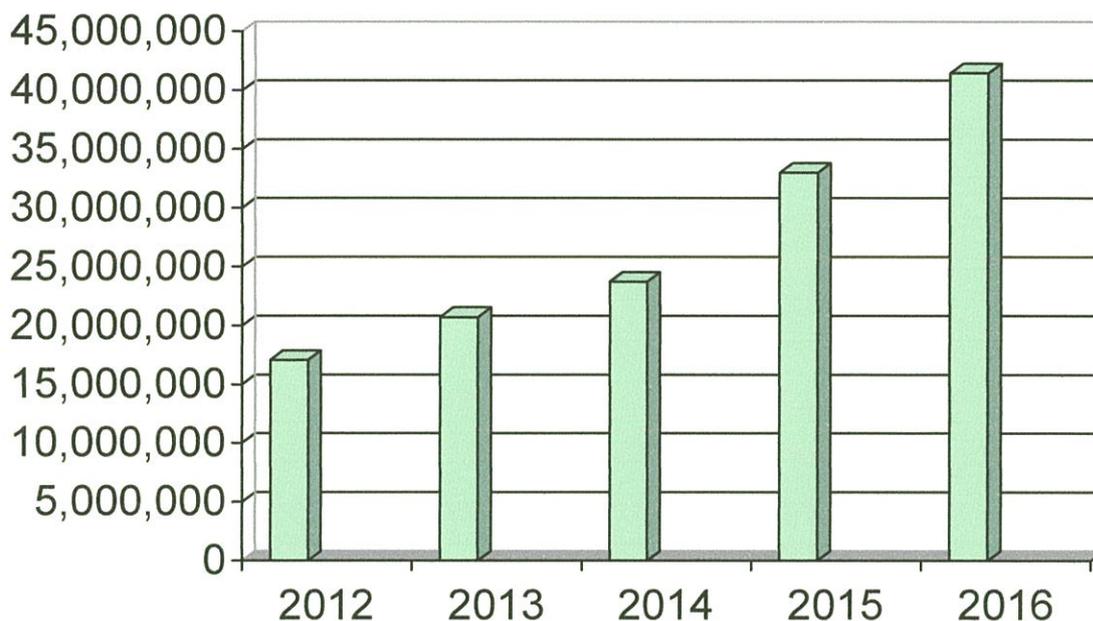
- Capital expenditure has increased from \$2.39 million in 2014/2015 to \$5.10 million in 2015/2016.
- Sales of water have continued to increase rising from \$14.47 million in 2014/2015 to \$14.81 million in the current year.

Reserves (Internally and Unrestricted Assets)

Internally restricted monies at year end amounted to \$33.55 million (2015 - \$27.87 million) whilst a further \$7.89 million was maintained as unrestricted investments.

Council's available funds at year end therefore amounted to \$41.44 million of which \$1.36 million has been restricted for employee entitlements, \$1.20 million for plant & vehicle replacement, \$28.97 million for infrastructure replacement, \$2.00 million for sales fluctuations and \$16,000 for bonds & retentions.

Internal and Unrestricted Reserve Funds



The increase in Council's reserve funds has considerably enhanced Council's capacity to fund long term infrastructure needs. In our opinion, reserve funds need to be inextricably linked to Council's asset management strategies and we anticipate that continued funding will be required in the foreseeable future to ensure that Council can meet its future obligations without undue reliance on external sources of funding.



Performance Ratios

In our opinion Council has experienced another very satisfactory financial year and has again been able to report sound performance ratios.

In particular, we note the unrestricted current ratio (which is a measurement of Council's ability to meet its financial obligations) of 23.38 after including non-current investments and Council's year end debt free status.

In addition to the above, a number of matters of a minor nature were discussed with the appropriate staff who have actioned or undertaken to see that appropriate action is taken with respect to each.

Council's books of account and other records appear to have been maintained in a satisfactory and up-to-date manner and the requirements of the Local Government Act and Regulations well observed.

In conclusion, we wish to acknowledge the courteous assistance and co-operation extended to us by the General Manager and staff during the conduct of the audit, from whom we have obtained all the information and explanations which we required.

Yours faithfully,
AUSWILD & CO.



G.J. BRADLEY
Principal
Registered Company Auditor No 1249



Goldenfields Water County Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2016

"Committed to provide regional economic opportunity and lifestyle choices through provision of a quality water supply by innovative leadership showing environmental responsibility in cooperation with the community, constituent councils and governments"



Goldenfields Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Income Statement – Sewerage Business Activity	n/a
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Statement of Financial Position – Sewerage Business Activity	n/a
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).
-

Goldenfields Water County Council

Special Purpose Financial Statements

for the year ended 30 June 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 year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 25 August 2016.



Peter Speirs
CHAIRMAN



David McCann
COUNCILLOR



Phillip Rudd
GENERAL MANAGER



Gerard Carr
RESPONSIBLE ACCOUNTING OFFICER

Goldenfields Water County Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	4,584	4,433
User charges	14,812	14,472
Fees	245	208
Interest	1,203	969
Grants and contributions provided for non-capital purposes	202	189
Profit from the sale of assets	4	23
Other income	123	166
Total income from continuing operations	21,173	20,460
Expenses from continuing operations		
Employee benefits and on-costs	5,074	4,782
Materials and contracts	1,740	1,403
Depreciation and impairment	5,624	5,200
Water purchase charges	95	100
Calculated taxation equivalents	24	24
Other expenses	2,970	3,491
Total expenses from continuing operations	15,527	15,000
Surplus (deficit) from continuing operations before capital amounts	5,646	5,460
Grants and contributions provided for capital purposes	1,237	747
Surplus (deficit) from continuing operations after capital amounts	6,883	6,207
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	6,883	6,207
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,694)	(1,638)
SURPLUS (DEFICIT) AFTER TAX	5,189	4,569
Plus opening retained profits	76,819	70,588
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	24	24
– Debt guarantee fees	–	–
– Corporate taxation equivalent	1,694	1,638
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	83,726	76,819
Return on capital %	2.6%	2.6%
Subsidy from Council	–	957
Calculation of dividend payable:		
Surplus (deficit) after tax	5,189	4,569
Less: capital grants and contributions (excluding developer contributions)	(1,237)	(747)
Surplus for dividend calculation purposes	3,952	3,822
Potential dividend calculated from surplus	1,976	1,911

Goldenfields Water County Council

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

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	3,435	4,000
Receivables	5,265	5,064
Inventories	617	741
Other	153	4
Total current assets	9,470	9,809
Non-current assets		
Investments	38,000	29,000
Infrastructure, property, plant and equipment	215,746	212,474
Total non-current assets	253,746	241,474
TOTAL ASSETS	263,216	251,283
LIABILITIES		
Current liabilities		
Payables	1,669	1,263
Provisions	1,446	1,387
Total current liabilities	3,115	2,650
Non-current liabilities		
Payables	2	1
Provisions	19	18
Total non-current liabilities	21	19
TOTAL LIABILITIES	3,136	2,669
NET ASSETS	260,080	248,614
EQUITY		
Retained earnings	83,769	76,819
Correction of Prior Period Error	–	43
Revaluation reserves	176,311	171,752
Council equity interest	260,080	248,614
Non-controlling equity interest	–	–
TOTAL EQUITY	260,080	248,614

Goldenfields Water County Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

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2	Water Supply Business Best-Practice Management disclosure requirements	8
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

Goldenfields Water County Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies

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

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)

Goldenfields Water County Council (whole of Council operation)

Supply water within the Local Government areas of Bland, Coolamon, Junee, Temora, and part of Narrandera, Hilltops Council and Cootamundra Gundagai Regional Council – excluding the provision of retail water distribution in Cootamundra Town and Hilltops Shire.

Category 2

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

Council has no Category 2 Business Activities.

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).

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

(i) Taxation-equivalent charges

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

Goldenfields Water County Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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.

Income tax

An income tax equivalent has been applied.

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.

(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.

(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 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

The actual rate of return achieved is disclosed at the foot of the 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.

Goldenfields Water County Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	24,000
(ii)	Number of assessments multiplied by \$3/assessment	32,805
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	24,000
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,976,100
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	304,050
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	10,887,988

2016 Surplus	3,952,200	2015 Surplus	3,821,888	2014 Surplus	3,113,900
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	304,050
(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	<input type="checkbox"/>

3. Required outcomes for 6 criteria

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

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

Goldenfields Water County Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

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

2016

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	21,264
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)]	%	78.34%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	210,067
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,856
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	5,117
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)]	%	2.68%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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



Independent auditor's report to the Councillors of the Goldenfields Water County Council and the Chief Executive Officer of the Office of Local Government

We have audited the accompanying financial report, being a special purpose financial report, of the Goldenfields Water County Council, which comprises the Statement by Councillors and Management, Statement of Financial Position as at 30th June, 2016, and the Income Statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Councils' Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial requirements of National Competition Policy reporting and are appropriate to meet the needs of the Council. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that it is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

The financial report has been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling Council's financial reporting requirements under National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than that for which it was prepared.

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

Independence

In conducting our audit we have met the independence requirements of the Australian professional accounting bodies.

Audit Opinion

In our opinion, the special purpose financial report presents fairly, in all material respects the financial position of Goldenfields Water County Council as at 30 June, 2016 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to the following matter.

Council has adopted a valuation methodology for its water infrastructure assets based on the unit rates applicable to construction/replacement works undertaken by Council. Additionally, Council performed the valuations on the basis of design and construction using modern technology (MEERA approach). Council's data in adopting the new valuation techniques is limited and accordingly, further changes to the stated values may arise as Council's water infrastructure is renewed/replaced and/or new information comes to hand.

AUSWILD & CO.



G.J. BRADLEY
Principal
Registered Auditor No: 1249

CANBERRA
7TH October, 2016

Goldenfields Water County Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

"Committed to provide regional economic opportunity and lifestyle choices through provision of a quality water supply by innovative leadership showing environmental responsibility in cooperation with the community, constituent councils and governments"



Goldenfields Water County Council

Special Schedules

for the year ended 30 June 2016

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Special Schedule 8	Permissible Income Calculation	n/a

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Goldenfields Water County Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	–	–	–	–
Administration	–	–	–	–
Public order and safety				
Fire service levy, fire protection, emergency services	–	–	–	–
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	–	–	–	–
Other	–	–	–	–
Total public order and safety	–	–	–	–
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	–	–	–	–
Solid waste management	–	–	–	–
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	–	–	–	–
Total environment	–	–	–	–
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	–	–	–	–
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	–	–	–	–
Town planning	–	–	–	–
Other community amenities	–	–	–	–
Total housing and community amenities	–	–	–	–
Water supplies	15,503	19,874	1,237	5,608
Sewerage services	–	–	–	–

Goldenfields Water County Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 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	–	–	–	–
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	–	–	–	–
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	–	–	–	–
Parks and gardens (lakes)	–	–	–	–
Other sport and recreation	–	–	–	–
Total recreation and culture	–	–	–	–
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	–	–	–	–
Urban roads – regional	–	–	–	–
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	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	–	–	–	–
Total transport and communication	–	–	–	–
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	–	–	–	–
Total economic affairs	–	–	–	–
Totals – functions	15,503	19,874	1,237	5,608
General purpose revenues ⁽¹⁾		1,299		1,299
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	15,503	21,173	1,237	6,907

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

Goldenfields Water County Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,014	1,859
b. Engineering and supervision	2,014	1,859
2. Operation and maintenance expenses		
– Mains		
c. Operation expenses	692	446
d. Maintenance expenses	993	1,032
– Reservoirs		
e. Operation expenses	54	46
f. Maintenance expenses	153	116
– Pumping stations		
g. Operation expenses (excluding energy costs)	10	62
h. Energy costs	1,872	2,385
i. Maintenance expenses	573	523
– Treatment		
j. Operation expenses (excluding chemical costs)	275	248
k. Chemical costs	376	314
l. Maintenance expenses	209	128
– Other		
m. Operation expenses	175	173
n. Maintenance expenses	351	466
o. Purchase of water	95	100
3. Depreciation expenses		
a. System assets	4,922	4,629
b. Plant and equipment	702	577
4. Miscellaneous expenses		
c. Other expenses	23	13
5. Total expenses	15,503	14,976

Goldenfields Water County Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	1,207	1,161
b. Usage charges	4,365	4,106
7. Non-residential charges		
a. Access (including rates)	3,376	3,272
b. Usage charges	10,448	10,366
8. Extra charges	60	40
9. Interest income	1,142	929
10. Other income	369	374
11. Grants		
b. Grants for pensioner rebates	96	97
c. Other grants	60	64
12. Contributions		
a. Developer charges	1,225	730
b. Developer provided assets	12	17
c. Other contributions	46	28
13. Total income	22,406	21,184
14. Gain (or loss) on disposal of assets	4	23
15. Operating result	6,907	6,231
15a. Operating result (less grants for acquisition of assets)	6,907	6,231

Goldenfields Water County Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
b. New assets for growth	1,776	403
c. Renewals	1,201	945
d. Plant and equipment	2,140	1,044
17. Repayment of debt	–	–
18. Totals	5,117	2,392
Non-operating funds employed		
19. Proceeds from disposal of assets	766	539
20. Borrowing utilised	–	–
21. Totals	766	539
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	7,544	7,512
b. Residential (unoccupied, ie. vacant lot)	57	45
c. Non-residential (occupied)	3,334	3,424
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	149 ET	106 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 191,818	\$ 176,322

Goldenfields Water County Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	1,362	–	1,362
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,073	38,000	40,073
26. Receivables			
a. Specific purpose grants	95	–	95
b. Rates and availability charges	914	–	914
c. User charges	2,931	–	2,931
d. Other	1,325	–	1,325
27. Inventories	617	–	617
28. Property, plant and equipment			
a. System assets	–	210,067	210,067
b. Plant and equipment	–	5,679	5,679
29. Other assets	153	–	153
30. Total assets	9,470	253,746	263,216
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	1,669	2	1,671
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	1,446	19	1,465
35. Total liabilities	3,115	21	3,136
36. NET ASSETS COMMITTED	6,355	253,725	260,080
EQUITY			
37. Accumulated surplus			83,769
38. Asset revaluation reserve			176,311
39. TOTAL EQUITY			260,080
Note to system assets:			
40. Current replacement cost of system assets			385,334
41. Accumulated current cost depreciation of system assets			(175,267)
42. Written down current cost of system assets			210,067

Goldenfields Water County Council

Notes to Special Schedule 3 for the year ended 30 June 2016

Administration ⁽¹⁾

(item 1a of Special Schedule 3) 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 Schedule 3) 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 Schedule 3) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedule 3) 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 Schedule 3) includes all expenses not recorded elsewhere.

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

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

Residential charges ⁽²⁾ (items 6a and 6b of Special Schedule 3) 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 and 7b of Special Schedule 3) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

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

Other contributions (item 12c of Special Schedule 3) including capital contributions for water supply 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, 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.

Goldenfields Water County Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 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	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Office	–	–	92	92	1,421	1,706	100%	0%	0%	0%	0%
	Council Works Depots	–	–	85	90	2,612	3,599	60%	40%	0%	0%	0%
	Council Houses	–	–	33	10	832	1,563	27%	31%	42%	0%	0%
	Sub-total	–	–	210	192	4,865	6,868	62.4%	28.0%	9.6%	0.0%	0.0%
Water supply network	Mains	3,520	–	1,015	993	138,342	265,689	19%	36%	40%	4%	1%
	Reservoirs	691	–	135	153	35,638	61,941	18%	44%	34%	4%	0%
	Pumping Stations	155	–	650	573	12,584	22,053	3%	68%	27%	1%	1%
	Treatment	127	–	110	209	15,149	24,217	3%	67%	29%	0%	1%
	Bores	23	–	–	–	1,363	2,279	13%	61%	22%	4%	0%
	Sub-total	4,516	–	1,910	1,928	203,076	376,179	17.0%	41.3%	37.5%	3.6%	0.6%
TOTAL – ALL ASSETS	4,516	–	2,120	2,120	272,674	383,047	17.8%	41.1%	37.0%	3.6%	0.6%	

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

Goldenfields Water County Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>1,141</u>	22.72%	19.99%	62.36%
Depreciation, amortisation and impairment	<u>5,021</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>4,516</u>	2.17%	0.00%	0.00%
Carrying value of infrastructure assets	<u>207,940</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>2,120</u>	1.00	1.00	1.00
Required asset maintenance	<u>2,120</u>			

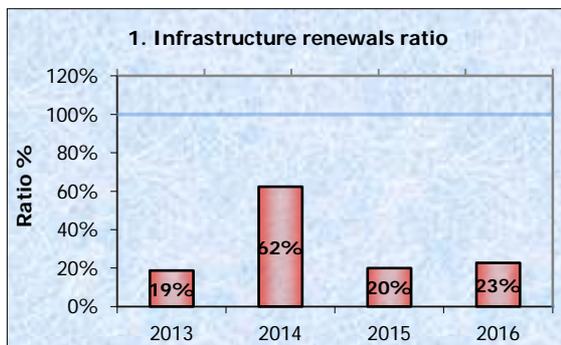
Notes

* 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.

Goldenfields Water County Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



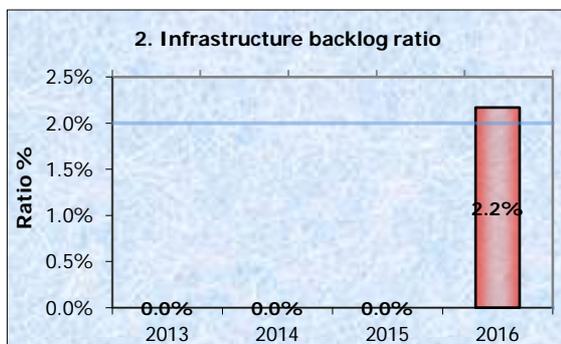
Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2015/16 Ratio 22.72%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



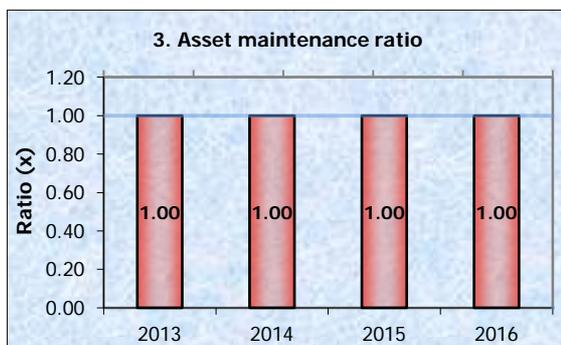
Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

2015/16 Ratio 2.17%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

2015/16 Ratio 1.00 x

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark