

Cobar Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Cobar Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

Cobar Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

Linsley Street
Cobar, NSW 2835

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.cobar.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

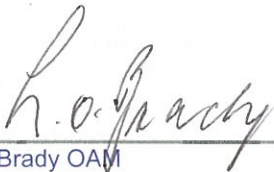
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the year,
- 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 October 2018.



Lilliane O Brady OAM
Mayor
 25 October 2018



Peter Abbott
Councillor
 25 October 2018



Peter Vlatko
General Manager
 25 October 2018



Kym Miller
Responsible Accounting Officer
 25 October 2018

Cobar Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
5,810	Rates and annual charges	3a	5,852	5,809
12,258	User charges and fees	3b	11,702	12,510
232	Interest and investment revenue	3c	427	356
450	Other revenues	3d	440	298
12,227	Grants and contributions provided for operating purposes	3e,f	14,199	16,180
10,305	Grants and contributions provided for capital purposes	3e,f	4,486	1,286
Other income:				
–	Net gains from the disposal of assets	5	58	89
41,282	Total income from continuing operations		37,164	36,528
Expenses from continuing operations				
12,881	Employee benefits and on-costs	4a	12,942	13,028
89	Borrowing costs		100	116
9,000	Materials and contracts	4b	8,368	9,622
6,413	Depreciation and amortisation	4c	6,629	6,553
–	Impairment of investments	4c	–	6
2,595	Other expenses	4d	3,713	3,198
30,978	Total expenses from continuing operations		31,752	32,523
10,304	Operating result from continuing operations		5,412	4,005
10,304	Net operating result for the year		5,412	4,005
10,304	Net operating result attributable to Council		5,412	4,005
Net operating result for the year before grants and contributions provided for capital purposes				
(1)			926	2,719

Cobar Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		5,412	4,005
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	8	(2,177)	2,954
Total items which will not be reclassified subsequently to the operating result		(2,177)	2,954
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		737	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		737	–
Total other comprehensive income for the year		(1,440)	2,954
Total comprehensive income for the year		3,972	6,959
Total comprehensive income attributable to Council		3,972	6,959

Cobar Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	12,865	10,299
Investments	6b	6,000	4,000
Receivables	7	2,748	3,358
Inventories		1,081	699
Other		–	42
Total current assets		22,694	18,398
Non-current assets			
Receivables	7	51	–
Infrastructure, property, plant and equipment	8	297,213	297,408
Total non-current assets		297,264	297,408
TOTAL ASSETS		319,958	315,806
LIABILITIES			
Current liabilities			
Payables	9	1,790	1,391
Income received in advance	9	222	219
Borrowings	9	250	304
Provisions	10	2,208	2,131
Total current liabilities		4,470	4,045
Non-current liabilities			
Borrowings	9	1,030	1,282
Provisions	10	131	124
Total non-current liabilities		1,161	1,406
TOTAL LIABILITIES		5,631	5,451
Net assets		314,327	310,355
EQUITY			
Accumulated surplus		97,679	91,530
Revaluation reserves		216,648	218,825
Council equity interest		314,327	310,355
Total equity		314,327	310,355

Cobar Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018		Total equity	2017		Total equity
		Accumulated surplus	IPP&E revaluation reserve		Accumulated surplus	IPP&E revaluation reserve	
Opening balance		91,530	218,825	310,355	87,525	215,871	303,396
Net operating result for the year		5,412	–	5,412	4,005	–	4,005
Other comprehensive income							
– Changes in accounting policies - RFS Vested Assets		743	–	743	–	–	–
– Gain (loss) on revaluation of IPP&E	8	–	(2,177)	(2,177)	–	2,954	2,954
– Other movements		(6)	–	(6)	–	–	–
Other comprehensive income		737	(2,177)	(1,440)	–	2,954	2,954
Total comprehensive income		6,149	(2,177)	3,972	4,005	2,954	6,959
Equity – balance at end of the reporting period		97,679	216,648	314,327	91,530	218,825	310,355

Cobar Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
5,619	Rates and annual charges		6,100	5,760
18,079	User charges and fees		12,253	10,567
232	Investment and interest revenue received		300	300
22,532	Grants and contributions		18,009	18,222
–	Other revenues		1,005	1,675
Payments:				
(12,881)	Employee benefits and on-costs		(12,866)	(12,941)
(10,457)	Materials and contracts		(7,870)	(11,100)
(90)	Borrowing costs		(100)	(113)
–	Bonds, deposits and retention amounts refunded		(30)	–
(6,318)	Other		(3,792)	(3,170)
16,716	Net cash provided (or used in) operating activities	11b	13,010	9,200
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		33,037	37,510
600	Sale of infrastructure, property, plant and equipment		346	327
Payments:				
–	Purchase of investment securities		(35,654)	(34,407)
(17,233)	Purchase of infrastructure, property, plant and equipment		(7,867)	(5,605)
(16,633)	Net cash provided (or used in) investing activities		(10,138)	(2,175)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		1,000	–
Payments:				
(185)	Repayment of borrowings and advances		(1,184)	(174)
(94)	Repayment of finance lease liabilities		(92)	(80)
(279)	Net cash flow provided (used in) financing activities		(276)	(254)
(196)	Net increase/(decrease) in cash and cash equivalents		2,596	6,771
10,250	Plus: cash and cash equivalents – beginning of year	11a	10,269	3,498
10,054	Cash and cash equivalents – end of the year	11a	12,865	10,269
Additional Information:				
	plus: Investments on hand – end of year	6b	6,000	4,000
	Total cash, cash equivalents and investments		18,865	14,269

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25/10/2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

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

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 15 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 8,
- (ii) estimated tip remediation provisions – refer Note 10,
- (iii) employee benefit provisions – refer Note 10.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Any significant judgement Council has made about the impairment of a number of its receivables is in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General Purpose Operations
- Cobar Water Supply
- Cobar Sewerage Service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

- Monies held in trust by the Lilliane Brady Village for their residents
- The Liquor Accord committee

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

Cobar Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	3	6	578	520	(575)	(514)	–	50	–	–
Corporate support	1,955	695	1,483	1,588	472	(893)	43	–	20,864	20,618
Public order & safety	481	167	478	392	3	(225)	446	136	1,868	1,846
Public health	153	32	431	265	(278)	(233)	–	–	–	–
Environment	815	724	765	786	50	(62)	51	52	–	–
Community services & education	5,056	4,972	5,048	4,941	8	31	4,167	4,013	8,421	8,322
Housing & community amenities	277	239	743	716	(466)	(477)	–	–	5,759	5,691
Recreation & culture	768	445	2,898	3,052	(2,130)	(2,607)	338	–	15,727	15,542
Mining & Manufacture	12	1	60	30	(48)	(29)	–	–	–	–
Transport & communication	11,013	12,229	13,703	15,421	(2,690)	(3,192)	2,684	3,246	237,014	234,222
Economic affairs	860	793	1,295	957	(435)	(164)	109	–	–	–
Sub-total Functions	21,393	20,303	27,482	28,668	(6,089)	(8,365)	7,838	7,497	289,653	286,241
General purpose revenues	7,710	11,958	–	–	7,710	11,958	4,779	8,010	–	–
Total General Fund	29,103	32,261	27,482	28,668	1,621	3,593	12,617	15,507	289,653	286,241
Water	7,106	3,167	3,229	2,989	3,877	178	3,637	182	15,585	15,401
Sewer	955	1,100	1,041	866	(86)	234	27	11	14,332	14,164
Other	–	–	–	–	–	–	545	–	388	–
Total functions and activities	37,164	36,528	31,752	32,523	5,412	4,005	16,826	15,700	319,958	315,806

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking

Corporate support

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

Public order & safety

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

Public health

Includes immunisation, food control, health centres etc.

Environment

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

Community services & education

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

Housing & community amenities

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

Recreation & culture

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

Mining & Manufacture

Includes building control, quarries and pits and mineral resources.

Transport & communication

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

Economic affairs

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,093	1,091
Farmland	677	647
Mining	1,531	1,594
Business	394	386
Total ordinary rates	3,695	3,718
Special rates		
Water supplies	731	719
Sewerage services	845	806
Total special rates	1,576	1,525
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	581	566
Total annual charges	581	566
TOTAL RATES AND ANNUAL CHARGES	5,852	5,809

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

Accounting policy for rates and annual charges

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	2,663	2,229
Sewerage services	14	15
Waste management services (non-domestic)	124	107
Total specific user charges	2,801	2,351
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Cobar Water Board service fee	279	190
Planning and building regulation	98	27
Private works – section 67	475	599
Other	76	78
Total fees and charges – statutory/regulatory	928	894
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	699	866
Caravan park	142	139
Childrens' Services	180	178
Rent and hire of non-investment property	297	370
RMS (formerly RTA) charges (state roads not controlled by Council)	5,947	7,035
Other	709	677
Total fees and charges – other	7,973	9,265
TOTAL USER CHARGES AND FEES	11,702	12,510

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	46	44
– Cash and investments	286	196
– Other	95	116
TOTAL INTEREST AND INVESTMENT REVENUE	427	356
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	46	44
General Council cash and investments	260	186
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	5	10
– Section 64	2	2
Water fund operations	58	60
Sewerage fund operations	56	54
Total interest and investment revenue recognised	427	356
Accounting policy for interest and investment revenue		
Interest income is recognised using the effective interest rate at the date that interest is earned.		
(d) Other revenues		
Legal fees recovery – rates and charges (extra charges)	47	22
Commissions and agency fees	154	139
Diesel rebate	70	115
Other	169	22
TOTAL OTHER REVENUE	440	298
Accounting policy for other revenue		
Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.		
Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.		
Rental income is accounted for on a straight-line basis over the lease term.		
Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.		
Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.		

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,933	3,653	–	–
Financial assistance – local roads component	839	1,607	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,995	1,888	–	–
Financial assistance – local roads component	851	824	–	–
Other				
Pensioners' rates subsidies – general component	37	38	–	–
Total general purpose	5,655	8,010	–	–
Specific purpose				
Water supplies	–	–	3,625	169
Aged care	2,140	2,095	–	–
Childrens services	2,026	1,827	–	–
Fixing country roads	–	–	135	786
Flood damage restoration	296	500	–	–
Transport (roads to recovery)	1,523	1,686	–	–
Regional Roads Repair Program	400	–	–	–
Other	422	388	607	239
Total specific purpose	6,806	6,496	4,366	1,194
Total grants	12,461	14,506	4,366	1,194
Grant revenue is attributable to:				
– Commonwealth funding	11,344	9,658	186	1,194
– State funding	1,117	4,848	4,180	–
	12,461	14,506	4,366	1,194

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

(f) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	1,599	806
Add: operating grants recognised in the current period but not yet spent	24	1,118
Less: operating grants recognised in a previous reporting period now spent	(1,599)	(325)
Unexpended and held as restricted assets (operating grants)	<u>24</u>	<u>1,599</u>

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	Notes	2018	2017
(a) Employee benefits and on-costs			
Salaries and wages		10,078	9,904
Employee leave entitlements (ELE)		1,107	1,210
Superannuation		894	909
Superannuation – defined benefit plans		48	56
Workers' compensation insurance		656	671
Other		373	477
Total employee costs		13,155	13,227
Less: capitalised costs		(213)	(199)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>12,942</u>	<u>13,028</u>
Number of 'full-time equivalent' employees (FTE) at year end		142	140
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		148	144

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 13 for more information.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(b) Materials and contracts		
Raw materials and consumables	6,828	4,488
Contractor and consultancy costs		
– Information technology	84	106
– Printing and copy services	69	64
– Roadworks (pavement stabilisation)	213	996
– Roadworks (spray sealing)	1,808	2,788
– Swimming pool	193	188
– Other contractor and consultancy costs	51	61
Auditors remuneration ⁽¹⁾	66	64
Legal expenses:		
– Legal expenses: debt recovery	57	20
– Legal expenses: other	13	86
Other	713	761
Total materials and contracts	10,095	9,622
Less: capitalised costs	(1,727)	–
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>8,368</u>	<u>9,622</u>

1. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	66	64
Total Auditor remuneration	66	64

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	932	968
Office equipment	36	38
Furniture and fittings	2	5
Property, plant and equipment – leased	21	26
Land improvements (depreciable)	98	204
Rural Fire Service - Vested Assets	89	–
Infrastructure:		
– Buildings – non-specialised	226	225
– Buildings – specialised	499	504
– Other structures	43	112
– Roads	3,645	3,615
– Stormwater drainage	64	64
– Water supply network	353	363
– Sewerage network	366	366
– Other open space/recreational assets	188	–
Other assets:		
– Library books	66	62
– Other	1	1
Total depreciation and amortisation costs	6,629	6,553
Impairment of investments		
– Land held for resale	–	6
Total investment impairment costs / (reversals)	–	6
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT /	6,629	6,559

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 8 for IPPE assets.

Impairment of non-financial assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Other expenses		
Bad and doubtful debts	102	66
Child care	1,549	1,388
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	10	11
– NSW fire brigade levy	26	24
– NSW rural fire service levy	171	166
Councillor expenses – mayoral fee	25	23
Councillor expenses – councillors' fees	139	125
Councillors' expenses (incl. mayor) – other (excluding fees above)	18	7
Election expenses	–	31
Electricity and heating	355	411
Fire control expenses	84	72
Insurance	415	168
Licenses	86	62
Street lighting	151	131
Telephone and communications	175	154
Service level reviews	93	–
Other	314	359
Total other expenses	3,713	3,198
TOTAL OTHER EXPENSES	3,713	3,198

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	8		
Proceeds from disposal – plant and equipment		202	327
Less: carrying amount of plant and equipment assets sold/written off		(144)	(238)
Net gain/(loss) on disposal		58	89
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>58</u>	<u>89</u>

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	9	3
Cash-equivalent assets		
– Deposits at call	1,856	1,283
– Short-term deposits	11,000	9,013
Total cash and cash equivalents	<u>12,865</u>	<u>10,299</u>

Accounting policy for cash and cash equivalents

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	6,000	–	4,000	–
Total investments	6,000	–	4,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	18,865	–	14,299	–
Held to maturity investments				
Long term deposits	6,000	–	4,000	–
Total	6,000	–	4,000	–

Accounting policy for investments**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Cobar Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	18,865	–	14,299	–
attributable to:				
External restrictions (refer below)	7,088	–	7,277	–
Internal restrictions (refer below)	9,091	–	5,734	–
Unrestricted	2,686	–	1,288	–
	18,865	–	14,299	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	447	481
Developer contributions – water fund	29	13
Developer contributions – sewer fund	110	91
Specific purpose unexpended grants	24	1,014
Water supplies	2,680	2,289
Sewerage services	2,352	2,124
Domestic waste management	1,446	1,265
External restrictions – other	7,088	7,277
Total external restrictions	7,088	7,277

Internal restrictions

Plant and vehicle replacement	834	1,315
Recreational Assets	436	–
Employees leave entitlement	342	619
Children's services	247	115
Cobar youth council	9	8
Community sign	–	5
Computer and IT	228	129
Depot upgrade	396	140
Financial assistance grant – advance for 17/18	2,846	2,713
Parks, gardens, etc.	–	121
Road works – shire roads	2,278	389
Truck wash	600	180
Building Improvements	687	–
Operating Projects	128	–
Footpaths & Disability	60	–
Total internal restrictions	9,091	5,734
TOTAL RESTRICTIONS	16,179	13,011

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	283	286	399	316
Interest and extra charges	70	116	119	5
User charges and fees	160	52	760	–
Accrued revenues				
– Interest on investments	103	–	38	–
– Other income accruals	1,155	20	1,869	–
Government grants and subsidies	847	–	172	–
Net GST receivable	128	–	–	–
Other debtors	2	–	1	–
Total	2,748	474	3,358	321
Less: provision for impairment				
Rates and annual charges	–	(423)	–	(321)
Total provision for impairment – receivables	–	(423)	–	(321)
TOTAL NET RECEIVABLES	2,748	51	3,358	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	67	–	70	–
– Other	768	–	536	–
Sewerage services				
– Rates and availability charges	103	–	100	–
Total external restrictions	938	–	706	–
Unrestricted receivables	1,810	51	2,652	–
TOTAL NET RECEIVABLES	2,748	51	3,358	–
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			321	254
+ new provisions recognised during the year			102	67
Balance at the end of the year			423	321

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables and receivables (Note 7) in the Statement of Financial Position.

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

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

Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Other movements	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	3,321	–	3,321	47	3,552	–	–	–	–	–	6,920	–	6,920
Plant and equipment	13,861	9,478	4,383	759	4	(147)	(1,021)	889	(23)	–	15,526	10,681	4,845
Office equipment	1,402	1,314	88	–	46	–	(36)	–	(3)	–	1,429	1,334	95
Furniture and fittings	168	116	52	–	35	–	(2)	–	–	–	203	118	85
Plant and equipment (under finance lease)	487	164	323	–	–	–	(21)	–	–	–	487	185	302
Land:													
– Operational land	4,031	–	4,031	–	–	–	–	–	(274)	–	3,757	–	3,757
– Community land	2,829	–	2,829	–	–	–	–	–	–	–	2,829	–	2,829
Land improvements – depreciable	4,802	1,325	3,477	39	8	–	(98)	–	–	–	4,849	1,423	3,426
Infrastructure:													
– Buildings – non-specialised	12,971	7,201	5,770	108	–	–	(226)	–	(776)	–	9,164	4,288	4,876
– Buildings – specialised	37,744	18,841	18,903	25	81	–	(499)	–	(1,558)	–	31,436	14,484	16,952
– Other structures	1,171	559	612	–	–	–	(43)	–	–	–	1,171	602	569
– Roads	258,658	50,479	208,179	1,231	1,604	–	(3,645)	–	–	–	261,493	54,123	207,370
– Bulk earthworks (non-depreciable)	14,031	–	14,031	–	–	–	–	–	–	–	14,031	–	14,031
– Stormwater drainage	6,450	1,709	4,741	–	–	–	(64)	(1)	–	457	8,022	2,889	5,133
– Water supply network	28,264	16,934	11,330	200	–	–	(353)	–	–	–	28,464	17,287	11,177
– Sewerage network	19,082	7,785	11,297	19	4	–	(366)	–	–	–	19,105	8,151	10,954
– Other open space/recreational assets	6,536	2,574	3,962	–	74	–	(188)	–	–	–	6,610	2,761	3,849
Other assets:													
– Library books	655	612	43	–	31	–	(66)	–	–	–	686	678	8
– Other	55	19	36	–	–	–	(1)	–	–	–	55	20	35
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	416,518	119,110	297,408	2,428	5,439	(147)	(6,629)	888	(2,634)	457	416,237	119,024	297,213

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Transportation assets	Years
Office equipment	5	Sealed Formation	500
Office furniture	10	Unsealed Formation	50
Computer equipment	4	Road Pavements	10 to 60
Vehicles	4	Road Seals	20
Heavy plant/road making equipment	10	Bridges	100
Other plant and equipment	5 to 10	Kerb, Gutter and Footpaths	80
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	100
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	80		
Reticulation pipes: other	25 to 75	Buildings	
Pumps and telemetry	15 to 20	Buildings: masonry	50 to 100
		Buildings: other	20 to 40
Other equipment		Other infrastructure assets	
Playground equipment	5 to 15	Bulk earthworks	Infinite
Benches, seats etc.	10 to 20		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

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.

Rural Fire Service assets

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	1,429	–	871	–
Accrued expenses:				
– Salaries and wages	197	–	205	–
– Other expenditure accruals	44	–	157	–
Security bonds, deposits and retentions	–	–	30	–
ATO – net GST payable	–	–	50	–
Miners' memorial	120	–	78	–
Total payables	1,790	–	1,391	–
Income received in advance				
Payments received in advance	222	–	219	–
Total income received in advance	222	–	219	–
Borrowings				
Bank overdraft	–	–	30	–
Loans – secured ¹	196	1,030	185	1,225
Finance lease liabilities	54	–	89	57
Total borrowings	250	1,030	304	1,282
TOTAL PAYABLES AND BORROWINGS	2,262	1,030	1,914	1,282

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	520	–	337	–
Sewer	7	–	8	–
Payables and borrowings relating to externally restricted assets	527	–	345	–
Total payables and borrowings relating to restricted assets	527	–	345	–
Total payables and borrowings relating to unrestricted assets	1,735	1,030	1,569	1,282
TOTAL PAYABLES AND BORROWINGS	2,262	1,030	1,914	1,282

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 16.

Cobar Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	1,410	(184)	–	–	–	1,226
Finance lease liabilities	146	(92)	–	–	–	54
TOTAL	1,556	(276)	–	–	–	1,280

\$ '000

2018

2017

(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	60	60
Other	1,000	1,000
Total financing arrangements	1,060	1,060
Drawn facilities as at balance date:		
– Bank overdraft facilities	–	–
– Credit cards/purchase cards	16	15
– Lease facilities	54	146
– Other	1,226	1,410
Total drawn financing arrangements	1,296	1,571
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	44	45
– Standby credit facilities	1,000	1,000
Total undrawn financing arrangements	1,044	1,045

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

Finance leases

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

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

Cobar Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	981	–	931	–
Long service leave	1,142	72	1,107	65
Time in lieu	85	–	93	–
Sub-total – aggregate employee benefits	2,208	72	2,131	65
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	59	–	59
Sub-total – asset remediation/restoration	–	59	–	59
<u>TOTAL PROVISIONS</u>	<u>2,208</u>	<u>131</u>	<u>2,131</u>	<u>124</u>

(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,546	1,492
	<u>1,546</u>	<u>1,492</u>

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

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

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,865	10,299
Less bank overdraft	9	–	(30)
Balance as per the Statement of Cash Flows		12,865	10,269
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,412	4,005
Adjust for non-cash items:			
Depreciation and amortisation		6,629	6,553
Net losses/(gains) on disposal of assets		(58)	(89)
Impairment losses recognition – investments		–	6
Unwinding of discount rates on reinstatement provisions		–	3
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		457	(1,670)
Increase/(decrease) in provision for doubtful debts		102	67
Decrease/(increase) in inventories		(60)	(37)
Decrease/(increase) in other assets		42	(42)
Increase/(decrease) in payables		558	184
Increase/(decrease) in other accrued expenses payable		(121)	3
Increase/(decrease) in other liabilities		(35)	162
Increase/(decrease) in employee leave entitlements		84	55
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		13,010	9,200

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Commitments for expenditure

\$ '000	2018	2017
(a) Finance lease commitments		
(i) Commitments under finance leases at the reporting date are payable as follows:		
Within the next year	55	59
Later than one year and not later than 5 years	–	99
Total minimum lease payments	55	158
Less: future finance charges	(1)	(12)
Amount recognised as a liability	54	146
(ii) Finance lease liability recognised represent;		
Current liabilities	54	89
Non-current liabilities	–	57
Total finance lease liabilities disclosed	54	146

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Contingencies and other liabilities/assets not recognised

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.

(a) A description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED: (continued)

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

(b) A description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(c) A description of any agreed allocation of a deficit or surplus on:

(i) wind-up of the plan

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

(ii) the entity's withdrawal from the plan

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(d) Given the entity accounts for that plan as if it were a defined contribution plan in accordance with paragraph 34, the following information:

(i) the fact that the plan is a defined benefit plan.

We confirm the plan is a defined benefit plan.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED: (continued)

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

(ii) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer;
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

(iii) the expected contributions to the plan for the next annual reporting period.

Due to the nature of the defined benefits being a defined benefit multi-employer plan, the contributions expected for the next annual reporting period cannot be predetermined.

(iv) information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* *excluding member accounts and reserves in both assets and liabilities.*

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment Return	6.0% per annum
Salary Inflation*	3.5% per annum
Increase in CPI	2.5% per annum

* *Plus promotional increases*

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

(v) an indication of the level of participation of the entity in the plan compared with other participating entities.

An employer's additional lump sum contribution per annum (see cover letter) as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer subgroup.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(ii) 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.

(iii) Other guarantees

Council has a fully drawn ten thousand dollar Bank Guarantee with the National Australia Bank in relation to the a contract for the new Water Treatment Plant. This was required under the funding agreement with the NSW State Government.

2. Other liabilities

(i) Third party claims

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

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

(ii) Contingent Separation of Aged Care Facility

Cobar Shire Council has entered into a Memorandum of Understanding to transfer the Assets and Operation of the aged care facility known as the Lilliane Brady Village to the NSW State Government.

This is to enable the Government to combine this facility with the Cobar Hospital to create a single entity which will operate as a multipurpose Health Service. It is anticipated this process will be completed prior to 30 June, 2018.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	12,865	10,299	12,865	10,299
Investments				
– 'Held to maturity'	6,000	4,000	6,000	4,000
Total financial assets	18,865	14,299	18,865	14,299
Financial liabilities				
Bank overdraft	–	30	–	30
Loans/advances	1,226	1,410	1,226	1,410
Lease liabilities	54	146	54	146
Total financial liabilities	1,280	1,586	1,280	1,586

Fair value is determined as follows:

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	129	129	(129)	(129)
2017				
Possible impact of a 1% movement in interest rates	103	103	(103)	(103)

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	21%	37%	35%	100%
Overdue	79%	63%	65%	0%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

	2018	2017
(ii) Ageing of receivables – value		
Rates and annual charges		
Current	59	253
1 – 2 years overdue	240	231
2 – 5 years overdue	213	174
> 5 years overdue	57	57
	<u>569</u>	<u>715</u>
Other receivables		
Current	2,653	2,964
	<u>2,653</u>	<u>2,964</u>

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. 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.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	–	1,790	–	–	1,790	1,790
Loans and advances	6.22%	–	338	1,217	113	1,668	1,226
Lease liabilities	6.61%	–	54	–	–	54	54
Total financial liabilities		–	2,182	1,217	113	3,512	3,070
2017							
Bank overdraft		30	–	–	–	30	30
Trade/other payables	0.00%	30	1,261	–	–	1,291	1,391
Loans and advances	6.22%	–	336	1,120	378	1,834	1,410
Lease liabilities	6.61%	–	89	57	–	146	146
Total financial liabilities		60	1,686	1,177	378	3,301	2,977

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 22 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Interest and investment revenue	232	427	195	84% F
Cash holdings were approximately \$7m higher than planned during the year, resulting in increased interest above the planned amount of \$195k				
Operating grants and contributions	12,227	14,199	1,972	16% F
Only known operating grants were factored into the budget as conservative strategy. Other opportunities such as flood damage were availed during the year and provided additional income. It is to be noted that the forecast pre-empted the early payment of FAGS				
Capital grants and contributions	10,305	4,486	(5,819)	(56%) U
Capital grant and contributions forecast were mostly for major projects including the \$15m water treatment plant. Timing differences on the completing of these projects and the funding arrangements have resulted in the shortfall. This shortfall will be received in 2018/2019				

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Borrowing costs	89	100	(11)	(12%)	U
While the budgeting for this line item is an unfavourable variance, the amount is not material					
Other expenses	2,595	3,713	(1,118)	(43%)	U
Additional revenue from flood damage was one reason for an associated increase in Other Expenses. The main cause, however, was due to more operational road works under the RMCC contract being undertaken.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	16,716	13,010	(3,706)	(22.2%)	U
The principal driver of the cash inwards shortfall from operating activities was the timing difference in capital grants					
Cash flows from investing activities	(16,633)	(10,138)	6,495	(39.0%)	F
Capital expenditure which was under-forecast by \$9m was the major contributor to this lower outgoing. This has resulted in a higher restricted cash figure					

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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:

2018	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					
Operational land	30/06/18	–	3,757	–	3,757
Community land	30/06/16	–	2,829	–	2,829
Land improvements – depreciable	30/06/16	–	3,426	–	3,426
Non-specialised buildings	30/06/18	–	–	4,876	4,876
Specialised buildings	30/06/18	–	–	16,952	16,952
Other structures	30/06/16	–	–	569	569
Roads	30/06/15	–	–	207,370	207,370
Bulk earthworks (non-depreciable)	30/06/15	–	–	14,031	14,031
Stormwater drainage	30/06/18	–	–	5,133	5,133
Water supply network	30/06/17	–	–	11,177	11,177
Sewerage network	30/06/17	–	–	10,954	10,954
Library books	30/06/18	–	8	–	8
Other assets	n/a	–	–	35	35
Recreational Assets	n/a	–	–	3,849	3,849
Total infrastructure, property, plant and equipment		–	10,020	274,946	284,966

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

\$ '000

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

2017	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					
Operational land	30/06/13	–	–	4,032	4,032
Community land	30/06/16	–	–	2,829	2,829
Land improvements – depreciable	30/06/16	–	3,477	–	3,477
Non-specialised buildings	30/06/13	–	–	5,770	5,770
Specialised buildings	30/06/13	–	–	18,903	18,903
Other structures	30/06/16	–	–	643	643
Roads	30/06/15	–	–	208,179	208,179
Bulk earthworks (non-depreciable)	30/06/15	–	–	14,031	14,031
Stormwater drainage	30/06/12	–	–	4,741	4,741
Water supply network	30/06/17	–	–	11,330	11,330
Sewerage network	30/06/17	–	–	11,297	11,297
Library books	30/06/17	–	43	–	43
Other assets	N/A	–	–	36	36
Recreational Assets	N/A	–	–	3,930	3,930
Total infrastructure, property, plant and equipment		–	3,520	285,721	289,241

(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.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

\$ '000

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

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

	Non-specialised buildings	Specialised buildings	Other structures	Roads	Bulk Earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
Opening balance – 1/7/16	5,878	19,189	1,454	209,665	14,031	4,805	11,425	8,580	275,027
Transfers from/(to) another asset class	6	53	(862)	256	–	–	–	–	(547)
Purchases (GBV)	111	159	132	1,873	–	–	287	110	2,672
Depreciation and impairment	(225)	(504)	(112)	(3,615)	–	(64)	(363)	(366)	(5,249)
Transfers to Profit and Loss	–	–	–	–	–	–	(19)	2,973	2,954
Revaluation movements to ARR	–	6	–	–	–	–	–	–	6
Closing balance – 30/6/17	5,770	18,903	612	208,179	14,031	4,741	11,330	11,297	274,863
Transfers from/(to) another asset class	–	–	–	–	–	–	–	–	–
Purchases (GBV)	108	106	–	2,835	–	–	200	23	3,272
Depreciation and impairment	(226)	(499)	(43)	(3,644)	–	(64)	(353)	(366)	(5,195)
Transfers to Profit and Loss	–	–	–	–	–	456	–	–	456
Revaluation movements to ARR	(776)	(1,558)	–	–	–	–	–	–	(2,334)
Closing balance – 30/6/18	4,876	16,952	569	207,370	14,031	5,133	11,177	10,954	271,062

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

\$ '000

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

	Other assets	Recreation Assets	Total
Opening balance – 1/7/16	37	–	37
Transfers from/(to) another asset class	–	3,930	3,930
Purchases (GBV)	–	–	–
Depreciation and impairment	(1)	–	(1)
Revaluation Adjustments to ARR	–	–	–
Closing balance – 30/6/17	36	3,930	3,966
Transfers from/(to) another asset class	–	–	–
Purchases (GBV)	–	107	107
Depreciation and impairment	(1)	(188)	(189)
Revaluation Adjustments to ARR	–	–	–
Closing balance – 30/6/18	35	3,849	3,884

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Non-Specialised Buildings	4,876	Third party valuer	Many buildings do not have regular markets
Specialised Buildings	16,952	Third party valuer	Many buildings do not have regular markets
Other Structures	569	Third party valuer	Assets do not have regular markets
Roads	207,370	External engineer	Assets do not have regular markets
Bulk Earthworks	14,031	Based on historic cost	Assets do not have regular markets
Stormwater Drainage	5,133	Third party valuer	Assets do not have regular markets
Water Supply	11,177	Third party valuer	Assets do not have regular markets
Sewerage Network	10,954	Third party valuer	Assets do not have regular markets
Other Assets	35	Third party valuer	Assets do not have regular markets
Recreational Assets	3,849	Third party valuer	Many Recreational Assets do not have regular markets

c. The valuation process for level 3 fair value measurements

The valuation process for Level 3 fair value measurements have been taken from the most recent valuations undertaken. Except for internal valuations, all valuations are put out to tender and the tender panel selects a successful tender, engages the valuer and assess the results given to Council by the valuer.

(4). Highest and best use

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Related party transactions

 \$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2018	2017
Short-term benefits	1,229	1,060
Total	1,229	1,060

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	10	–	–	–	–	–	10	–
Community facilities	160	3	–	2	–	–	165	–
S94 contributions 2012	114	21	–	2	–	–	137	–
S7.11 contributions – under a plan	284	24	–	4	–	–	312	–
Total S7.11 and S7.12 revenue under plans	284	24	–	4	–	–	312	–
S7.4 planning agreements	104	33	–	2	–	–	139	–
S64 contributions	197	94	–	3	(159)	–	135	–
Total contributions	585	151	–	9	(159)	–	586	–

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
s64 - Water - 2013	–	14	–	1	–	–	15	–
s64 - sewer - 2013	–	18	–	–	–	–	18	–
Open space	10	–	–	–	–	–	10	–
Community facilities	160	3	–	2	–	–	165	–
S94 contributions 2012	114	21	–	2	–	–	137	–
Total	284	56	–	5	–	–	345	–

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	744	855	4,253
User charges and fees	2,674	18	9,010
Interest and investment revenue	58	56	313
Other revenues	–	–	440
Grants and contributions provided for operating purposes	15	18	14,166
Grants and contributions provided for capital purposes	3,625	16	845
Other income			
Net gains from disposal of assets	–	–	58
Total income from continuing operations	7,116	963	29,085
Expenses from continuing operations			
Employee benefits and on-costs	342	5	12,595
Borrowing costs	–	–	100
Materials and contracts	1,308	663	6,397
Depreciation and amortisation	354	367	5,908
Other expenses	1,225	7	2,481
Total expenses from continuing operations	3,229	1,042	27,481
Operating result from continuing operations	3,887	(79)	1,604
Net operating result attributable to each council fund	3,887	(79)	1,604
Net operating result for the year before grants and contributions provided for capital purposes	262	(95)	759

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

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

Cobar Shire Council

Notes to the Financial Statements

as at 30 June 2018

Note 19. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	2,709	2,462	7,694
Investments	–	–	6,000
Receivables	835	103	1,810
Inventories	34	–	1,047
Total current assets	3,578	2,565	16,551
Non-current assets			
Receivables	–	–	51
Infrastructure, property, plant and equipment	15,893	11,519	269,801
Total non-current assets	15,893	11,519	269,852
TOTAL ASSETS	19,471	14,084	286,403
LIABILITIES			
Current liabilities			
Payables	520	7	1,263
Income received in advance	–	–	222
Borrowings	–	–	250
Provisions	–	–	2,208
Total current liabilities	520	7	3,943
Non-current liabilities			
Borrowings	–	–	1,030
Provisions	–	–	131
Total non-current liabilities	–	–	1,161
TOTAL LIABILITIES	520	7	5,104
Net assets	18,951	14,077	281,299
EQUITY			
Accumulated surplus	18,461	3,850	75,368
Revaluation reserves	490	10,227	205,931
Total equity	18,951	14,077	281,299

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>868</u>	2.66%	7.48%	1.40%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>32,620</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>18,421</u>	49.65%	52.07%	50.39%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>37,106</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>14,558</u>	6.07x	4.62x	3.19x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,397</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>7,597</u>	5.52x	25.15x	8.34x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,376</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>332</u>	5.14%	8.21%	7.23%	10%
Rates, annual and extra charges collectible	<u>6,463</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>18,865</u>	8.73 mths	6.6 mths	5.3 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>2,161</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 Notes 9 and 10.

⁽⁴⁾ Refer to Note 9(b) and 10(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	2.49%	7.65%	7.51%	6.97%	-10.03%	3.24%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	48.31%	46.96%	48.89%	94.30%	95.43%	77.93%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	1.27x	4.62x	6.83x	9.04x	1996.29x	304.95x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 20a above.

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4.88x	22.53x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.33%	7.27%	9.01%	9.74%	12.05%	12.42%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.3	4.53	11.3	2,303.0	43.8	1,107.8	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 20a above.

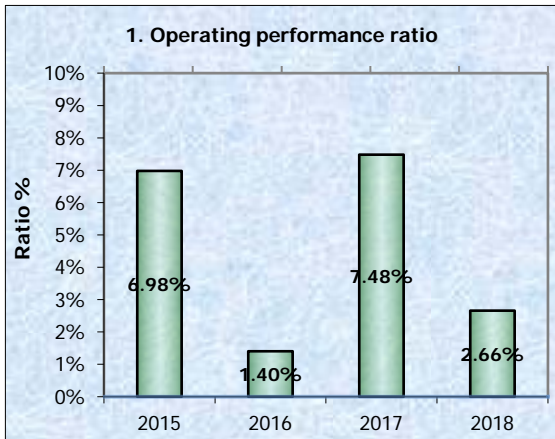
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Cobar Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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



Commentary on 2017/18 result

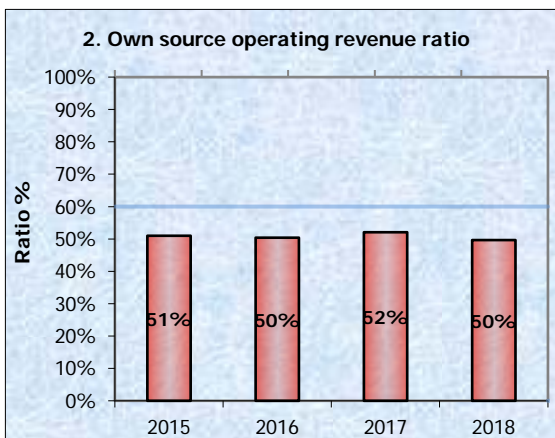
2017/18 ratio 2.66%

The ratio is in the expected range and continues to highlight that Council is in a break-even position generally

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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



Commentary on 2017/18 result

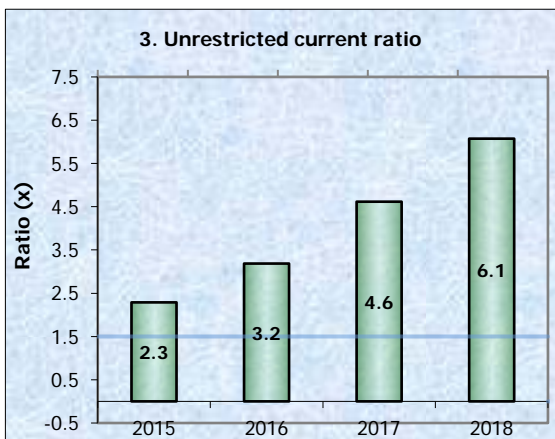
2017/18 ratio 49.65%

This ratio is consistent for Council. The TCorp target ratio of 60% is not tenable on a consistent basis for this business. This result does not spell disaster.

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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



Commentary on 2017/18 result

2017/18 ratio 6.07x

The ratio is adequate, but will be eroded to a more realistic level when carry forward project are undertaken.

Benchmark: ——— Minimum ≥ 1.50

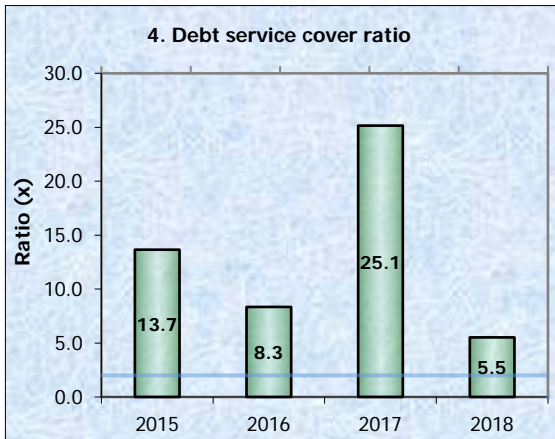
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark
 Ratio is outside benchmark

Cobar Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20(c). Statement of performance measures – consolidated results (graphs)



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 2017/18 result

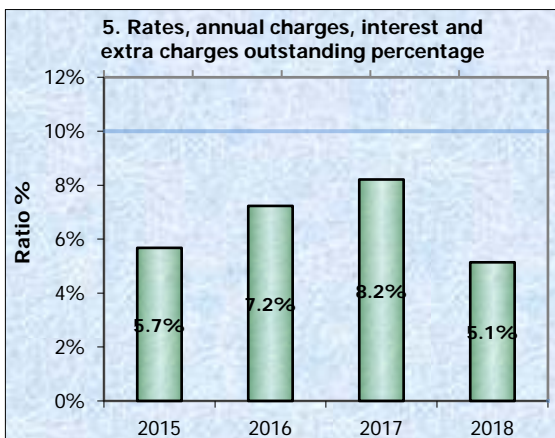
2017/18 ratio 5.52x

This ratio is satisfactory. Council has low debt as part of its current strategy.

Benchmark: Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result

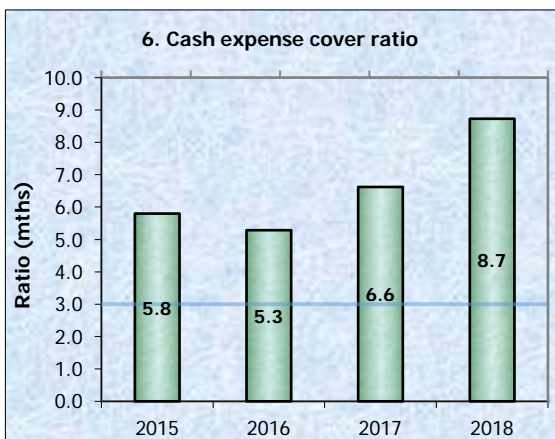
2017/18 ratio 5.14%

This is within the target range, but has deteriorated. Further deterioration may occur should the drought continue.

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result

2017/18 ratio 8.73 mths

This ratio is satisfactory, but will erode when carry forward projects are undertaken.

Benchmark: Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Cobar Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Council information and contact details

Principal place of business:

Linsley Street
Cobar, NSW 2835

Contact details

Mailing address:

PO Box 233
Cobar NSW 2835

Opening hours:

8am to 4pm

Telephone: 02 6836 5888

Facsimile: 02 6836 5889

Internet: www.cobar.nsw.gov.au

Email: mail@cobar.nsw.gov.au

Officers

GENERAL MANAGER

Peter Vlatko

RESPONSIBLE ACCOUNTING OFFICER

Kym Miller

PUBLIC OFFICER

Kym Miller

AUDITORS

Audit Office of NSW

Elected members

MAYOR

Lilliane O Brady OAM

COUNCILLORS

Peter Abbott

Tracey King

Janine Lea-Barrett

Christopher Lehmann

Jarrold Marsden

Greg Martin

Peter Maxwell

Julie Payne

Harley Toomey

Bob Sinclair

Peter Yench

Other information

ABN: 71 579 717 155



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Cobar Shire Council

To the Councillors of the Cobar Shire Council

Opinion

I have audited the accompanying financial report of Cobar Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report 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 special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

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

In preparing the financial report, 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 except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report 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.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and the note on Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink that reads "James Sugumar". The signature is written in a cursive style with a long, sweeping underline.

James Sugumar
Director

30 October 2018
SYDNEY

Cr Lilliane Brady
Mayor
Cobar Shire Council
PO Box 223
COBAR NSW 2835

Contact: James Sugumar
Phone no: (02) 9275 7288
Our ref: D1825386/1714

30 October 2018

Dear Mayor Brady

Report on the Conduct of the Audit
Cobar Shire Council
Audit for the year ended 30 June 2018

I issued an unmodified audit opinion in my Independent Auditor's Report for the general purpose financial statements of Cobar Shire Council (the Council) for the year ended 30 June 2018.

The audit was conducted in accordance with section 415 of the *Local Government Act 1993* (the Act).






This Report on the Conduct of the Audit is issued in accordance with section 417 of the Act and should be read in conjunction with my audit opinion issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I did not identify any significant audit issues or observations during my audit of the Council's general purpose financial statements.

FINANCIAL RESULTS

INCOME STATEMENT

	2018 \$m	2017 \$m	Variation \$m	Variation %
Rates and annual charges revenue	5.9	5.8	0.1	 1.7
Grants and contributions revenue	18.7	17.5	1.2	 6.9
TOTAL REVENUE	37.2	36.5	0.7	 1.9
TOTAL EXPENSES	31.6	32.5	-0.9	 2.8
Operating result for the year	5.6	4.0	1.6	 40

Increase of \$0.1 million in rates and annual charges revenue was mainly due to the 1.5 per cent rate rise.

Grants and contributions revenue increased by \$1.2 million due to a \$3.6 million receipt of capital works grant for Council's water treatment plant offset by a reduction of \$2.4 million financial assistance grant.

The Council received additional roads and bridges grants to complete the road maintenance. Earlier receipt of financial assistance grant in 2016–17 decreased the current year's grant revenue.

Council's total expenses decreased by \$0.9 million mainly due to a decrease in materials and contracts costs.

Operating result improved from prior year by \$1.6 million due to increased total revenue and decreased total expense.

BALANCE SHEET

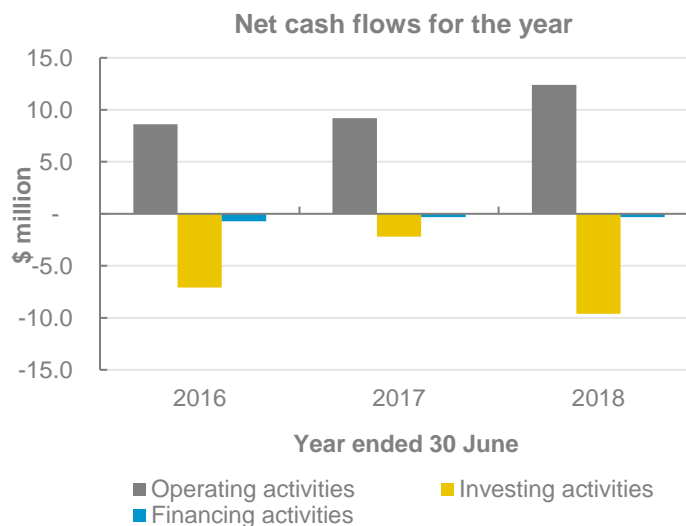
	2018 \$m	2017 \$m	Variation \$m	Variation %
Current assets	22.7	18.4	4.3	↑ 23.4
Non-current assets	297.3	297.4	-0.1	↓ 0.03
TOTAL ASSETS	320	315.8	4.2	↑ 1.3
TOTAL LIABILITIES	5.6	5.5	0.1	↑ 1.8
NET ASSETS	314.4	310.3	4.1	↑ 1.3

Increases in current assets, total assets and net assets (approximately \$4.0 million) was mainly due to increased cash and investments from positive operating result.

Non-current assets and total liabilities remained consistent with the previous year.

CASH FLOWS

- The Council reported positive operating cash flows in the past three years.
- Increasing investing cash outflows represents acquisition of \$7.9 million infrastructure assets and \$2.0 million investment securities in 2018–19.



CASH POSITION

Cash and Investments	2018 \$m	2017 \$m	Commentary
Externally restricted	7.1	7.3	The increase in internally unrestricted funds was due to Council increasing the road works reserve by \$1.9 million.
Internally restricted	9.1	5.7	
Unrestricted	2.7	1.3	Cash and investments increased by \$4.6 million mainly due to the positive operating result for the year.
Cash and investments	18.9	14.3	

COUNCIL'S PERFORMANCE RATIOS FOR 30 JUNE 2018

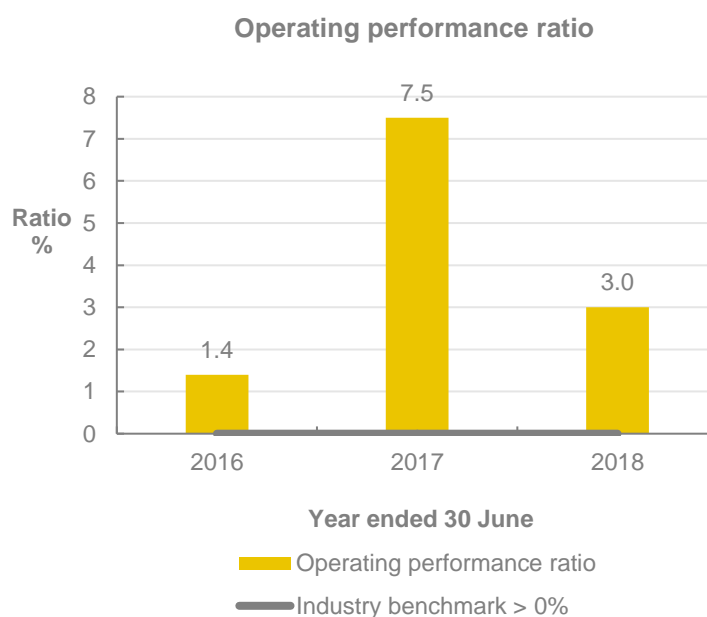
I provide a summary of outcomes and analysis of the Council's key performance ratios for the year ended 30 June 2018 below:

Performance ratio	Outcome	Reference
Operating performance ratio	Achieved	<u>1</u>
Own source operating revenue ratio	Not Achieved	<u>2</u>
Unrestricted current ratio	Achieved	<u>3</u>
Debt service cover ratio	Achieved	<u>4</u>
Rates and annual charges cover ratio	Achieved	<u>5</u>
Cash expense cover ratio	Achieved	<u>6</u>
Building and infrastructure renewals ratio	Not Achieved	<u>7</u>

The ratios and the definitions (except for the 'building and infrastructure renewals ratio') are reported in Note 21 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

1. Operating performance ratio (operating margin to operating revenue)

- Council achieved the benchmark and reported positive operating performance ratio for 30 June 2018 and for the past two years
- In 2016–17 Council received \$2.9 million Financial Assistance Grants in advance as a result decreasing the 2017–18 operating performance ratio.

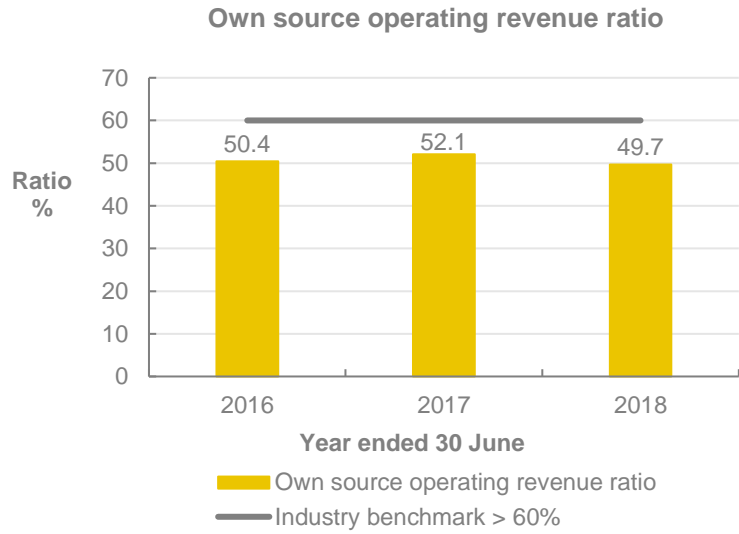


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements).

The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

2. Own source operating revenue ratio (own funding to total funding)

- Council did not meet the own source operating revenue ratio benchmark for 30 June 2018.
- It continues to track below the benchmark of 60 per cent because of a low rate revenue base
- The own source operating revenue ratio has not met the benchmark for the past three years.

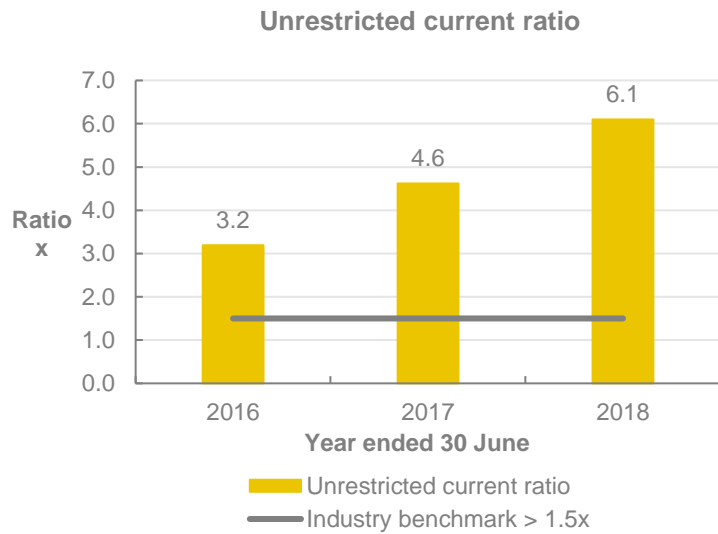


The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions.

The benchmark set by OLG is greater than 60 per cent.

3. Unrestricted current ratio (unrestricted cash to liabilities)

- Council met the unrestricted current ratio benchmark for 30 June 2018.
- It continued to improve and exceed the unrestricted current ratio benchmark for the past two years
- The Council will be able to meet its short-term obligations as and when they fall due.

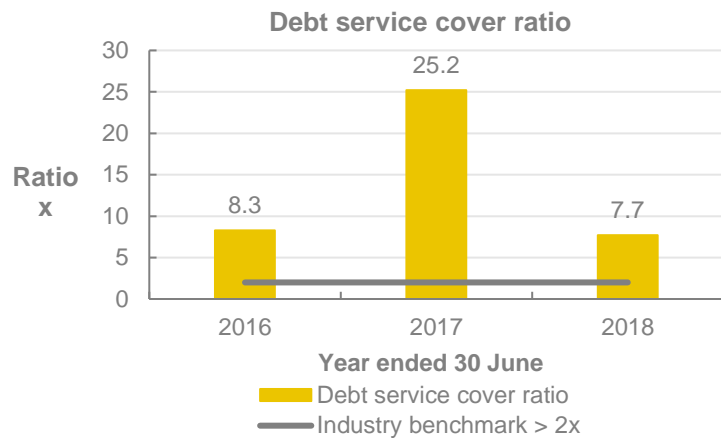


The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due.

The benchmark set by OLG is greater than 1.5 times.

4. Debt service cover ratio (operating cash to loan obligations)

- Council met the debt service cover ratio benchmark for 30 June 2018.
- It continued to exceed by a good margin the debt service cover ratio benchmark for the past two years
- The ratio decreased this year due to an increase in loan repayments this year.

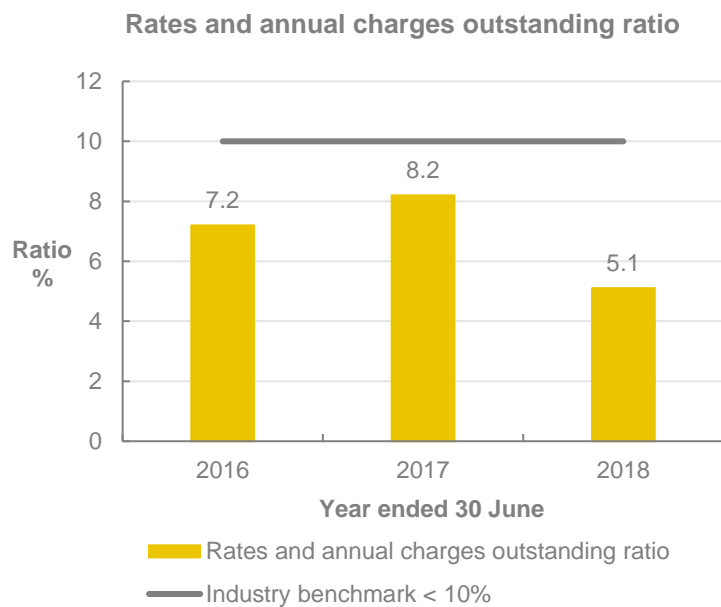


The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments.

The benchmark set by OLG is greater than two times.

5. Rates and annual charges outstanding ratio (uncollected rates to total rates)

- Council achieved the rates and annual charges outstanding ratio benchmark for 30 June 2018.
- It met the benchmark for the past two years.
- The collection procedures of the Council operated effectively to collect approximately 95 per cent of the rates and annual charges revenue within the receivable dates.

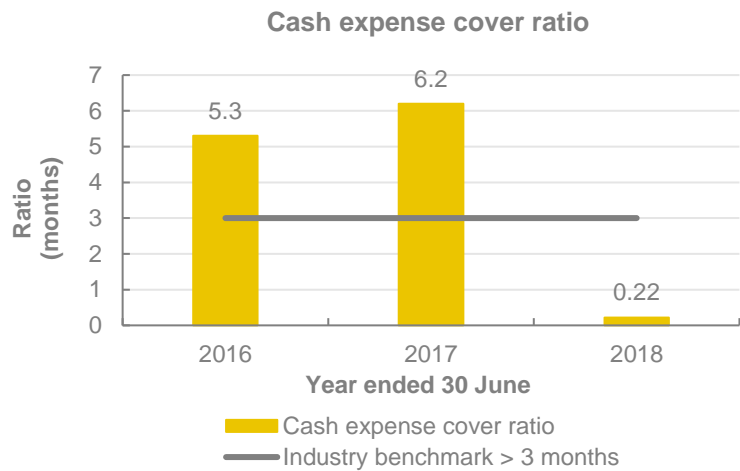


The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The benchmark set by OLG is less than 10 per cent for regional and rural councils.

6. Cash expense cover ratio (cash balance to monthly outgoings)

- Council met the cash expense cover ratio benchmark for 30 June 2018.
- It exceeded the benchmark of 3 months for the past two years
- It will be able to meet its immediate expenses for more than ten months without additional cash inflows.

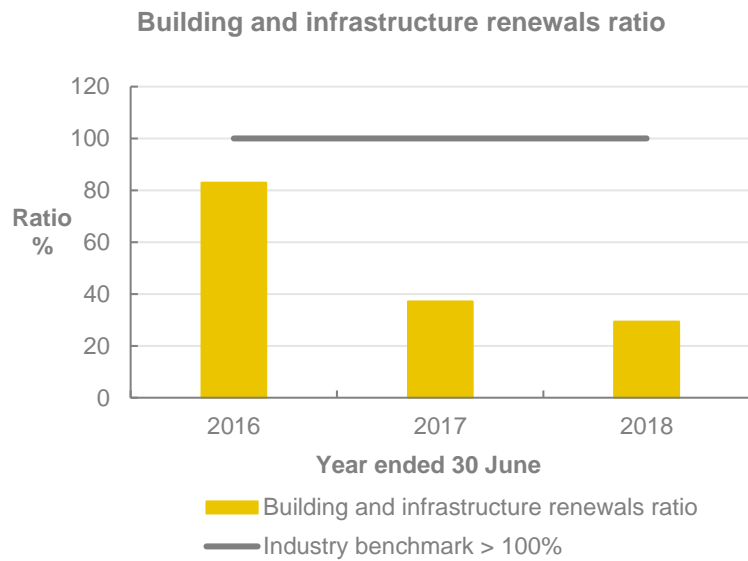


The cash expense cover ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow.

The benchmark set by OLG is greater than three months.

7. Building and infrastructure renewals ratio (unaudited)

- Council did not meet the building and infrastructure renewals ratio benchmark for 30 June 2018.
- It did not meet the benchmark in the past two years.
- The building and infrastructure renewals ratio has also declined in the last three years.



The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating.

The benchmark set by OLG is greater than 100 per cent.

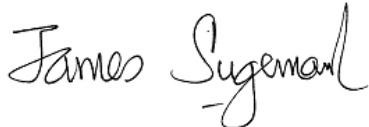
This ratio is sourced from council's Special Schedule 7 which has not been audited.

OTHER MATTERS

Legislative compliance

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

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



James Sugumar
Director, Financial Audit Services

cc: Mr Peter Vlatko, General Manager
Mr Kym Miller, Director Finance and Community Services
Mr Tim Hurst, Chief Executive, Office of Local Government