

Cobar Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

General Purpose Financial Statements

for the year ended 30 June 2019

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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 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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:

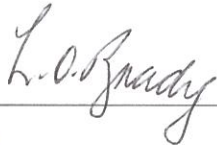
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

To the best of our knowledge and belief, these 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 24 October 2019.



Lilliane Brady
Mayor
24 October 2019



Peter Abbott
Councillor
24 October 2019



Peter Vlatko
General Manager
24 October 2019



Kym Miller
Responsible Accounting Officer
24 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Income from continuing operations				
<u>Revenue:</u>				
6,203	Rates and annual charges	3a	6,192	5,888
17,424	User charges and fees	3b	16,548	13,843
371	Interest and investment revenue	3c	515	427
–	Other revenues	3d	518	439
11,453	Grants and contributions provided for operating purposes	3e,3f	11,486	12,022
14,250	Grants and contributions provided for capital purposes	3e,3f	10,701	4,487
<u>Other income:</u>				
–	Net gains from the disposal of assets		85	58
–	Net share of interests in joint ventures and associates using the equity method	11	3,733	–
49,701	Total income from continuing operations		49,778	37,164
Expenses from continuing operations				
13,202	Employee benefits and on-costs	4a	13,564	12,942
72	Borrowing costs	4b	83	100
10,863	Materials and contracts	4c	10,830	8,368
6,545	Depreciation and amortisation	4d	6,394	6,629
5,146	Other expenses	4e	3,690	3,713
–	Write off of asset	4d	587	–
35,828	Total expenses from continuing operations		35,148	31,752
13,873	Operating result from continuing operations		14,630	5,412
13,873	Net operating result for the year		14,630	5,412
13,873	Net operating result attributable to Council		14,630	5,412
(377)	Net operating result for the year before grants and contributions provided for capital purposes		3,929	925

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Net operating result for the year (as per Income Statement)		14,630	5,412
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	7	39,083	(2,177)
Total items which will not be reclassified subsequently to the operating result		39,083	(2,177)
Amounts which 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		39,083	(1,440)
Total comprehensive income for the year		53,713	3,972
Total comprehensive income attributable to Council		53,713	3,972

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalent assets	5(a)	10,546	12,865
Investments	5(b)	13,000	6,000
Receivables	6	3,680	2,748
Inventories		1,111	1,081
Total current assets		<u>28,337</u>	<u>22,694</u>
Non-current assets			
Receivables	6	160	51
Infrastructure, property, plant and equipment	7	342,413	297,213
Investments accounted for using the equity method	11	3,733	–
Total non-current assets		<u>346,306</u>	<u>297,264</u>
TOTAL ASSETS		<u>374,643</u>	<u>319,958</u>
LIABILITIES			
Current liabilities			
Payables	8	3,048	1,790
Income received in advance	8	151	222
Borrowings	8	196	250
Provisions	9	2,228	2,208
Total current liabilities		<u>5,623</u>	<u>4,470</u>
Non-current liabilities			
Borrowings	8	834	1,030
Provisions	9	146	131
Total non-current liabilities		<u>980</u>	<u>1,161</u>
TOTAL LIABILITIES		<u>6,603</u>	<u>5,631</u>
Net assets		<u>368,040</u>	<u>314,327</u>
EQUITY			
Accumulated surplus		112,309	97,679
Revaluation reserves		255,731	216,648
Total equity		<u>368,040</u>	<u>314,327</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		97,679	216,648	314,327	91,530	218,825	310,355
Net operating result for the year		14,630	–	14,630	5,412	–	5,412
Other comprehensive income							
– Changes in accounting policies – RFS Vested Assets		–	–	–	743	–	743
– Gain (loss) on revaluation of IPP&E	7	–	39,083	39,083	–	(2,177)	(2,177)
– Other movements		–	–	–	(6)	–	(6)
Other comprehensive income		–	39,083	39,083	737	(2,177)	(1,440)
Total comprehensive income		14,630	39,083	53,713	6,149	(2,177)	3,972
Equity – balance at end of the reporting period		112,309	255,731	368,040	97,679	216,648	314,327

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
6,200	Rates and annual charges		5,903	6,100
17,425	User charges and fees		16,998	12,253
371	Investment and interest revenue received		438	300
25,703	Grants and contributions		21,933	18,010
–	Other revenues		2,019	1,005
<u>Payments</u>				
(13,200)	Employee benefits and on-costs		(13,585)	(12,866)
(10,860)	Materials and contracts		(11,018)	(7,870)
(100)	Borrowing costs		(83)	(100)
–	Bonds, deposits and retention amounts refunded		–	(30)
(7,766)	Other Expenses		(4,661)	(3,792)
17,773	Net cash provided (or used in) operating activities	10	17,944	13,010
Cash flows from investing activities				
<u>Receipts</u>				
10,000	Sale of investment securities		40,406	33,037
300	Sale of infrastructure, property, plant and equipment		136	346
<u>Payments</u>				
(7,984)	Purchase of investment securities		(45,005)	(35,654)
(22,847)	Purchase of infrastructure, property, plant and equipment		(15,550)	(7,867)
(20,531)	Net cash provided (or used in) investing activities		(20,013)	(10,138)
Cash flows from financing activities				
<u>Receipts</u>				
–	Proceeds from borrowings and advances		–	1,000
<u>Payments</u>				
(204)	Repayment of borrowings and advances		(196)	(1,184)
(54)	Repayment of finance lease liabilities		(54)	(92)
(258)	Net cash flow provided (used in) financing activities		(250)	(276)
(3,016)	Net increase/(decrease) in cash and cash equivalents		(2,319)	2,596
10,984	Plus: cash and cash equivalents – beginning of year		12,865	10,269
7,968	Cash and cash equivalents – end of the year		10,546	12,865
Additional Information:				
14,000	plus: Investments on hand – end of year	5(b)	13,000	6,000
21,968	Total cash, cash equivalents and investments		23,546	18,865

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 October 2019. 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.

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.

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

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

The financial instruments held by Cobar Shire Council are Debtors, Cash on Hand, Cash at Bank and Term Deposits. The classification of these financial assets remain consistent between the former standard (AASB 139) and the new standard AASB 9.

Due to the types of financial instruments held by Cobar Shire Council, this standard did not have any material effect on Council's Financial Statements.

(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.

(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:

- (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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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.

The consolidated fund has been included in the Council's financial statements.

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

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council). Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 *Leases* (AASB 16) is effective from reporting periods commencing on or after 1 January 2019.

For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.

Council will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. Council will also adopt the practical expedient whereby the fair value of the right-of-use asset will be the same as the lease liability at 1 July 2019.

Based on the impact assessments Council has undertaken on currently available information being the life of the agreements, Council estimates additional lease liabilities of \$170,833 and right-of-use assets of \$170,883 will be recognised as at 1 July 2019 for leases in which Council is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability.

AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits

AASB 15 *Revenue from Contracts with Customers* (AASB 15) is effective for reporting periods commencing on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which Council expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 *Revenue* (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 *Contributions* (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, Council will need to determine whether a transaction is consideration received below fair value principally to enable Council to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

The standards will result in the identification of separate performance obligations that may change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies.

The adoption of these standards will primarily result in the recognition of increased liabilities reported on the Statement of Financial Position, predominately consisting of contract liabilities.

Under AASB 1058, Council will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by Council.

Council will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.

Based on the impact assessments Council has undertaken on currently available information, Council estimates that the adoption of AASB 15 and AASB 1058 will result in the deferral of revenue and recognition of contractual liabilities and capital grant obligations of \$1.4million, with a corresponding decrease in accumulated funds of \$1.4million.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Governance	3	3	915	578	(912)	(575)	–	–	–	–
Corporate support	3,038	1,955	3,475	1,483	(437)	472	712	43	23,769	20,864
Public order & safety	146	481	583	478	(437)	3	124	446	2,128	1,868
Public health	76	153	345	431	(269)	(278)	49	–	–	–
Environment	1,220	815	946	765	274	50	–	51	–	–
Community services & education	7,045	5,056	6,708	5,048	337	8	2,866	4,167	9,593	8,421
Housing & community amenities	236	277	500	743	(264)	(466)	8	–	6,561	5,759
Recreation & culture	2,349	768	1,766	2,898	583	(2,130)	2,150	338	17,917	15,727
Mining & Manufacture	110	12	39	60	71	(48)	–	–	–	–
Transport & communication	13,376	11,013	14,318	13,703	(942)	(2,690)	3,267	2,684	270,011	237,014
Economic affairs	643	860	1,141	1,295	(498)	(435)	34	109	–	–
General purpose revenues	7,003	7,710	–	–	7,003	7,710	4,102	4,779	–	–
Water	9,802	7,106	3,365	3,229	6,437	3,877	6,656	3,637	26,227	15,585
Sewer	998	955	1,047	1,041	(49)	(86)	70	27	14,262	14,332
Other	–	–	–	–	–	–	–	(1,630)	442	388
Joint Arrangements	3,733	–	–	–	3,733	–	–	–	3,733	–
Total functions and activities	49,778	37,164	35,148	31,752	14,630	5,412	20,038	14,651	374,643	319,958

Notes to the Financial Statements

for the year ended 30 June 2019

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.

General Purpose revenues

Includes Councils Financial Assistance Grant.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Water

Includes Councils water filtration operations and potable and raw water supply.

Sewer

Includes Councils sewer treatment operations and effluent supply.

Joint Arrangements

Includes interest in Far North West Joint Organisation.

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	1,191	1,160
Farmland	696	677
Mining	1,728	1,531
Business	409	394
Less: pensioner rebates (mandatory)	(67)	(67)
Rates levied to ratepayers	3,957	3,695
Pensioner rate subsidies received	36	37
Total ordinary rates	3,993	3,732
Special rates		
Water supplies	795	783
Sewerage services	827	835
Less: pensioner rebates (Council policy)	(41)	(65)
Rates levied to ratepayers	1,581	1,553
Pensioner rate subsidies received:		
– Water	12	12
– Sewerage	10	10
Total special rates	1,603	1,575
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	596	581
Annual charges levied	596	581
Total annual charges	596	581
TOTAL RATES AND ANNUAL CHARGES	6,192	5,888

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	2,281	2,663
Sewerage services	19	14
Waste management services (non-domestic)	180	124
Total specific user charges	2,480	2,801
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	98	98
Private works – section 67	291	475
Other	110	76
Cobar Water Board service fee	286	279
Total fees and charges – statutory/regulatory	785	928
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	56	–
Aged care	3,287	2,839
Caravan park	116	142
Childrens' Services	509	180
RMS (formerly RTA) charges (state roads not controlled by Council)	8,095	5,947
Rent and hire of non-investment property	391	297
Other	829	709
Total fees and charges – other	13,283	10,114
TOTAL USER CHARGES AND FEES	16,548	13,843

Accounting policy for user charges and fees

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

In 2017/18 Aged care was recognised as grant revenue. It has been reclassified this year and is recognised as user fees and charges.

(c) Interest and investment revenue (including losses)**Interest on financial assets measured at amortised cost**

– Overdue rates and annual charges (incl. special purpose rates)	65	46
– Cash and investments	377	286
– Other	73	95
TOTAL INTEREST AND INVESTMENT REVENUE	515	427

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	65	46
General Council cash and investments	340	260
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	6	5
– Section 64	1	2
Water fund operations	54	58
Sewerage fund operations	49	56
Total interest and investment revenue	515	427

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Other revenues

Fines	7	–
Legal fees recovery – rates and charges (extra charges)	30	47
Commissions and agency fees	156	154
Diesel rebate	97	70
Reimbursements	20	–
Other	208	168
TOTAL OTHER REVENUE	518	439

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.

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.

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.

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,017	1,933	–	–
Financial assistance – local roads component	857	839	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,086	1,995	–	–
Financial assistance – local roads component	894	851	–	–
Total general purpose	5,854	5,618	–	–
Specific purpose				
Water supplies	20	–	6,636	3,625
Sewerage services	4	–	66	–
Childrens services	2,068	2,026	–	–
NSW Rural Fire Services	124	–	–	–
Recreation and culture	–	–	2,463	–
Flood and drought damage restoration	456	296	712	–
Transport	878	1,523	–	–
Regional Roads Repair Program	–	400	–	–
Fixing country roads	–	–	26	135
Youth services	35	–	299	–
Other	253	421	144	607
Total specific purpose	3,838	4,666	10,346	4,367
Total grants	9,692	10,284	10,346	4,367
Grant revenue is attributable to:				
– Commonwealth funding	7,922	11,344	65	186
– State funding	1,770	1,080	8,856	4,180
– Other funding	–	(2,140)	1,425	1
	9,692	10,284	10,346	4,367

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
Developer contributions		54	33	355	120
Total developer contributions	18	54	33	355	120
Other contributions:					
Cash contributions					
RMS contributions (regional roads)		1,740	1,705	–	–
Total other contributions		1,740	1,705	–	–
Total contributions		1,794	1,738	355	120

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
TOTAL GRANTS AND CONTRIBUTIONS		11,486	12,022	10,701	4,487

Accounting policy for grants and 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 below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

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

A 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.

\$ '000	2019	2018
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(g) 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	24	1,599
Add: operating grants recognised in the current period but not yet spent	10	24
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(24)	(1,599)
Unexpended and held as restricted assets (operating grants)	10	24

Note 4. Expenses from continuing operations

\$ '000	2019	2018
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(a) Employee benefits and on-costs

Salaries and wages	10,695	10,077
Employee leave entitlements (ELE)	1,095	1,107
Superannuation	915	894
Superannuation – defined benefit plans	70	48
Workers' compensation insurance	669	656
Other	349	373
Total employee costs	13,793	13,155

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Less: capitalised costs	(229)	(213)
TOTAL EMPLOYEE COSTS EXPENSED	13,564	12,942

Number of 'full-time equivalent' employees (FTE) at year end	135	142
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	139	148

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, 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.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	82	93
Charges relating to finance leases	1	7
Total interest bearing liability costs expensed	83	100

(ii) Other borrowing costs

Fair value adjustments on recognition of advances and deferred debtors

Total other borrowing costs	–	–
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TOTAL BORROWING COSTS EXPENSED

83	100
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Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

\$ '000	2019	2018
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(c) Materials and contracts

Raw materials and consumables	18,180	6,828
Information technology	86	84
Printing and copy services	88	69
Roadworks (pavement stabilisation)	639	213
Roadworks (spray sealing)	3,388	1,808
Swimming pool	213	193
Other contractor and consultancy costs	–	51
Auditors remuneration ²	67	66
Legal expenses:		
– Legal expenses: debt recovery	27	57

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
– Legal expenses: other	57	13
Other	–	713
Total materials and contracts	22,745	10,095
Less: capitalised costs	(11,915)	(1,727)
TOTAL MATERIALS AND CONTRACTS	10,830	8,368

Accounting policy for operating leases

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

2. Auditor remuneration

During the year, the following fees were incurred 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	67	66
Remuneration for audit and other assurance services	67	66
Total Auditor-General remuneration	67	66

\$ '000	2019	2018
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(d) Depreciation, amortisation and impairment of intangible assets and IPP&E**Depreciation and amortisation**

Plant and equipment	932	932
Office equipment	42	36
Furniture and fittings	6	2
Property, plant and equipment – leased	–	21
Land improvements (depreciable)	99	98
Rural Fire Service – Vested Assets	106	89
Infrastructure:		
– Buildings – non-specialised	163	226
– Buildings – specialised	405	499
– Other structures	16	43
– Roads	3,677	3,645
– Stormwater drainage	77	64
– Water supply network	271	353
– Sewerage network	363	366
– Other open space/recreational assets	195	188
Other assets:		
– Library books	40	66
– Other	2	1
Total depreciation and amortisation costs	6,394	6,629

Write off of Asset**Infrastructure:**

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
– Buildings – specialised	587	–
Total write off of asset	587	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		
	6,981	6,629

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**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

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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.

a) 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.

b) Current year write off of asset occurred due to Council resolution to demolish the RFS Shed built in 2015.

\$ '000	2019	2018
(e) Other expenses		
Bad and doubtful debts	255	102
Child care	1,939	1,549
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	8	10
– NSW fire brigade levy	24	26
– NSW rural fire service levy	166	171
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	138	139
Councillors' expenses (incl. mayor) – other (excluding fees above)	27	18
Election expenses	34	–
Electricity and heating	–	355
Fire control expenses	137	84
Insurance	133	415
Licenses	77	86
Street lighting	194	151
Telephone and communications	178	175
Service level reviews	–	93
Other	354	314
TOTAL OTHER EXPENSES	3,690	3,713

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

Accounting policy for other expenses

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

Note 5(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	16	9
Cash-equivalent assets		
– Deposits at call	5,530	1,856
– Short-term deposits	5,000	11,000
Total cash and cash equivalents	10,546	12,865

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

Note 5(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	13,000	–	6,000	–
Total Investments	13,000	–	6,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	23,546	–	18,865	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

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.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 6) and receivables (Note 6) 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.

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.

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.

Impairment of available for sale investments

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

Note 5(c). Restricted cash, cash equivalents and investments – details

\$ '000	2019 Current	2018 Current
Total cash, cash equivalents and investments	23,546	18,865

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5(c). Restricted cash, cash equivalents and investments – details (continued)

\$ '000	2019 Current	2018 Current
attributable to:		
External restrictions	10,211	7,088
Internal restrictions	6,971	9,091
Unrestricted	6,364	2,686
	<u>23,546</u>	<u>18,865</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions

Developer contributions – general	623	447
Developer contributions – water fund	77	29
Developer contributions – sewer fund	171	110
Specific purpose unexpended grants	2,351	24
Water supplies	2,936	2,680
Sewerage services	2,503	2,352
Domestic waste management	1,550	1,446
Total external restrictions	<u>10,211</u>	<u>7,088</u>

Internal restrictions

Plant and vehicle replacement	1,162	834
Recreational Assets	85	436
Employees leave entitlement	444	342
Children's services	–	247
Cobar youth council	–	9
Computer and IT	–	228
Depot upgrade	628	396
Financial assistance grant – advance for 18/19	2,980	2,846
Road works – shire roads	433	2,278
Truck wash	–	600
Building Improvements	679	687
Operating Projects	168	128
Footpaths & Disability	190	60
Land	202	–
Total internal restrictions	<u>6,971</u>	<u>9,091</u>

TOTAL RESTRICTIONS

<u>17,182</u>	<u>16,179</u>
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Note 6. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	426	684	283	286
Interest and extra charges	84	151	70	116
User charges and fees	909	–	160	52
Accrued revenues				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6. Receivables (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
– Interest on investments	131	–	103	–
– Other income accruals	1,029	–	1,155	20
Government grants and subsidies	1,101	–	847	–
Net GST receivable	–	–	128	–
Other debtors	–	–	2	–
Total	3,680	835	2,748	474
Less: provision of impairment				
Rates and annual charges	–	(675)	–	(423)
Total provision for impairment – receivables	–	(675)	–	(423)
TOTAL NET RECEIVABLES	3,680	160	2,748	51

\$ '000	2019	2018
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	423	321
+ new provisions recognised during the year	252	102
Balance at the end of the period	675	423

Accounting policy for receivables**Recognition and measurement**

Receivables 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.

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.

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6. Receivables (continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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 ongoing basis. Debts that are known to be uncollectable 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 the 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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period									as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount	
Capital work in progress	6,920	–	6,920	–	8,696	(43)	–	–	(2,290)	–	–	13,283	–	13,283	
Plant and equipment	15,526	(10,681)	4,845	–	1,203	(373)	(1,038)	–	551	–	–	16,843	(11,655)	5,188	
Office equipment	1,429	(1,334)	95	–	112	–	(42)	–	–	–	–	1,541	(1,376)	165	
Furniture and fittings	203	(118)	85	–	22	–	(6)	–	–	–	–	225	(124)	101	
Plant and equipment (under finance lease)	487	(185)	302	–	–	–	–	–	(302)	–	–	–	–	–	
Land:															
– Operational land	3,757	–	3,757	–	76	–	–	–	–	–	–	3,833	–	3,833	
– Community land	2,829	–	2,829	–	–	–	–	–	–	–	–	2,829	–	2,829	
Land improvements – depreciable	4,849	(1,423)	3,426	195	–	–	(99)	–	–	–	–	5,044	(1,522)	3,522	
Infrastructure:															
– Buildings – non-specialised	9,164	(4,288)	4,876	56	–	–	(163)	–	–	(32)	127	9,187	(4,323)	4,864	
– Buildings – specialised	31,436	(14,484)	16,952	–	976	–	(405)	(587)	–	(610)	838	32,663	(15,499)	17,164	
– Other structures	1,171	(602)	569	–	–	–	(16)	–	–	–	–	1,171	(618)	553	
– Roads	261,493	(54,123)	207,370	2,022	732	–	(3,677)	–	–	–	38,406	291,802	(46,949)	244,853	
– Bulk earthworks (non-depreciable)	14,031	–	14,031	–	–	–	–	–	–	–	–	14,031	–	14,031	
– Stormwater drainage	8,022	(2,889)	5,133	–	–	–	(77)	–	–	–	–	8,022	(2,966)	5,056	
– Water supply network	28,464	(17,287)	11,177	38	–	–	(271)	–	–	(280)	456	28,959	(17,839)	11,120	
– Sewerage network	19,105	(8,151)	10,954	383	133	–	(363)	–	–	(136)	314	19,935	(8,650)	11,285	
– Other open space/recreational assets	6,610	(2,761)	3,849	–	878	–	(195)	–	–	–	–	7,455	(2,923)	4,532	
Other assets:															
– Library books	686	(678)	8	–	33	–	(40)	–	–	–	–	719	(718)	1	
– Other	55	(20)	35	–	–	–	(2)	–	–	–	–	55	(22)	33	
Total Infrastructure, property, plant and equipment	416,237	(119,024)	297,213	2,694	12,861	(416)	(6,394)	(587)	(2,041)	(1,058)	40,141	457,597	(115,184)	342,413	

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	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	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 equipment	416,518	(119,110)	297,408	2,428	5,439	(147)	(6,629)	888	(2,634)	457	416,237	(119,024)	297,213

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. 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 comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council 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 Department of Industry (DoI) – Water unless revalued.

Increases in the carrying amounts arising on revaluation are credited to the 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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. 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 the Council will obtain ownership at the end of the lease term. 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	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Infrastructure, property, plant and equipment (continued)

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 firefighting 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 firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

Note 8. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	2,339	–	1,429	–
Accrued expenses:				
– Salaries and wages	209	–	197	–
– Other expenditure accruals	402	–	44	–
ATO – net GST payable	98	–	–	–
Miners' memorial	–	–	120	–
Total payables	3,048	–	1,790	–
Income received in advance				
Payments received in advance	151	–	222	–
Total income received in advance	151	–	222	–
Borrowings				
Loans – secured ¹	196	834	196	1,030
Finance lease liabilities	–	–	54	–
Total borrowings	196	834	250	1,030
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,395</u>	<u>834</u>	<u>2,262</u>	<u>1,030</u>

(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 14.

(a) Changes in liabilities arising from financing activities

as at
30/6/2018

as at
30/6/2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Payables and borrowings (continued)

\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	1,226	(196)	–	–	–	1,030
Finance lease liabilities	54	(54)	–	–	–	–
TOTAL	1,280	(250)	–	–	–	1,030

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	1,410	(184)	–	–	–	1,226	
Finance lease liabilities	146	(92)	–	–	–	54	
TOTAL	1,556	(276)	–	–	–	1,280	

\$ '000	2019	2018
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(b) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	60	60
Loan	2,030	2,226
Total financing arrangements	2,090	2,286

Drawn facilities as at balance date:

– Credit cards/purchase cards	16	16
– Lease facilities	–	54
– Loan	1,030	1,226
Total drawn financing arrangements	1,046	1,296

Undrawn facilities as at balance date:

– Credit cards/purchase cards	44	44
– Lease facilities	–	(54)
– Loan	1,000	1,000
Total undrawn financing arrangements	1,044	990

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

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 drawdown occurs. To the extent that there is no evidence that

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Payables and borrowings (continued)

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 assets 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.

Note 9. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	949	–	981	–
Long service leave	1,183	87	1,142	72
Time in lieu	96	–	85	–
Sub-total – aggregate employee benefits	2,228	87	2,208	72
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	59	–	59
Sub-total – asset remediation/restoration	–	59	–	59
<u>TOTAL PROVISIONS</u>	<u>2,228</u>	<u>146</u>	<u>2,208</u>	<u>131</u>

\$ '000	2019	2018
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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	1,800	1,546
	<u>1,800</u>	<u>1,546</u>

Nature and purpose of non-employee benefit provisions**Asset remediation**

Council has a legal/public/constructive obligation to restore and rehabilitate the council tip and quarry at the end of their useful lives. The council has not recognised a provision for remediation and monitoring costs post closure for these sites as the council currently progressively rehabilitates these sites and expenses these costs as incurred. Any additional expenditure required at the end of the useful life of these sites is unable to be reliably estimated due to the significant length of time until these assets

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Provisions (continued)

reach the end of their useful lives. In addition, the council believes that any such expenditure discounted to its present value would be immaterial to the financial position of the council at 30 June 2019.

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.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

Note 10. Statement of cash flows - additional information

\$ '000	2019	2018
Reconciliation of net operating result to cash provided from operating activities		
Net operating result from Income Statement	14,630	5,412
Adjust for non-cash items:		

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Statement of cash flows - additional information (continued)

\$ '000	2019	2018
Depreciation and amortisation	6,394	6,629
Net losses/(gains) on disposal of assets	(85)	(58)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	587	–
Share of net (profits)/losses of associates/joint ventures using the equity method	(3,733)	–
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(1,293)	457
Increase/(decrease) in provision for impairment of receivables	252	102
Decrease/(increase) in inventories	(30)	(60)
Decrease/(increase) in other current assets	–	42
Increase/(decrease) in payables	910	558
Increase/(decrease) in other accrued expenses payable	370	(121)
Increase/(decrease) in other liabilities	(93)	(35)
Increase/(decrease) in provision for employee benefits	35	84
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	17,944	13,010

Note 11. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Associates	3,733	–	3,733	–
Total	3,733	–	3,733	–

Interest in Joint Arrangements

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Council is a member of the Far North West Joint Organisation of Councils (FNWJO). Details of Council's membership and participation is as follows:

Legal Status of Joint Organisation

The FNWJO is a separately constituted entity pursuant to Part 7 (Sections 4000O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government {General} Regulation 2008. The charter of the FNWJO can be found here: <https://www.farnorthwestjo.nsw.gov.au/f.ashx/%24341338%24Far-North-West-JO-Charter.pdf>

The FNWJO was formed in July 2018 and has the same year end date as the Council.

What the Joint Organisation does

The principle purpose of the FNWJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

Joint Organisation Participants

The percentage of ownership interest held is equivalent to the percentage voting rights for all associates as follows:

FNWJO comprises the Councils of Shires Cobar, Bourke and Walgett in north western NSW. The Board of the FNWJO comprises of 3 voting members being the Mayors of the three member Councils, and non voting members being the General

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Interests in other entities (continued)

Managers of the Shires of Bourke and Walgett, as well as 3 appointed members from the State Government and Cabinet (non-voting). The General Manager of Cobar Shire Council was appointed as the acting Executive Officer of the Board (non-voting) in 2018-19.

Councils powers of control or influence over the Joint Organisation

Cobar Shire Council, as a member of the FNWJO, has one third voting right in respect to the decisions of the Board.

Councils financial obligation to the Joint Organisation

In accordance with the Charter each member of the FNWJO contributes annual fees towards the operation of the joint organisation. In 2018/2019 the contribution made by Cobar Shire Council was \$10,745.

Councils liability obligations in relation to the Joint Organisation

Members of the FNWJO are indemnified from liability for functions and duties carried out or omitted honestly, in good faith and with due care and diligence.

Liability for operational losses or winding up of the FNWJO

The FNWJO has engaged an Executive Officer on a standard local government contract for 3 years. The contract in the initial year (2019/20) is \$75,000. A provision has been provided for ELE and funding from the initial start up of the FNWJO and will cover the 3 year period.

All grant funding received and distributed through the FNWJO will have a 5% administration fee that will remain with the JO. The FNWJO recently signed a contract to provide an Air Service to the towns of Cobar, Bourke, Lightning Ridge and Walgett. The contract is Commercial-in-confidence and has a clause that safe guard Councils for any long term liability which is contained within the termination clause. The air service will be supported by funding provided to the FNWJO from the State Government.

There are no liability issues identified for Council in the short to medium term.

	Far North West Joint Organisation	\$'000
Equity Method		
Summarised Statement of Financial Position		
Cash and cash equivalents		12,227
Total Assets		12,227
Total Liabilities		
Net assets		11,199
Summarised Statement of Income and other Comprehensive Income		
Total Revenue and other income		14,185
Total Expenditure		-
Profit/(loss) from continuing operations		11,199
Other Comprehensive Income		-
Total Comprehensive Income		11,199
Summarised Statement of Cash Flows		
Cash flows from operating activities		11,186
Cash flows from investing activities		13
Net Increase/(Decrease) in cash and cash equivalents		11,199

Reconciliation of carrying amount of interest in associate to summarised financial information for associates accounted for using the equity method

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Interests in other entities (continued)

Cobar Shire Council's share of 33.33% of Net Assets	3,733
Carrying Amount	3,733

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

Note 12. Commitments

Operating and Capital Commitments

Council did not have any operating or capital commitments in 2018/19.

Note 13. Contingencies and other assets/liabilities 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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- 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.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors 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 (to the extent that they are not borne by members).

Description of the funding arrangements.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are sued to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) 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 Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 99,625.70. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$115,510.24.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* 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	5.75% 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED

(i) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,546	12,865	10,546	12,865
Receivables	3,840	2,799	3,840	2,799
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	13,000	6,000	13,000	6,000
Total financial assets	27,386	21,664	27,386	21,664
Financial liabilities				
Payables	3,048	1,790	3,048	1,790
Loans/advances	1,030	1,226	1,030	1,226
Lease liabilities	–	54	–	54
Total financial liabilities	4,078	3,070	4,078	3,070

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.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Financial risk management (continued)

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
 - **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
 - **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.
- Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	105	105	(105)	(105)
2018				
Possible impact of a 1% movement in interest rates	129	129	(129)	(129)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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.

Credit risk profile

Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	725	110	120	155	1,110

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2018						
Gross carrying amount	59	–	240	213	57	569

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	1,999	411	274	6	715	3,405
Expected loss rate (%)	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
ECL provision	16	3	2	–	6	27
2018						
Gross carrying amount	763	422	380	611	477	2,653
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(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 through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	–	3,048	–	–	3,048	3,048
Loans and advances	6.22%	–	267	891	–	1,158	1,030
Total financial liabilities		–	3,315	891	–	4,206	4,078

2018

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
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

Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

Note 15. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019	2019	2019	
	Budget	Actual	----- Variance -----	
REVENUES				
Rates and annual charges	6,203	6,192	(11)	0% U
User charges and fees	17,424	16,548	(876)	(5)% U
Interest and investment revenue	371	515	144	39% F
Cash balances were significantly higher due to underspent capital expenditure and a \$7m private works inflow.				
Other revenues	–	518	518	∞ F
Operating grants and contributions	11,453	11,486	33	0% F
Capital grants and contributions	14,250	10,701	(3,549)	(25)% U
These are simply timing issues with major grant funded projects. All planned grants will be received.				
Net gains from disposal of assets	–	85	85	∞ F
Joint ventures and associates – net profits	–	3,733	3,733	∞ F
EXPENSES				
Employee benefits and on-costs	13,202	13,564	(362)	(3)% U
Borrowing costs	72	83	(11)	(15)% U
While the budgeting for this item is an unfavourable variance, the amount is not material.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Materials and contracts	10,863	10,830	33	0% F
Depreciation and amortisation	6,545	6,394	151	2% F
Other expenses	5,146	3,690	1,456	28% F
This item was favourable due to an underspend on this budget line in two major contracts for the RMS which were predominately capital.				
Revaluation decrement / impairment of IPP&E	–	587	(587)	∞ U
No impairments were planned, it should be noted that this loss was externally funded.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	17,773	17,944	171	1% F
Net cash provided from (used in) investing activities	(20,531)	(20,013)	518	(3)% F
Net cash provided from (used in) financing activities	(258)	(250)	8	(3)% F

Note 16. Fair Value Measurement

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) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy			Total	
		Date of latest valuation	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						
	7					
Operational land		30/06/18	–	3,833	–	3,833
Community land		30/06/16	–	2,829	–	2,829

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Fair Value Measurement (continued)

2019	Notes	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	
Land improvements – depreciable		30/06/19	–	–	3,522	3,522
Non-specialised buildings		30/06/19	–	–	4,864	4,864
Specialised buildings		30/06/19	–	–	17,164	17,164
Other structures		30/06/16	–	–	553	553
Roads		30/06/19	–	–	244,853	244,853
Bulk earthworks (non-depreciable)		30/06/15	–	–	14,031	14,031
Stormwater drainage		30/06/18	–	–	5,056	5,056
Water supply network		30/06/19	–	–	11,120	11,120
Sewerage network		30/06/19	–	–	11,315	11,315
Library books		30/06/18	–	–	1	1
Other assets		N/A	–	–	33	33
Recreational Assets		N/A	–	–	4,532	4,532
Total infrastructure, property, plant and equipment			–	6,662	317,044	323,706

2018	Notes	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	7					
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			–	6,586	278,380	284,966

Note that capital WIP is not included above since it is carried at cost.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Fair Value Measurement (continued)

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

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

Level 2 inputs**Operational and Community land**

Operational, Crown & Community Land are based on the Land Value provided by the Valuer-General.

Level 3 inputs**Buildings - specialised and non-specialised**

Non Specialised & Specialised Buildings were valued by Australis Asset Advisory Group as at 30th June 2019, at Fair Value.

An independent valuation is conducted every five years.

Land improvements

Land improvements are valued at current replacement cost.

Other structures

The majority of this class of asset was valued by Australis Asset Advisory Groups at 30th June 2016 at Fair Value.

Infrastructure roads, bridges and footpaths

Valuation of roads was undertaken by Morrison Low as at 30 June 2019, based on the current written down value of the road assets within Council's network.

Stormwater, water and sewer infrastructure assets

Water Supply and Sewerage Network assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

Stormwater assets were valued by Morrison Low as at 30th June 2018, at Current Replacement Cost Assets within this class comprise pit, drains, pipes and culverts.

Library books

The library books are reported at fair value in the notes, however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets were based on invoices at the time of capitalisation.

Open spaces/recreational assets

Assets within this class comprise leisure and sporting equipment and facilities within cemeteries, parks, ovals sporting complexes and other recreational areas.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors. These assets have been classified as Level 3 valuation inputs.

There were no changes in valuation techniques from prior years.

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

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

\$ '000	Non-specialised buildings	Specialised buildings	Other structures	Roads	Bulk earthworks
2018					
Opening balance	5,770	18,903	612	208,179	14,031
Purchases (GBV)	108	106	-	2,835	-
Depreciation and impairment	(226)	(499)	(43)	(3,644)	-
Revaluation movements to ARR	(776)	(1,558)	-	-	-
Closing balance	4,876	16,952	569	207,370	14,031

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Fair Value Measurement (continued)

\$ '000	Non-specialised buildings	Specialised buildings	Other structures	Roads	Bulk earthworks
2019					
Opening balance	4,876	16,952	569	207,370	14,031
Purchases (GBV)	56	976	–	2,754	–
Depreciation and impairment	(163)	(405)	(29)	(3,677)	–
Transfers to Profit and Loss	–	(587)	13	38,406	–
Revaluation movements to ARR	95	228	–	–	–
Closing balance	4,864	17,164	553	244,853	14,031

\$ '000	Stormwater drainage	Water supply network	Sewerage network
2018			
Opening balance	4,741	11,330	11,297
Purchases (GBV)	–	200	23
Depreciation and impairment	(64)	(353)	(366)
Transfers to Profit and Loss	456	–	–
Closing balance	5,133	11,177	10,954
2019			
Opening balance	5,133	11,177	10,954
Purchases (GBV)	–	38	546
Depreciation and impairment	(77)	(271)	(363)
Transfers to Profit and Loss	–	176	178
Closing balance	5,056	11,120	11,315

\$ '000	Other assets	Recreation assets	Total
2018			
Opening balance	36	3,930	278,829
Purchases (GBV)	–	107	3,379
Depreciation and impairment	(1)	(188)	(5,384)
Transfers to Profit and Loss	–	–	456
Revaluation movements to ARR	–	–	(2,334)
Closing balance	35	3,849	274,946
2019			
Opening balance	35	3,849	274,946
Purchases (GBV)	–	878	5,248
Depreciation and impairment	(2)	(195)	(5,182)
Transfers to Profit and Loss	–	–	38,186
Revaluation movements to ARR	–	–	323
Closing balance	33	4,532	313,521

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

Valuation technique/s	Unobservable inputs
-----------------------	---------------------

Infrastructure, property, plant and equipment

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Specialised Buildings	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other Structures	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Roads, Bridges and Footpaths	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Bulk Earthworks	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Stormwater Drainage	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Water Supply	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Sewerage Network	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Library Books	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Recreational Assets	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value

(4) Highest and best use

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

Notes to the Financial Statements for the year ended 30 June 2019

Note 17. Related Party Transactions

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:

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,256	1,229
Total	1,256	1,229

Note 18. Statement of developer contributions

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

\$ '000	as at 30/6/2018					as at 30/6/2019	
	Opening Balance	Contributions received during the year Cash	Interest earned in year	Expenditure during year	Held as restricted asset	Cumulative internal borrowings due/(payable)	
Open space	10	–	–	–	10	–	
Community facilities	165	4	2	–	171	–	
S94 contributions 2012	137	258	3	–	398	–	
S7.11 contributions – under a plan	312	262	5	–	579	–	
Total S7.11 and S7.12 revenue under plans	312	262	5	–	579	–	

Notes to the Financial Statements
for the year ended 30 June 2019

Note 18. Statement of developer contributions (continued)

	as at 30/6/2018				as at 30/6/2019	
	Opening Balance	Contributions received during the year Cash	Interest earned in year	Expenditure during year	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000						
S64 contributions	135	95	1	(132)	99	–
S7.4 planning agreements	139	53	1	–	193	–
Total contributions	586	410	7	(132)	871	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Open space	10	–	–	–	10	–
Community facilities	165	4	2	–	171	–
S94 contributions 2012	137	258	3	–	398	–
Total	312	262	5	–	579	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	4,611	754	827
User charges and fees	14,174	2,318	56
Interest and investment revenue	412	54	49
Other revenues	518	–	–
Grants and contributions provided for operating purposes	11,416	56	14
Grants and contributions provided for capital purposes	3,999	6,636	66
Other income			
Net gains from disposal of assets	85	–	–
Share of interests in joint ventures and associates using the equity method	3,733	–	–
Total income from continuing operations	38,948	9,818	1,012
Expenses from continuing operations			
Employee benefits and on-costs	13,072	360	132
Borrowing costs	83	–	–
Materials and contracts	7,546	2,733	551
Depreciation and amortisation	5,760	271	363
Other expenses	3,690	–	–
Revaluation decrement /impairment of IPPE	587	–	–
Total expenses from continuing operations	30,738	3,364	1,046
Operating result from continuing operations	8,210	6,454	(34)
Net operating result for the year	8,210	6,454	(34)
Net operating result attributable to each council fund	8,210	6,454	(34)
Net operating result for the year before grants and contributions provided for capital purposes	4,211	(182)	(100)
NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.			
(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.			
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	4,859	3,013	2,674
Investments	13,000	–	–
Receivables	2,866	691	123
Inventories	993	118	–
Total current assets	21,718	3,822	2,797
Non-current assets			
Receivables	160	–	–
Infrastructure, property, plant and equipment	308,513	22,421	11,479
Investments accounted for using the equity method	3,733	–	–
Total non-current assets	312,406	22,421	11,479

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
TOTAL ASSETS	334,124	26,243	14,276
LIABILITIES			
Current liabilities			
Payables	2,331	663	54
Income received in advance	151	–	–
Borrowings	196	–	–
Provisions	2,228	–	–
Total current liabilities	4,906	663	54
Non-current liabilities			
Borrowings	834	–	–
Provisions	146	–	–
Total non-current liabilities	980	–	–
TOTAL LIABILITIES	5,886	663	54
Net assets	328,238	25,580	14,222
EQUITY			
Accumulated surplus	83,578	24,915	3,816
Revaluation reserves	244,660	665	10,406
Council equity interest	328,238	25,580	14,222
Total equity	328,238	25,580	14,222

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	698				
Total continuing operating revenue excluding capital grants and contributions ¹	35,259	1.98%	2.66%	7.48%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	23,715				
Total continuing operating revenue ¹	45,960	51.60%	55.35%	52.07%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	17,118				
Current liabilities less specific purpose liabilities	3,106	5.51x	6.07x	4.62x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,175				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	279	25.72x	5.52x	25.15x	>2.00x

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	670	10.21%	5.16%	8.21%	<10.00%
Rates, annual and extra charges collectible	6,561				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	23,546	9.56 mths	8.73 mths	6.60 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,462				

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3.15%	2.48%	(5.72)%	7.51%	(10.57)%	(10.03)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	55.96%	55.58%	31.84%	48.85%	92.09%	96.47%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.51x	6.07x	5.76x	6.83x	51.80x	350.71x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	24.46x	4.88x	∞	∞	∞	∞	>2.00x
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	13.45%	3.35%	0.00%	9.01%	0.00%	12.05%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.25	7.34	∞	11.31	∞	43.77	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

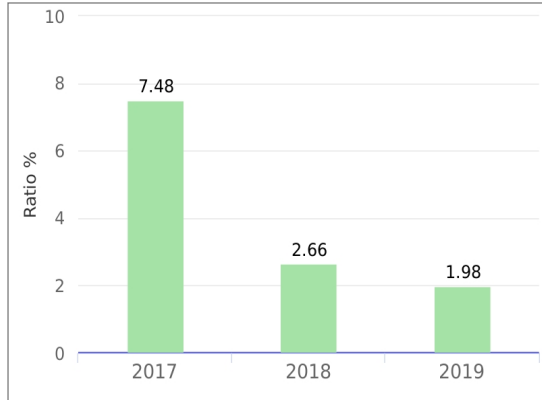
(1) - (2) Refer to Notes at Note 20a above.

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

Notes to the Financial Statements
for the year ended 30 June 2019

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 1.98%

The ratio achieved is within Council's comfort zone and exceeds adopted budget.

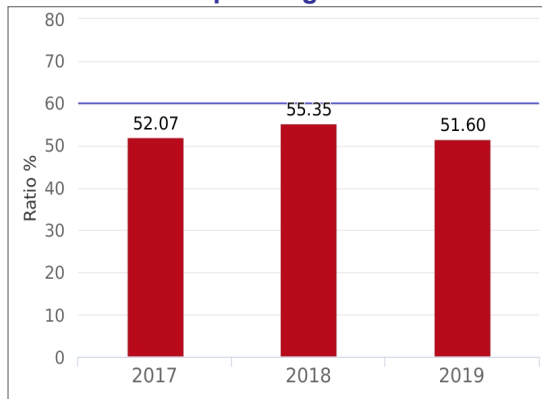
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (Green bar)

Ratio is outside benchmark (Red bar)

2. Own source operating revenue ratio



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 2018/19 result

2018/19 ratio 51.60%

The result is consistent with recent years and Council can operate viably at that level. 60% appears to be an erroneous target for this Council.

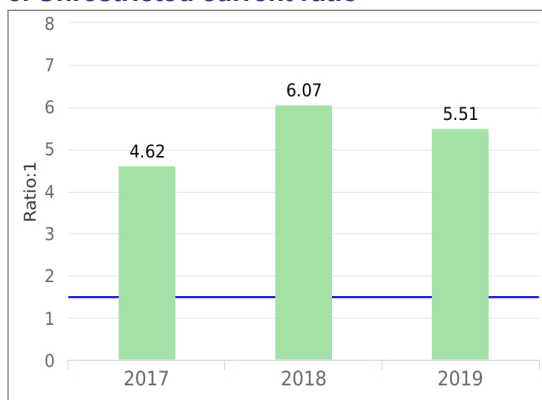
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (Green bar)

Ratio is outside benchmark (Red bar)

3. Unrestricted current ratio



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 2018/19 result

2018/19 ratio 5.51x

The bulk of unrestricted cash held is satisfactory. Council will continue to seek a balance between cash held and projects delivered.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

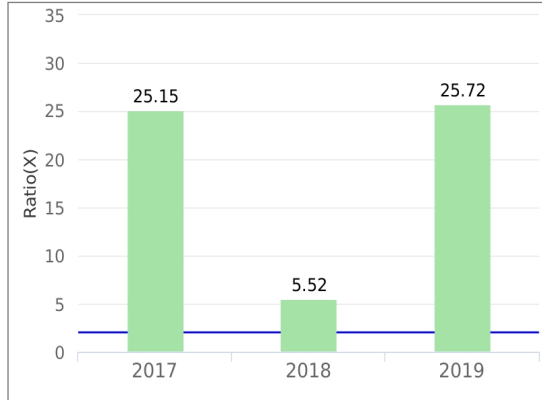
Ratio achieves benchmark (Green bar)

Ratio is outside benchmark (Red bar)

Notes to the Financial Statements
for the year ended 30 June 2019

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

4. Debt service cover ratio



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 2018/19 result

2018/19 ratio 25.72x

Council on balance does not seek to have much debt. It should always exceed the benchmark.

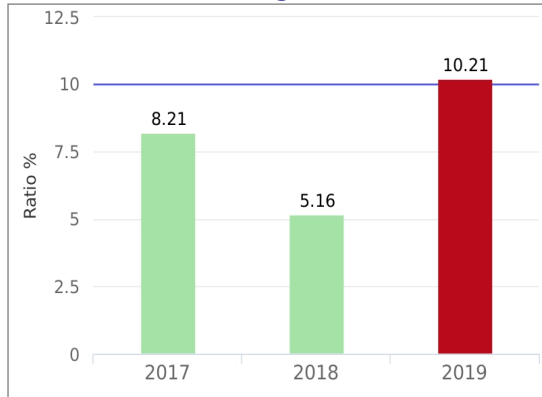
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 10.21%

This ratio is not satisfactory but has been impacted by the drought and two major rate debts. It appears that some of this will be received.

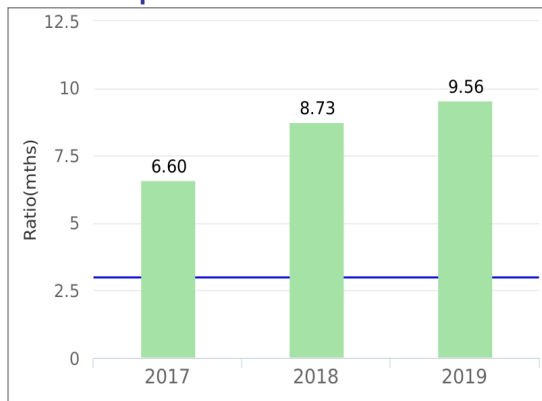
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

6. Cash expense cover ratio



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 2018/19 result

2018/19 ratio 9.56 mths

This ratio is satisfactory and not expected to deteriorate.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

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
Monday to Friday

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

Peter Vlatko

Auditors

Audit Office of NSW

Elected members

Mayor

Lilliane Brady

Councillors

Peter Abbott
Tracey King
Janine Lea-Barrett
Christopher Lehmann
Jarrod Marsden
Peter Maxwell
Julie Payne
Bob Sinclair
Harley Toomey
Kate Winders
Peter Yench

Other information

ABN: 71 579 717 155



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cobar Shire Council

To the Councillors of the Cobar Shire Council

Opinion

I have audited the accompanying financial statements of Cobar Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, 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 statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors 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 Statements

My objectives are to:

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

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

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

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 Note 15 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY