

Goulburn Mulwaree Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2024



Goulburn Mulwaree Council

Special Purpose Financial Statements

for the year ended 30 June 2024

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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).

Goulburn Mulwaree Council

Special Purpose Financial Statements

for the year ended 30 June 2024

Statement by Councillors and Management

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:

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- 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
- Sections 3 and 4 of the NSW Department of Climate Change, Energy, the Environment and Water's (DCCEEW) *Regulatory and assurance framework for local water utilities, July 2022*

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

any way. Signed in accordance with a resolution of Council made on 22 October 2024.



Cr Nina Dillon
Mayor
29 October 2024



Cr Caitlin Flint
Deputy Mayor
29 October 2024



Aaron Johansson
Chief Executive Officer
29 October 2024



Brendan Hollands
Responsible Accounting Officer
29 October 2024

Goulburn Mulwaree Council

Income Statement of water supply business activity

for the year ended 30 June 2024

\$ '000	2024	2023
Income from continuing operations		
Access charges	2,908	2,748
User charges	8,334	7,713
Fees	103	113
Interest and investment income	1,335	930
Grants and contributions provided for operating purposes	–	36
Other income	231	125
Total income from continuing operations	12,911	11,665
Expenses from continuing operations		
Employee benefits and on-costs	1,983	1,849
Borrowing costs	713	814
Materials and services	5,556	4,909
Depreciation, amortisation and impairment	4,218	3,697
Other expenses *	–	–
Total expenses from continuing operations	12,470	11,269
Surplus (deficit) from continuing operations before capital amounts	441	396
Grants and contributions provided for capital purposes	1,259	960
Surplus (deficit) from continuing operations after capital amounts	1,700	1,356
Surplus (deficit) from all operations before tax	1,700	1,356
Less: corporate taxation equivalent (25%) [based on result before capital]	(110)	(99)
Surplus (deficit) after tax	1,590	1,257
Plus accumulated surplus	97,763	96,407
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	110	99
Closing accumulated surplus	99,463	97,763
Return on capital %	0.4%	0.5%
Subsidy from Council	10,183	8,950
Calculation of dividend payable:		
Surplus (deficit) after tax	1,590	1,257
Less: capital grants and contributions (excluding developer contributions)	(1,259)	(960)
Surplus for dividend calculation purposes	331	297
Potential dividend calculated from surplus	165	149

(*) Comparative figures amended to ensure consistency in the categorisation of expenses. Balance transferred to Materials & Services

Goulburn Mulwaree Council

Income Statement of sewerage business activity

for the year ended 30 June 2024

\$ '000	2024	2023
Income from continuing operations		
Access charges	10,748	10,407
User charges	2,103	2,006
Liquid trade waste charges	593	550
Fees	16	19
Interest and investment income	2,462	1,570
Other income	81	78
Total income from continuing operations	16,003	14,630
Expenses from continuing operations		
Employee benefits and on-costs	1,724	1,606
Borrowing costs	36	114
Materials and services	5,228	4,278
Depreciation, amortisation and impairment	3,016	2,776
Other expenses *	-	-
Total expenses from continuing operations	10,004	8,774
Surplus (deficit) from continuing operations before capital amounts	5,999	5,856
Grants and contributions provided for capital purposes	1,197	3,401
Surplus (deficit) from continuing operations after capital amounts	7,196	9,257
Surplus (deficit) from all operations before tax	7,196	9,257
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,500)	(1,464)
Surplus (deficit) after tax	5,696	7,793
Plus accumulated surplus	133,019	123,762
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	1,500	1,464
Closing accumulated surplus	140,215	133,019
Return on capital %	3.0%	3.0%
Subsidy from Council	2,738	1,917
Calculation of dividend payable:		
Surplus (deficit) after tax	5,696	7,793
Less: capital grants and contributions (excluding developer contributions)	(1,197)	(3,401)
Surplus for dividend calculation purposes	4,499	4,392
Potential dividend calculated from surplus	2,250	2,196

(*) Comparative figures amended to ensure consistency in the categorisation of expenses. Balance transferred to Materials & Services

Goulburn Mulwaree Council

Income Statement of Domestic Waste Management

for the year ended 30 June 2024

\$ '000	2024 Category 1	2023 Category 1
Income from continuing operations		
Annual charges	74	72
User charges	5,085	4,806
Interest and investment income	133	87
Other income	51	58
Total income from continuing operations	5,343	5,023
Expenses from continuing operations		
Employee benefits and on-costs	934	904
Materials and services	4,086	3,703
Total expenses from continuing operations	5,020	4,607
Surplus (deficit) from continuing operations before capital amounts	323	416
Surplus (deficit) from continuing operations after capital amounts	323	416
Surplus (deficit) from all operations before tax	323	416
Less: corporate taxation equivalent (25%) [based on result before capital]	(81)	(104)
Surplus (deficit) after tax	242	312
Plus accumulated surplus	3,191	2,775
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	81	104
Closing accumulated surplus	3,514	3,191
Return on capital %	672.9%	671.0%

Goulburn Mulwaree Council

Income Statement of Commercial Waste

for the year ended 30 June 2024

\$ '000	2024 Category 2	2023 Category 2
Income from continuing operations		
User charges	1,695	1,663
Total income from continuing operations	1,695	1,663
Expenses from continuing operations		
Employee benefits and on-costs	185	211
Materials and services	1,042	1,001
Depreciation, amortisation and impairment	24	9
Total expenses from continuing operations	1,251	1,221
Surplus (deficit) from continuing operations before capital amounts	444	442
Surplus (deficit) from continuing operations after capital amounts	444	442
Surplus (deficit) from all operations before tax	444	442
Less: corporate taxation equivalent (25%) [based on result before capital]	(111)	(111)
Surplus (deficit) after tax	333	331
Plus accumulated surplus	2,066	1,624
– Corporate taxation equivalent	111	111
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	2,510	2,066
Return on capital %	382.8%	491.1%

Goulburn Mulwaree Council

Statement of Financial Position of water supply business activity

as at 30 June 2024

\$ '000	2024	2023
ASSETS		
Current assets		
Contract assets and contract cost assets	–	180
Cash and cash equivalents	2,680	2,680
Investments	32,109	29,347
Receivables	1,910	1,819
Internal Loan Receivable from General Fund	176	176
Total current assets	36,875	34,202
Non-current assets		
Infrastructure, property, plant and equipment	263,641	252,729
Internal Loan Receivable from General Fund	2,402	2,578
Total non-current assets	266,043	255,307
Total assets	302,918	289,509
LIABILITIES		
Current liabilities		
Payables	709	726
Borrowings	631	629
Employee benefit provisions	581	548
Total current liabilities	1,921	1,903
Non-current liabilities		
Borrowings	10,191	10,821
Employee benefit provisions	89	84
Total non-current liabilities	10,280	10,905
Total liabilities	12,201	12,808
Net assets	290,717	276,701
EQUITY		
Accumulated surplus	99,463	97,763
Revaluation reserves	191,254	178,938
Total equity	290,717	276,701

Goulburn Mulwaree Council

Statement of Financial Position of sewerage business activity

as at 30 June 2024

\$ '000	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	11,175	11,175
Investments	56,043	47,103
Receivables	1,403	1,354
Contract assets and contract cost assets	–	902
Internal Loan Receivable from General Fund	239	239
Total current assets	68,860	60,773
Non-current assets		
Infrastructure, property, plant and equipment	204,012	196,190
Internal Loan Receivable from General Fund	3,039	3,277
Total non-current assets	207,051	199,467
Total assets	275,911	260,240
LIABILITIES		
Current liabilities		
Contract liabilities	12,486	12,641
Payables	28	30
Borrowings	257	293
Employee benefit provisions	329	309
Total current liabilities	13,100	13,273
Non-current liabilities		
Borrowings	1,703	1,960
Employee benefit provisions	39	37
Total non-current liabilities	1,742	1,997
Total liabilities	14,842	15,270
Net assets	261,069	244,970
EQUITY		
Accumulated surplus	140,215	133,019
Revaluation reserves	120,854	111,951
Total equity	261,069	244,970

Goulburn Mulwaree Council

Statement of Financial Position of Domestic Waste Management

as at 30 June 2024

\$ '000	2024 Category 1	2023 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	904	904
Investments	2,654	2,313
Receivables	154	142
Total current assets	3,712	3,359
Non-current assets		
Infrastructure, property, plant and equipment	48	62
Total non-current assets	48	62
Total assets	3,760	3,421
LIABILITIES		
Current liabilities		
Payables	2	1
Employee benefit provisions	244	229
Total current liabilities	246	230
Total liabilities	246	230
Net assets	3,514	3,191
EQUITY		
Accumulated surplus	3,514	3,191
Total equity	3,514	3,191

Goulburn Mulwaree Council

Statement of Financial Position of Commercial Waste

as at 30 June 2024

\$ '000	2024 Category 2	2023 Category 2
ASSETS		
Current assets		
Receivables	2,394	1,976
Total current assets	2,394	1,976
Non-current assets		
Infrastructure, property, plant and equipment	116	90
Total non-current assets	116	90
Total assets	2,510	2,066
Net assets	2,510	2,066
EQUITY		
Accumulated surplus	2,510	2,066
Total equity	2,510	2,066

Note – Material accounting policy information

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2021 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

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

Declared business activities

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

Category 1

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

a. Water Supply

Provide potable water for the Local Government Area.

b. Sewerage Services

Provide waste water services for the Local Government Area.

c. Domestic Waste Management

Collection and disposal of domestic waste in accordance with section 504 of the Local Government Act. This service includes kerbside pickup of general household waste, recycling and green waste and their disposal at the Goulburn Waste Management Centre. The Domestic Waste Management service is funded by the Domestic Waste annual charge. Part of the expenditure of the service is for the disposal of the waste via a disposal charge paid to the Goulburn Waste Management Centre which is operated as part of the General Fund's activities. All plant utilised by the Domestic Waste Management service is currently owned by the General Fund with their maintenance, operation and depreciation funded by the Domestic Waste Management service through plant hire charges paid to the General fund.

Category 2

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

a. Commercial Waste

Collection and disposal of commercial waste on a user pays basis.

Note – Material accounting policy information (continued)

Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **25.0%**

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25.0%.

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

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

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) Return on investments (rate of return)

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

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

Note – Material accounting policy information (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of IPPE as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.30% at 30/6/24.

(iii) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2024 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Goulburn Mulwaree Council

To the Councillors of Goulburn Mulwaree Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Goulburn Mulwaree Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2024, the Statement of Financial Position of each Declared Business Activity as at 30 June 2024 and the Material accounting policy information note.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Domestic Waste Management
- Commercial Waste.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2024, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Material accounting policy information note and the Local Government Code of Accounting Practice and Financial Reporting 2023–24 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2024 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink that reads "Nicky Rajani". The signature is written in a cursive style and is underlined with a single horizontal line.

Nicky Rajani
Delegate of the Auditor-General for New South Wales

31 October 2024
SYDNEY