

Cobar Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



COBAR SHIRE
COUNCIL
outback nsw

Cobar Shire Council

General Purpose Financial Statements

for the year ended 30 June 2017

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Overview

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

Council's 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).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 26 October 2017. Council has the power to amend and reissue these financial statements.
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Cobar Shire Council

General Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 November 2017.



Lilliane O Brady OAM
Mayor



Peter Abbott
Councillor



Peter Vlatko
General Manager



Kym Miller
Responsible accounting officer

Cobar Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
5,652	Rates and annual charges	3a	5,809	5,649
15,157	User charges and fees	3b	12,510	8,600
195	Interest and investment revenue	3c	356	338
300	Other revenues	3d	298	285
12,277	Grants and contributions provided for operating purposes	3e,f	16,180	13,387
2,261	Grants and contributions provided for capital purposes	3e,f	1,286	1,257
Other income:				
–	Net gains from the disposal of assets	5	89	59
35,842	Total income from continuing operations		36,528	29,575
Expenses from continuing operations				
12,843	Employee benefits and on-costs	4a	13,028	12,530
102	Borrowing costs	4b	116	130
11,406	Materials and contracts	4c	9,622	5,670
6,753	Depreciation and amortisation	4d	6,553	6,740
	Impairment	4d	6	–
3,000	Other expenses	4e	3,198	2,792
34,104	Total expenses from continuing operations		32,523	27,862
1,738	Operating result from continuing operations		4,005	1,713
1,738	Net operating result for the year		4,005	1,713
1,738	Net operating result attributable to Council		4,005	1,713
(523)	Net operating result for the year before grants and contributions provided for capital purposes		2,719	456

¹ Original budget as approved by Council – refer Note 16

Cobar Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		4,005	1,713
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,954	(954)
Total items which will not be reclassified subsequently to the operating result		2,954	(954)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		2,954	(954)
Total comprehensive income for the year		6,959	759
Total comprehensive income attributable to Council		6,959	759

Cobar Shire Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	10,299	3,498
Investments	6b	4,000	7,103
Receivables	7	3,358	1,755
Inventories	8	699	668
Other	8	42	–
Total current assets		18,398	13,024
Non-current assets			
Infrastructure, property, plant and equipment	9	297,408	295,640
Total non-current assets		297,408	295,640
TOTAL ASSETS		315,806	308,664
LIABILITIES			
Current liabilities			
Payables	10	1,391	1,104
Income received in advance	10	219	157
Borrowings	10	304	257
Provisions	10	2,131	2,029
Total current liabilities		4,045	3,547
Non-current liabilities			
Borrowings	10	1,282	1,553
Provisions	10	124	168
Total non-current liabilities		1,406	1,721
TOTAL LIABILITIES		5,451	5,268
Net assets		310,355	303,396
EQUITY			
Retained earnings	20	91,530	87,525
Revaluation reserves	20	218,825	215,871
Council equity interest		310,355	303,396
Non-controlling equity interests		–	–
Total equity		310,355	303,396

Cobar Shire Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		87,525	215,871	–	303,396	–	303,396	85,812	216,825	–	302,637	–	302,637
Revised opening balance		87,525	215,871	–	303,396	–	303,396	85,812	216,825	–	302,637	–	302,637
a. Net operating result for the year		4,005	–	–	4,005	–	4,005	1,713	–	–	1,713	–	1,713
b. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	2,954	–	2,954	–	2,954	–	(954)	–	(954)	–	(954)
– Impairment of Current Assets	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
Other comprehensive income		–	2,954	–	2,954	–	2,954	–	(954)	–	(954)	–	(954)
Total comprehensive income (c&d)		4,005	2,954	–	6,959	–	6,959	1,713	(954)	–	759	–	759
Equity – balance at end of the reporting period		91,530	218,825	–	310,355	–	310,355	87,525	215,871	–	303,396	–	303,396

Cobar Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
5,600	Rates and annual charges		5,760	5,559
14,600	User charges and fees		10,567	9,048
195	Investment and interest revenue received		300	401
14,924	Grants and contributions		18,222	15,230
–	Bonds, deposits and retention amounts received		–	30
–	Other		–	1,607
Payments:				
(12,500)	Employee benefits and on-costs		(12,941)	(12,664)
(10,969)	Materials and contracts		(11,100)	(7,051)
(360)	Borrowing costs		(113)	(130)
(3,000)	Other		(3,170)	(3,479)
	Other Revenues		1,675	–
8,490	Net cash provided (or used in) operating activities	11b	9,200	8,551
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		37,510	14,402
600	Sale of infrastructure, property, plant and equipment		327	560
Payments:				
–	Purchase of investment securities		(34,407)	(13,895)
(8,518)	Purchase of infrastructure, property, plant and equipment		(5,605)	(8,151)
(7,918)	Net cash provided (or used in) investing activities		(2,175)	(7,084)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(98)	Repayment of borrowings and advances		(174)	(663)
(129)	Repayment of finance lease liabilities		(80)	(78)
(227)	Net cash flow provided (used in) financing activities		(254)	(741)
345	Net increase/(decrease) in cash and cash equivalents		6,771	726
7,500	Plus: cash and cash equivalents – beginning of year	11a	3,498	2,772
7,845	Cash and cash equivalents – end of the year	11a	10,269	3,498
Additional Information:				
	plus: Investments on hand – end of year	6b	4,000	7,103
	Total cash, cash equivalents and investments		14,269	10,601

Please refer to Note 11 for information on the following:

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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.

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) 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 property, plant and equipment and investment property.

(iv) 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,
- (ii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

Control over assets acquired from rates and annual charges is obtained at the commencement of the

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

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 in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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.

(ii) User charges and fees

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

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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*
- *Domestic Waste Services*

(ii) 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 property 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 property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Joint arrangements

Council has no interest in any joint arrangements.

(d) Leases

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

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

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

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

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

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

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(ii) Inventory held for distribution

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

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

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

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.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

Loans and receivables are included in receivables (note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

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.

Financial assets 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.

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

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.

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.

(i) Assets carried at amortised cost

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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is

Cobar Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations.

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Water and sewerage networks

The following useful lives of the following assets were reviewed during the year, as well as removing residual values, which are inconsistent with these assets:

- Roads assets including roads, bridges and footpaths

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Water and sewerage network assets were revalued during the year, so no annual indexation was applied.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and Equipment	
- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	4 years
- Vehicles	4 years
- Heavy Plant/Road Making equip.	10 years
- Network Servers	5 years
- Computer Software	3 years
- Other plant and equipment	10 years
Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

Buildings

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

Stormwater Drainage

- Drains	100 years
- Culverts	100 years

Transportation Assets

Roads:	
- Sealed Formation	500 years
- Unsealed Formation	50 years
- Road Pavements	10 to 60 years
- Road Seals	20 years
- Bridges	100 years
- Kerb, Gutter and Paths	80 years

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(I) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) 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.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(o) 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.

(p) 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.

(q) Employee benefits

(i) 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.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

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

and periods of service. However, when this information is not reliably available, Council 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.

Defined Contribution Plans

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

(r) Land under roads

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

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

(s) Self Insurance

Council does not self-insure

(t) Intangible assets

Council has not classified any assets as intangible.

(u) 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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council and revenues relating to the reserves are recognised within Council's Income Statement.

(v) Rural fire service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

(w) Goods and Services Tax (GST)

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

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

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

(x) New accounting standards and interpretations issued not yet effective

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

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

(y) Rounding of amounts

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

(z) Comparative figures

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	3	6	3	859	520	709	(856)	(514)	(706)	50	–	–	–
Administration	671	695	709	1,349	1,588	1,790	(678)	(893)	(1,081)	–	–	20,618	16,264
Public order and safety	179	167	1,016	490	392	365	(311)	(225)	651	136	–	1,846	1,833
Health	152	32	19	317	265	240	(165)	(233)	(221)	–	–	–	–
Environment	868	724	824	676	786	670	192	(62)	154	52	60	–	–
Community services and education	4,824	4,972	4,605	4,837	4,941	4,569	(13)	31	36	4,013	2,967	8,322	8,378
Housing and community amenities	306	239	284	665	716	651	(359)	(477)	(367)	–	–	5,691	5,937
Water supplies	2,661	3,167	3,391	2,414	2,989	3,012	247	178	379	182	4,442	15,401	14,159
Sewerage services	770	1,100	838	629	866	623	141	234	215	11	363	14,164	10,703
Recreation and culture	276	445	590	2,209	3,052	2,840	(1,933)	(2,607)	(2,250)	–	10	15,542	15,423
Mining, manufacturing and construction	41	1	5	43	30	5	(2)	(29)	–	–	–	–	–
Transport and communication	8,294	12,229	7,428	15,860	15,421	11,568	(7,566)	(3,192)	(4,140)	3,246	–	234,222	235,967
Economic affairs	4,060	793	935	3,756	957	820	304	(164)	115	–	–	–	–
Total functions and activities	23,105	24,570	20,647	34,104	32,523	27,862	(10,999)	(7,953)	(7,215)	7,690	7,842	315,806	308,664
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	12,737	11,958	8,928	–	–	–	12,737	11,958	8,928	8,010	5,057	–	–
Operating result from continuing operations	35,842	36,528	29,575	34,104	32,523	27,862	1,738	4,005	1,713	15,700	12,899	315,806	308,664

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits and mineral resources.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Cobar Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		1,091	1,071
Farmland		647	633
Mining		1,594	1,562
Business		386	373
Total ordinary rates		3,718	3,639
Special rates			
Water supplies		719	689
Sewerage services		806	770
Total special rates		1,525	1,459
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		566	551
Total annual charges		566	551
TOTAL RATES AND ANNUAL CHARGES		5,809	5,649

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		2,229	2,260
Sewerage services		15	16
Waste management services (non-domestic)		107	136
Total user charges		2,351	2,412
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Cobar Water Board service fee		190	185
Inspection services		15	–
Planning and building regulation		27	42
Private works – section 67		599	796
Regulatory/ statutory fees		10	5
Registration fees		23	23
Regulatory fees		1	2
Section 149 certificates (EPA Act)		16	19
Section 603 certificates		9	9
Tapping fees		4	–
Town planning		–	1
Total fees and charges – statutory/regulatory		894	1,082
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		95	106
Aged care		866	722
Caravan park		139	135
Cemeteries		26	20
Child care		178	153
Fire and emergency services levy (FESL) implementation		53	–
Leaseback fees – Council vehicles		44	35
Library and art gallery		1	2
Museum		112	101
Refuse and effluent disposal		7	4
Rent and hire of non-investment property		370	214
RMS (formerly RTA) charges (state roads not controlled by Council)		7,035	3,325
Sporting ground fees		18	19
Sport stadium		113	102
Swimming centres		94	81
Tourism		10	4
Youth centre		5	2
Other		99	81
Total fees and charges – other		9,265	5,106
TOTAL USER CHARGES AND FEES		12,510	8,600

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		44	33
– Interest earned on investments (interest and coupon payment income)		196	203
– Interest (other)		116	102
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>356</u>	<u>338</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		44	33
General Council cash and investments		186	199
Restricted investments/funds – external:			
Development contributions			
– Section 94		10	4
– Section 64		2	2
Water fund operations		60	66
Sewerage fund operations		54	34
<u>Total interest and investment revenue recognised</u>		<u>356</u>	<u>338</u>
(d) Other revenues			
Fines		7	6
Legal fees recovery – rates and charges (extra charges)		22	16
Commissions and agency fees		139	175
Diesel rebate		115	74
Reimbursements		15	14
<u>TOTAL OTHER REVENUE</u>		<u>298</u>	<u>285</u>

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	5,541	3,411	–	–
Financial assistance – local roads component	2,431	1,606	–	–
Pensioners' rates subsidies – general component	38	40	–	–
Total general purpose	8,010	5,057	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	13	14	–	–
– Sewerage	11	12	–	–
Water supplies	–	–	169	–
Aged care	2,095	2,088	–	–
Bushfire and emergency services	124	122	–	422
Child care	1,827	1,606	–	–
Community centres	–	–	–	26
Airport	48	–	–	–
Emergency services	12	24	–	–
Environmental protection	–	–	–	(60)
Fixing country roads	–	–	786	663
Flood restoration	500	–	–	–
Library	21	22	–	–
Library – special projects	10	125	–	–
Environmental	52	164	–	–
Resources for regions	–	163	239	134
Seniors week	1	1	–	–
Street lighting	37	28	–	–
Traffic route subsidy	–	19	–	–
Transport (roads to recovery)	1,686	2,178	–	–
Youth services	59	91	–	–
Total specific purpose	6,496	6,657	1,194	1,185
Total grants	14,506	11,714	1,194	1,185
Grant revenue is attributable to:				
– Commonwealth funding	9,658	6,109	1,194	763
– State funding	4,848	5,605	–	422
	14,506	11,714	1,194	1,185

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94A – fixed development consent levies	–	–	–	8
Other developer contributions – VPA	–	–	92	64
Total developer contributions	–	–	92	72
	17			
Other contributions:				
Community services	–	31	–	–
RMS contributions (regional roads, block grant)	1,674	1,642	–	–
Total other contributions	1,674	1,673	–	–
Total contributions	1,674	1,673	92	72
TOTAL GRANTS AND CONTRIBUTIONS	16,180	13,387	1,286	1,257

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	806	1,877
Add: grants and contributions recognised in the current period but not yet spent:	1,118	295
Less: grants and contributions recognised in a previous reporting period now spent:	(325)	(1,366)
Net increase (decrease) in restricted assets during the period	793	(1,071)
Unexpended and held as restricted assets	1,599	806
Comprising:		
– Specific purpose unexpended grants	1,014	325
– Developer contributions	585	481
	1,599	806

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		9,904	9,706
Travel expenses		87	70
Employee leave entitlements (ELE)		1,210	1,286
Superannuation		965	967
Workers' compensation insurance		671	625
Fringe benefit tax (FBT)		72	64
Training costs (other than salaries and wages)		257	277
Protective clothing		29	17
Recruitment		26	41
Medical expenses		6	8
Total employee costs		13,227	13,061
Less: capitalised costs		(199)	(531)
TOTAL EMPLOYEE COSTS EXPENSED		13,028	12,530
Number of 'full-time equivalent' employees (FTE) at year end		140	138
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		144	152
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		97	112
Charges relating to finance leases		16	18
Total interest bearing liability costs expensed		113	130
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	3	–
Total other borrowing costs		3	–
TOTAL BORROWING COSTS EXPENSED		116	130

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		4,488	2,636
Contractor and consultancy costs		52	13
– Information technology		106	114
– Printing and copy services		64	136
– Roadworks – spray sealing		2,788	1,690
– Roadworks – pavement stabilisation		996	44
– Swimming pool		188	182
– Contractor and consultancy costs		9	97
Auditors remuneration ⁽¹⁾		64	67
Legal expenses:			
– Legal expenses: debt recovery		20	20
– Legal expenses: other		86	36
Concreting and construction		289	183
Fuel		472	452
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>9,622</u>	<u>5,670</u>
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		64	–
– Audit and review of financial statements: Previous External Auditor		–	67
Remuneration for audit and other assurance services		<u>64</u>	<u>67</u>
Total Auditor-General remuneration		<u>64</u>	<u>67</u>

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		968	843
Office equipment		38	42
Furniture and fittings		5	4
Property, plant and equipment – leased		26	53
Land improvements (depreciable)		204	184
Infrastructure:			
– Buildings – non-specialised		225	257
– Buildings – specialised		504	497
– Other structures		112	102
– Roads		3,615	3,923
– Stormwater drainage		64	64
– Water supply network		363	342
– Sewerage network		366	366
Other assets			
– Library books		62	61
– Other		1	2
Total depreciation and amortisation costs		6,553	6,740
Impairment of investments			
– Investments available for sale		6	–
Total gross impairment costs (investments)		6	–
Total impairment costs		6	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		6,559	6,740

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		41	43
Bad and doubtful debts		66	25
Bank charges		15	16
Child care		1,388	1,200
Computer software charges		57	48
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		11	16
– NSW fire brigade levy		24	23
– NSW rural fire service levy		166	155
Councillor expenses – mayoral fee		23	23
Councillor expenses – councillors' fees		125	123
Councillors' expenses (incl. mayor) – other (excluding fees above)		7	6
Donations, contributions and assistance to other organisations (Section 356)		37	27
Election expenses		31	–
Electricity and heating		411	414
Fire control expenses		72	96
Insurance		168	177
Integrated planning and reporting		8	8
Licenses		62	28
Office expenses		97	35
Street lighting		131	108
Subscriptions and publications		78	67
Telephone and communications		154	129
Valuation fees		26	25
<u>TOTAL OTHER EXPENSES</u>		<u>3,198</u>	<u>2,792</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		327	560
Less: carrying amount of plant and equipment assets sold/written off		(238)	(501)
Net gain/(loss) on disposal		<u>89</u>	<u>59</u>
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		37,510	14,402
Less: carrying amount of financial assets sold/redeemed/matured		(37,510)	(14,402)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>89</u>	<u>59</u>

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		3	–	37	–
Cash-equivalent assets ¹					
– Deposits at call		1,283	–	2,461	–
– Short-term deposits		9,013	–	1,000	–
Total cash and cash equivalents		10,299	–	3,498	–
Investments (Note 6b)					
– Long term deposits		4,000	–	7,103	–
Total investments		4,000	–	7,103	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		14,299	–	10,601	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'	10,299	–	3,498	–
--	---------------	----------	--------------	----------

Investments

a. 'Held to maturity'	4,000	–	7,103	–
Investments	4,000	–	7,103	–

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	14,299	–	10,601	–
attributable to:				
External restrictions (refer below)	7,277	–	6,186	–
Internal restrictions (refer below)	5,734	–	2,912	–
Unrestricted	1,288	–	1,503	–
	14,299	–	10,601	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	382	99	–	481
Developer contributions – water fund	(A)	12	1	–	13
Developer contributions – sewer fund	(A)	87	4	–	91
Specific purpose unexpended grants	(B)	325	1,014	(325)	1,014
Water supplies	(C)	2,252	37	–	2,289
Sewerage services	(C)	1,932	192	–	2,124
Domestic waste management	(C)	1,172	825	(732)	1,265
EHC project		24	–	(24)	–
External restrictions – other		6,186	2,172	(1,081)	7,277
Total external restrictions		6,186	2,172	(1,081)	7,277

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

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	689	626	–	1,315
Library works	10	–	(10)	–
Financial Assistance Grant – Advance for 17/18	–	2,713	–	2,713
Employees leave entitlement	321	298	–	619
Cobar heritage centre	36	–	(36)	–
Mobile ablutions block	5	–	(5)	–
Airport terminal sewerage system	25	–	(25)	–
Building renewal	6	–	(6)	–
Children's services	78	37	–	115
Cobar youth council	7	1	–	8
Community sign	5	–	–	5
Computer and IT	130	–	(1)	129
Depot Upgrade	–	140	–	140
Flood study	23	–	(23)	–
LBV operational	215	8	(223)	–
Noxious weeds	4	–	(4)	–
Parks, gardens, etc.	71	50	–	121
Road works – shire roads	886	–	(497)	389
Sewerage works improvements	45	–	(45)	–
Waste management capital	80	–	(80)	–
Water capital projects	50	–	(50)	–
Youthie accessible toilets and storage	46	–	(46)	–
Truck wash	180	–	–	180
Total internal restrictions	2,912	3,873	(1,051)	5,734
TOTAL RESTRICTIONS	9,098	6,045	(2,132)	13,011

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		399	316	345	203
Interest and extra charges		119	5	91	–
User charges and fees		760	–	552	51
Private works		–	–	9	–
Accrued revenues					
– Interest on investments		38	–	15	–
– Other income accruals		1,869	–	472	–
Government grants and subsidies		172	–	165	–
Net GST receivable		–	–	103	–
Other debtors		1	–	3	–
Total		3,358	321	1,755	254
Less: provision for impairment					
Rates and annual charges		–	(321)	–	(203)
User charges and fees		–	–	–	(51)
Total provision for impairment – receivables		–	(321)	–	(254)
<u>TOTAL NET RECEIVABLES</u>		<u>3,358</u>	<u>–</u>	<u>1,755</u>	<u>–</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		70	–	54	–
– Other		536	–	469	–
Sewerage services					
– Rates and availability charges		100	–	102	–
Total external restrictions		706	–	625	–
Internally restricted receivables					
Nil					
Unrestricted receivables		2,652	–	1,130	–
TOTAL NET RECEIVABLES		3,358	–	1,755	–

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Cobar Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		76	–	82	–
Stores and materials		570	–	526	–
Trading stock		53	–	60	–
Total inventories at cost		699	–	668	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		699	–	668	–
(b) Other assets					
Prepayments		42	–	–	–
TOTAL OTHER ASSETS		42	–	–	–
Externally restricted assets					
Water					
Stores and materials		140	–	34	–
Total water		140	–	34	–
Sewerage					
Stores and materials		3	–	–	–
Total sewerage		3	–	–	–
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		143	–	34	–
Total unrestricted assets		598	–	634	–
TOTAL INVENTORIES AND OTHER ASSETS		741	–	668	–

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	76	–	82	–
Total real estate for resale	76	–	82	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	76	–	82	–
Total costs	76	–	82	–
Total real estate for resale	76	–	82	–
Movements:				
Real estate assets at beginning of the year	82	–	82	–
– Other	(6)	–	–	–
Total real estate for resale	76	–	82	–

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2017	2016
Real estate for resale	76	82
	76	82

(c) Inventory write downs

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

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

Cobar Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	1,797	–	1,797	–	1,884	–	–	(360)	–	–	–	3,321	–	3,321
Plant and equipment	13,752	9,139	4,613	896	80	(238)	(968)	–	–	–	–	13,861	9,478	4,383
Office equipment	1,388	1,280	108	–	18	–	(38)	–	–	–	–	1,402	1,314	88
Furniture and fittings	157	110	47	10	–	–	(5)	–	–	–	–	168	116	52
Plant and equipment (under finance lease)	487	138	349	–	–	–	(26)	–	–	–	–	487	164	323
Land:														
– Operational land	4,031	–	4,031	–	–	–	–	–	–	–	–	4,031	–	4,031
– Community land	2,829	–	2,829	–	–	–	–	–	–	–	–	2,829	–	2,829
Land improvements – depreciable	9,687	2,960	6,727	–	9	–	(204)	45	(3,100)	–	–	4,802	1,325	3,477
Infrastructure:														
– Buildings – non-specialised	12,854	6,976	5,878	111	–	–	(225)	6	–	–	–	12,971	7,201	5,770
– Buildings – specialised	37,526	18,337	19,189	142	23	–	(504)	53	–	–	–	37,744	18,841	18,903
– Other structures	2,636	1,182	1,454	132	–	–	(112)	–	(862)	–	–	1,171	559	612
– Roads	256,528	46,863	209,665	1,220	653	–	(3,615)	256	–	–	–	258,658	50,479	208,179
– Bulk earthworks (non-depreciable)	14,031	–	14,031	–	–	–	–	–	–	–	–	14,031	–	14,031
– Stormwater drainage	6,450	1,645	4,805	–	–	–	(64)	–	–	–	–	6,450	1,709	4,741
– Water supply network	27,027	15,602	11,425	230	57	–	(363)	–	–	(19)	–	28,264	16,934	11,330
– Sewerage network	17,527	8,947	8,580	110	–	–	(366)	–	–	–	2,973	19,082	7,785	11,297
– Other open space/recreational assets	–	–	–	–	–	–	–	–	3,962	–	–	6,536	2,574	3,962
Other assets:														
– Library books	625	550	75	–	30	–	(62)	–	–	–	–	655	612	43
– Other	55	18	37	–	–	–	(1)	–	–	–	–	55	19	36
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	409,387	113,747	295,640	2,851	2,754	(238)	(6,553)	–	–	(19)	2,973	416,518	119,110	297,408

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	933	–	933	534	–	534
Land						
– Operational land	90	–	90	90	–	90
Infrastructure	28,264	16,934	11,330	27,027	15,602	11,425
Total water supply	29,287	16,934	12,353	27,651	15,602	12,049
Sewerage services						
WIP	458	–	458	158	–	158
Land						
– Operational land	90	–	90	90	–	90
Infrastructure	19,083	7,785	11,298	17,527	8,947	8,580
Total sewerage services	19,631	7,785	11,846	17,775	8,947	8,828
TOTAL RESTRICTED I,PP&E	48,918	24,719	24,199	45,426	24,549	20,877

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

\$ '000

Impairment losses recognised in the Income Statement:

Land held for resale was revalued to the lower of cost and NRV		–	(6)
Total impairment losses		–	(6)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	–	(6)

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		871	–	687	–
Accrued expenses:					
– Salaries and wages		205	–	172	–
– Other expenditure accruals		157	–	187	–
Security bonds, deposits and retentions		30	–	30	–
ATO – net GST payable		50	–	–	–
Monies held in trust		–	–	9	–
Miners' Memorial		78	–	19	–
Total payables		1,391	–	1,104	–
Income received in advance					
Payments received in advance		219	–	157	–
Total income received in advance		219	–	157	–
Borrowings					
Bank overdraft		30	–	–	–
Loans – secured ¹		185	1,225	174	1,410
Finance lease liabilities		89	57	83	143
Total borrowings		304	1,282	257	1,553
Provisions					
Employee benefits:					
Annual leave		931	–	847	–
Long service leave		1,107	65	1,110	112
Time in lieu		93	–	72	–
Sub-total – aggregate employee benefits		2,131	65	2,029	112
Asset remediation/restoration (future works)	26	–	59	–	56
Total provisions		2,131	124	2,029	168
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,045	1,406	3,547	1,721
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		337	–	179	–
Sewer		8	–	34	–
Liabilities relating to externally restricted assets		345	–	213	–
Internally restricted assets					
Nil		–	–	–	–
Total liabilities relating to restricted assets		345	–	213	–
Total liabilities relating to unrestricted assets		3,700	1,406	3,334	1,721
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,045	1,406	3,547	1,721

¹. Loans are secured over the general rating income of Council

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,492	1,420
	<u>1,492</u>	<u>1,420</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Asset remediation	56	–	–	3	–	59
TOTAL	56	–	–	3	–	59

- a. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	10,299	3,498
Less bank overdraft	10	(30)	–
Balance as per the Statement of Cash Flows		10,269	3,498
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,005	1,713
Adjust for non-cash items:			
Depreciation and amortisation		6,553	6,740
Net losses/(gains) on disposal of assets		(89)	(59)
Impairment losses recognition – I,PP&E and financial investments		6	–
Unwinding of discount rates on reinstatement provisions		3	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,670)	822
Increase/(decrease) in provision for doubtful debts		67	23
Decrease/(increase) in inventories		(37)	(48)
Decrease/(increase) in other assets		(42)	(2)
Increase/(decrease) in payables		184	(766)
Increase/(decrease) in other accrued expenses payable		3	(17)
Increase/(decrease) in other liabilities		162	65
Increase/(decrease) in employee leave entitlements		55	80
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,200	8,551
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		60	60
Total financing arrangements		60	60
Amounts utilised as at balance date:			
– Credit cards/purchase cards		15	19
Total financing arrangements utilised		15	19
(ii) Secured loan liabilities			

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Nil			
(b) Finance lease commitments			
(i) Commitments under finance leases at the reporting date are payable as follows:			
Within the next year		59	87
Later than one year and not later than 5 years		99	160
Total minimum lease payments		158	247
Less: future finance charges		(12)	(21)
Amount recognised as a liability		146	226
(ii) Finance lease liability recognised represent;			
Current liabilities		89	83
Non-current liabilities		57	143
Total finance lease liabilities disclosed		146	226
(iii) General details			
Council leases the following property, plant and equipment under finance leases:			
	Term (years)		
Heavy plant – carrying value	5	146	226
Total carrying value at year end		146	226

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,630</u>	7.48%	1.40%	6.98%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>35,153</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>18,973</u>	52.07%	50.39%	50.98%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>36,439</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>10,196</u>	4.62x	3.19x	2.29x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,209</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>9,305</u>	25.15x	8.34x	13.65x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>370</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>518</u>	8.21%	7.23%	5.68%	<10% Rural
Rates, annual and extra charges collectible	<u>6,311</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>14,299</u>	6.62 mths	5.3 mths	5.8 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,159</u>				

Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

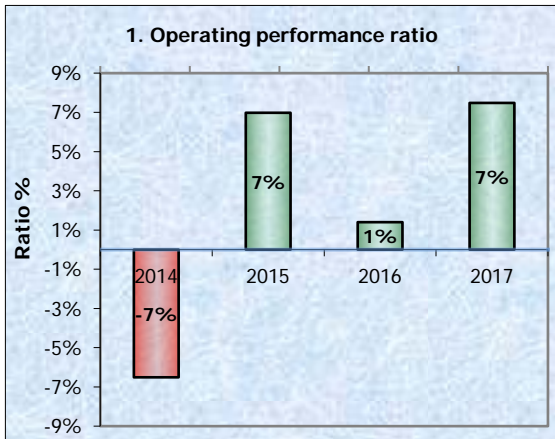
(3) Refer to Note 10(a).

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

Cobar Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

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



Purpose of operating performance ratio

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

Commentary on 2016/17 result

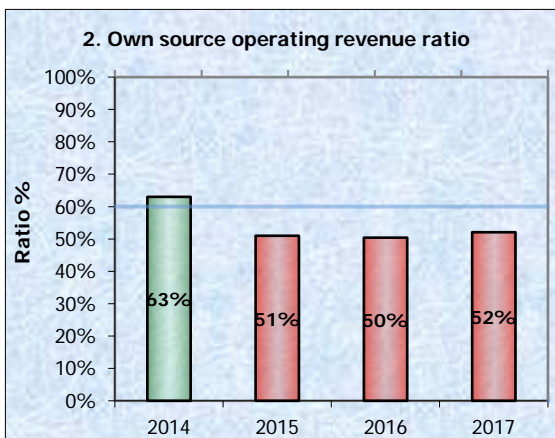
2016/17 ratio 7.48%

This is typically high due to early payment of FAGS (\$2.7m); however, the underlying break-even position is considered satisfactory.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2016/17 result

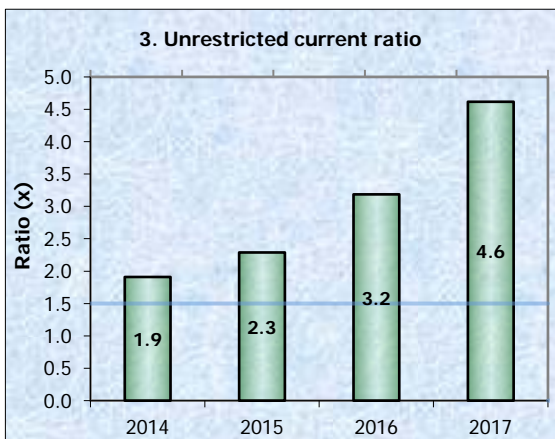
2016/17 ratio 52.07%

Whilst not within the industry benchmark, it is extremely close; therefore, it is considered satisfactory for a remote regional Shire.

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2016/17 result

2016/17 ratio 4.62x

Council's cash position is strong, even after allowing for the prepayment of FAGS. Council can satisfy its short term obligations after allowing for restrictions.

Benchmark: ——— Minimum ≥ 1.50

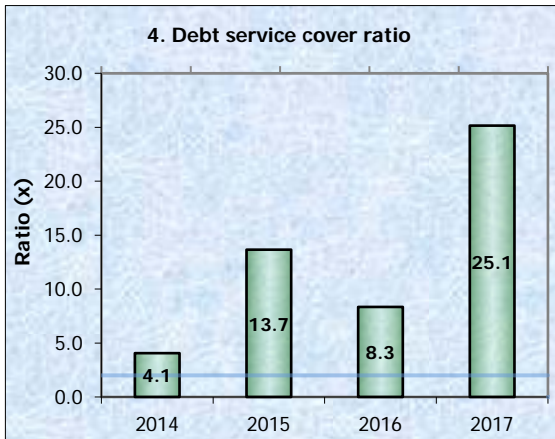
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Cobar Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

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



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

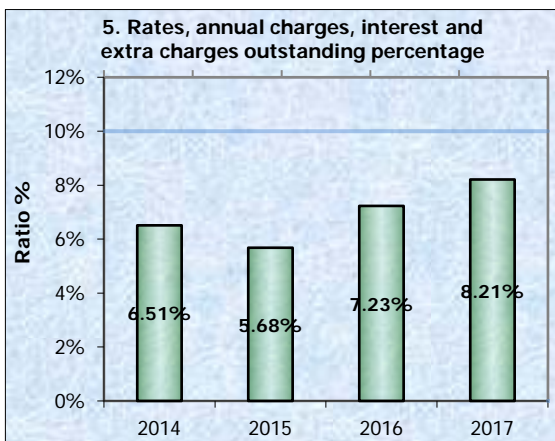
2016/17 ratio 25.15x

Debt cover is adequate and meeting repayments is not considered an issue.

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

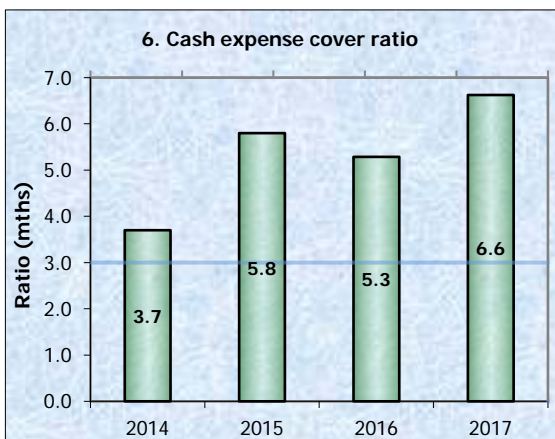
2016/17 ratio 8.21%

This is within the benchmark.

Benchmark: ——— Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 6.62 mths

This is even double the benchmark and considered satisfactory.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	7.65%	-0.38%	6.97%	12.11%	3.24%	14.92%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	46.96%	44.71%	94.30%	87.55%	77.93%	82.52%	>60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	4.62x	3.03x	9.04x	16.63x	304.95x	60.03x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	22.53x	6.97x	0.00x	0.00x	0.00x	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.27%	6.16%	9.74%	7.68%	12.42%	13.04%	<10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	4.53	3.15	2,303.00	0.00	1,107.80	0.00	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	10,299	3,498	10,299	3,498
Investments				
– 'Held to maturity'	4,000	7,103	4,000	7,103
Receivables	3,358	1,755	3,358	1,755
Total financial assets	17,657	12,356	17,657	12,356
Financial liabilities				
Bank overdraft	30	–	30	–
Payables	1,391	1,104	1,391	1,104
Loans/advances	1,410	1,584	1,410	1,584
Lease liabilities	146	226	146	226
Total financial liabilities	2,977	2,914	2,977	2,914

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	103	103	(103)	(103)
2016				
Possible impact of a 1% movement in interest rates	105	105	(105)	(105)

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	35%	100%	63%	96%
Overdue	65%	0%	37%	4%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	253	2,964	345	1,410
1 – 2 years overdue	31 – 60 days overdue	231	–	–	51
2 – 5 years overdue	61 – 90 days overdue	174	–	10	–
> 5 years overdue	> 91 days overdue	57	–	193	–
		715	2,964	548	1,461

	2017	2016
(iii) Movement in provision for impairment of receivables		
Balance at the beginning of the year	254	231
+ new provisions recognised during the year	67	23
Balance at the end of the year	321	254

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Bank overdraft	–	30	–	–	–	–	–	30	30
Trade/other payables	30	1,261	–	–	–	–	–	1,291	1,391
Loans and advances	–	336	319	267	267	267	378	1,834	1,410
Lease liabilities	–	89	57	–	–	–	–	158	146
Total financial liabilities	30	1,716	376	267	267	267	378	3,313	2,977
2016									
Trade/other payables	30	1,074	–	–	–	–	–	1,104	1,104
Loans and advances	–	267	267	267	267	267	645	1,980	1,584
Lease liabilities	–	96	96	41	–	–	–	233	226
Total financial liabilities	30	1,437	363	308	267	267	645	3,317	2,914

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	30		–	
Trade/other payables	1,391	0.00%	1,104	0.00%
Loans and advances – fixed interest rate	1,410	6.22%	1,584	6.22%
Lease liabilities	146	6.61%	226	6.61%
	<u>2,977</u>		<u>2,914</u>	

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 23 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	5,652	5,809	157	3%	F
User charges and fees	15,157	12,510	(2,647)	(17%)	U
RMS sales were \$2.8m less than planned					
Interest and investment revenue	195	356	161	83%	F
Cash balances have been higher than forecast, part of which is due to much capex being carried forward.					
Other revenues	300	298	(2)	(1%)	U
Operating grants and contributions	12,277	16,180	3,903	32%	F
Early payment of FAGS (\$2.7m) and flood damage grant (\$400k) were the main contributors.					
Capital grants and contributions	2,261	1,286	(975)	(43%)	U
Receipt timing of major project grants has been pushed to 2017/2018 in line with progressive grant acquittals.					

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	12,843	13,028	(185)	(1%) U
Borrowing costs	102	116	(14)	(14%) U
Incorrect schedule used in preparing budget - not considered a material value.				
Materials and contracts	11,406	9,622	1,784	16% F
Due to increased operational works, primarily as a result of an increase in roads works conducted on the State road network, the materials and contracts expenditure likewise increased in 16/17.				
Depreciation and amortisation	6,753	6,553	200	3% F
Other expenses	3,000	3,198	(198)	(7%) U

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	8,490	9,200	710	8.4% F
Cash flows from investing activities	(7,918)	(2,175)	5,743	(72.5%) F
Cash flow forecast was understated, due mostly to early FAGS leading to greater investment, and fall in capex expenditure.				
Cash flows from financing activities	(227)	(254)	(27)	11.9% U
Incorrect schedule used in preparing budget - variance not considered material.				

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	10	–	–	–	–	–	10	–
Community facilities	156	–	–	4	–	–	160	–
S94 contributions 2012	111	–	–	3	–	–	114	–
S94 contributions – under a plan	277	–	–	7	–	–	284	–
Total S94 revenue under plans	277	–	–	7	–	–	284	–
S93F planning agreements	101	–	–	3	–	–	104	–
S64 contributions	103	92	–	2	–	–	197	–
Total contributions	481	92	–	12	–	–	585	–

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	10	–	–	–	–	–	10	–
Community facilities	156	–	–	4	–	–	160	–
S94 contributions 2012	111	–	–	3	–	–	114	–
Total	277	–	–	7	–	–	284	–

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

Contingent Separation of Aged Care Facility

Cobar Shire Council has entered into a Memorandum of Understanding to transfer the Assets and Operation of the aged care facility known as the Lilliane Brady Village to the NSW State Government. This is to enable the Government to combine this facility with the Cobar Hospital to create a single entity

which will operate as a multipurpose Health Service. It is anticipated this process will be completed prior to 30 June, 2018.

Asbestos Under Road

During the financial year, earthworks containing asbestos was used in the repair of a seldom-used local road. The extent of Council's exposure to the costs relating to removing the asbestos and works to repair the road are yet to be established.

Contingent Liability Relating to Bankruptcy

Brindabella Airlines Pty Ltd went into liquidation in on 15th December 2013. The Liquidators for Brindabella and the associated companies were seeking the return of certain debtor payments made to Council for a number of months prior to the date of liquidation. This action has neared completion and it is expected the extent of the exposure will not be greater than ten thousand dollars. As a result, the provision for this doubtful debt has been wound back in the current year.

Rural Fire Service Building - new construction

The construction of this building is subject to ongoing legal disputes and it is yet unclear of the extent to which, if anything, will become payable by Council.

ASSETS NOT RECOGNISED:

(ii) 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.

Cobar Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines (continued)

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.

Note 19. Interests in other entities

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		87,525	85,812
a. Net operating result for the year		4,005	1,713
Balance at end of the reporting period		91,530	87,525
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		218,825	215,871
Total		218,825	215,871
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		215,871	216,825
– Revaluations for the year	9(a)	2,954	(954)
– Balance at end of year		218,825	215,871
TOTAL VALUE OF RESERVES		218,825	215,871

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

(d) Voluntary changes in accounting policies

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	719	805	4,285
User charges and fees	2,232	22	10,256
Interest and investment revenue	60	56	240
Other revenues	–	–	298
Grants and contributions provided for operating purposes	13	11	16,156
Grants and contributions provided for capital purposes	169	239	878
Other income			
Net gains from disposal of assets	–	–	89
Total income from continuing operations	3,193	1,133	32,202
Expenses from continuing operations			
Employee benefits and on-costs	231	5	12,792
Borrowing costs	–	–	116
Materials and contracts	1,093	471	8,058
Depreciation and amortisation	361	366	5,826
Other expenses	1,116	23	2,059
Total expenses from continuing operations	2,801	865	28,857
Operating result from continuing operations	392	268	3,345
Net operating result for the year	392	268	3,345
Net operating result attributable to each council fund	392	268	3,345
Net operating result for the year before grants and contributions provided for capital purposes	223	29	2,467

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

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

Cobar Shire Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	2,302	2,215	5,782
Investments	–	–	4,000
Receivables	606	100	2,652
Inventories	140	3	556
Other	–	–	42
Total current assets	3,048	2,318	13,032
Non-current assets			
Receivables	–	–	–
Infrastructure, property, plant and equipment	12,353	11,846	273,209
Total non-current assets	12,353	11,846	273,209
TOTAL ASSETS	15,401	14,164	286,241
LIABILITIES			
Current liabilities			
Payables	337	8	1,046
Income received in advance	–	–	219
Borrowings	–	–	304
Provisions	–	–	2,131
Total current liabilities	337	8	3,700
Non-current liabilities			
Borrowings	–	–	1,282
Provisions	–	–	124
Total non-current liabilities	–	–	1,406
TOTAL LIABILITIES	337	8	5,106
Net assets	15,064	14,156	281,135
EQUITY			
Retained earnings	14,574	3,929	73,027
Revaluation reserves	490	10,227	208,108
Council equity interest	15,064	14,156	281,135
Non-controlling interests	–	–	–
Total equity	15,064	14,156	281,135

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 26/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Landfill	2034	59	56
Balance at end of the reporting period	10(a)	59	56

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year	56	56
Amortisation of discount (expensed to borrowing costs)	3	–
Total – reinstatement, rehabilitation and restoration provision	59	56

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial liabilities					
Loans/advances	30/06/17	–	1,410	–	1,410
Lease liabilities	30/06/17	–	158	–	158
Payables	30/06/17	–	1,610	–	1,610
Total financial liabilities		–	3,178	–	3,178
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/17	–	–	3,321	3,321
Plant and equipment	30/06/17	–	4,383	–	4,383
Office equipment	30/06/17	–	88	–	88
Furniture and fittings	30/06/17	–	52	–	52
Plant and equipment (under finance lease)	30/06/17	–	323	–	323
Operational land	30/06/13	–	–	4,032	4,032
Community land	30/06/16	–	–	2,829	2,829
Land improvements – depreciable	30/06/16	–	3,477	–	3,477
Non-specialised buildings	30/06/13	–	–	5,770	5,770
Specialised buildings	30/06/13	–	–	18,903	18,903
Other structures	30/06/16	–	–	643	643
Roads	30/06/15	–	–	208,179	208,179
Bulk earthworks (non-depreciable)	30/06/15	–	–	14,031	14,031
Stormwater drainage	30/06/12	–	–	4,741	4,741
Water supply network	30/06/17	–	–	11,330	11,330
Sewerage network	30/06/17	–	–	11,297	11,297
Library books	30/06/17	–	43	–	43
Other assets	N/A	–	–	36	36
Recreational Assets	N/A	–	–	3,930	3,930
Total infrastructure, property, plant and equipment		–	8,366	289,042	297,408

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial liabilities					
Loans/advances	30/06/16	–	1,584	–	1,584
Lease liabilities	30/06/16	–	226	–	226
Payables	30/06/16	–	1,261	–	1,261
Total financial liabilities		–	3,071	–	3,071
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/16	–	–	1,797	1,797
Plant and equipment	30/06/16	–	4,613	–	4,613
Office equipment	30/06/16	–	108	–	108
Furniture and fittings	30/06/16	–	47	–	47
Plant and equipment (under finance lease)	30/06/16	–	349	–	349
Operational land	30/06/13	–	–	4,031	4,031
Community land	30/06/16	–	–	2,829	2,829
Land improvements – depreciable	30/06/16	–	6,727	–	6,727
Non-specialised buildings	30/06/13	–	–	5,878	5,878
Specialised buildings	30/06/13	–	–	19,189	19,189
Other structures	30/06/16	–	–	1,454	1,454
Roads	30/06/15	–	–	209,665	209,665
Bulk earthworks (non-depreciable)	30/06/15	–	–	14,031	14,031
Stormwater drainage	30/06/12	–	–	4,805	4,805
Water supply network	30/06/12	–	–	11,425	11,425
Sewerage network	30/06/12	–	–	8,580	8,580
Library books	30/06/16	–	75	–	75
Other assets	N/A	–	–	37	37
Total infrastructure, property, plant and equipment		–	11,919	283,721	295,640

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

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Financial assets

Level 1: Valuation based on quoted prices in an active market

Fair value of financial liabilities that are available in the active markets is based on market price of the balance sheet date. A market is considered active if market prices are easily and regularly available from a dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length.

Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by they use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the liabilities concerned, and which also include quoted prices in active markets.

Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

Infrastructure, property, plant and equipment

While liquid second hand markets exist for Council's Plant & Equipment, subjectivity of prices in this market exists due to age and condition of equipment. Plant and Equipment, therefore, is classified as Level 2 inputs.

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Capital works in progress	Operational land	Community land	Non-specialised buildings	Specialised buildings	Other structures	Roads	Bulk Earthworks	Total
Opening balance – 1/7/15	3,211	4,374	1,673	5,916	18,897	1,284	209,006	14,031	258,392
Transfers from/(to) another asset class	(2,756)	–	–	–	–	–	325	–	(2,431)
Purchases (GBV)	1,359	140	–	24	136	16	4,257	–	5,932
Depreciation and impairment	–	–	–	(257)	(497)	(102)	(3,923)	–	(4,779)
Revaluation Decrements to P&L	(17)	–	–	–	–	–	–	–	(17)
Revaluation Adjustments to ARR	–	(483)	1,156	195	653	256	–	–	1,777
Closing balance – 30/6/16	1,797	4,031	2,829	5,878	19,189	1,454	209,665	14,031	258,874
Transfers from/(to) another asset class	(360)	–	–	6	53	(862)	256	–	(907)
Purchases (GBV)	1,912	–	–	111	159	132	1,873	–	4,187
Disposals (WDV)	–	–	–	–	–	–	–	–	–
Depreciation and impairment	–	–	–	(225)	(504)	(112)	(3,615)	–	(4,456)
Transfers to Profit and Loss	(28)	–	–	–	–	–	–	–	(28)
Revaluation movements to ARR	–	–	–	–	6	–	–	–	6
Closing balance – 30/6/17	3,321	4,031	2,829	5,770	18,903	612	208,179	14,031	257,676

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Recreation Assets	Stormwater drainage	Water supply network	Sewerage network	Other assets	Total
Opening balance – 1/7/15	–	4,869	11,137	8,819	94	24,919
Transfers from/(to) another asset class	–	–	22	–	–	22
Purchases (GBV)	–	–	440	–	–	440
Depreciation and impairment	–	(64)	(342)	(366)	(2)	(774)
Revaluation Adjustments to ARR	–	–	168	127	(55)	240
Closing balance – 30/6/16	–	4,805	11,425	8,580	37	24,847
Transfers from/(to) another asset class	3,930	–	–	–	–	3,930
Purchases (GBV)	–	–	287	110	–	397
Depreciation and impairment	–	(64)	(363)	(366)	(1)	(794)
Revaluation to ARR	–	–	(19)	2,973	–	2,954
Closing balance – 30/6/17	3,930	4,741	11,330	11,297	36	31,334

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Financial assets			
Works in Progress	3,321	Based on historic cost	Assets moved to another class once capitalised
Operational Land	4,031	Third party valuer	Some land does not have regular markets
Community Land	2,829	Third party valuer	Some land does not have regular markets
Specialised Buildings	18,903	Third party valuer	Many buildings do not have regular markets
Other Structures	612	Third party valuer	Assets do not have regular markets
Roads	208,179	External engineer	Assets do not have regular markets
Bulk Earthworks	14,031	Based on historic cost	Assets do not have regular markets
Stormwater Drainage	4,741	Based on historic cost	Assets do not have regular markets
Water Supply	11,330	Third party valuer	Assets do not have regular markets
Sewerage Network	11,297	Third party valuer	Assets do not have regular markets
Other Assets	36	Third party valuer	Assets do not have regular markets

c. The valuation process for level 3 fair value measurements

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

(5). Highest and best use

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

Cobar Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

Compensation:	Actual
	2017
Short-term benefits	1,060
Total	<u>1,060</u>

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP, payment of other citizen transactions such as annual rates) will not be disclosed.

Council has determined there are no transactions with KMP and their related parties to report for the year ended 30 June 2017.

c. Other related party transactions

Council has determined there are no other related party transactions to report for the year ended 30 June 2017.

Cobar Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and contact details

Principal place of business:

36 Linsley Street
Cobar NSW 2835

Contact details

Mailing address:

PO Box 233
Cobar NSW 2835

Opening hours:

8am to 4pm

Telephone: 02 6836 5888

Facsimile: 02 6836 5889

Internet: www.cobar.nsw.gov.au

Email: mail@cobar.nsw.gov.au

Officers

GENERAL MANAGER

Peter Vlatko

RESPONSIBLE ACCOUNTING OFFICER

Neil Mitchell

PUBLIC OFFICER

Peter Vlatko

AUDITORS

Audit Office of New South Wales

Elected members

MAYOR

Lilliane O Brady OAM

COUNCILLORS

Peter Abbott

Tracey Kings

Janine Lea-Barrett

Christopher Lehmann

Jarrold Marsden

Greg Martin

Peter Maxwell

Julie Payne

Harley Toomey

Bob Sinclair

Peter Yench

Other information

ABN: 71 579 717 155



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial 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 statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, 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 2017, 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 Responsibility 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 Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 October 2016.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

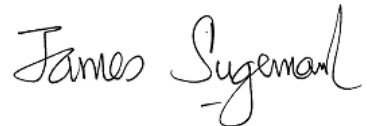
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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/ar3.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, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

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

James Sugumar
Director, Financial Audit Services

29 November 2017
SYDNEY

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

Contact: James Sugumar
Phone no: 02 9275 7288
Our ref: D1731103/1714

29 November 2017

Dear Mayor Brady

Report on the Conduct of the Audit
Audit for the year ended 30 June 2017
Cobar Shire Council





I have audited the general purpose financial statements of Cobar Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act and should be read in conjunction with my audit opinion issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017	2016	Variation
	\$m	\$m	%
Rates and annual charges revenue	5.8	5.6	3.6 
Grants and contributions revenue	17.5	14.6	19.9 
Operating expenses	32.5	27.8	16.9 
Operating result for the year	4.0	1.7	135.3 

The increase in Rates and Annual Charges revenue was largely due to the 1.8 per cent general rate rise.

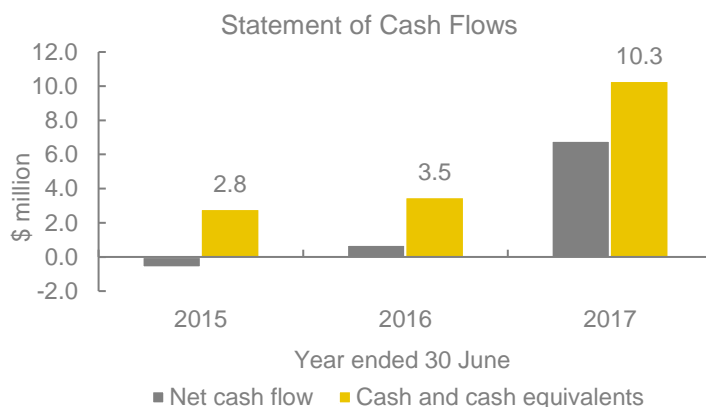
Early receipt of \$2.7 million Financial Assistance Grant relating to 2017-18 was the main reason for the increase in Grants and Contributions revenue.

Increased total revenue and increase in expenses gave rise to higher operating result for the year by \$2.3 million.

STATEMENT OF CASH FLOWS

Net cash flows increased to \$6.8 million at balance date mainly due to:

- operating result of \$2.3 million
- early receipt of commonwealth grant of \$2.7 million.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	7.3	6.2	<ul style="list-style-type: none"> ○ Cash and investments increased by \$3.7 million from increased operating result and early receipt of grants. ○ The ratio of internal restrictions to total cash and investments increased because of early receipt of internally restricted government grants. The ratio of external restrictions remains consistent year on year. ○ Externally restricted funds include: <ul style="list-style-type: none"> - Water and sewer funds \$4.4 million - Domestic waste services \$1.3 million ○ Internally restricted funds include: <ul style="list-style-type: none"> - Financial Assistance Grant for 2017-18 \$2.7 million - Plant and vehicle replacement \$1.3 million.
Internal restrictions	5.7	2.9	
Unrestricted	1.3	1.5	
Total cash and investments	14.3	10.6	

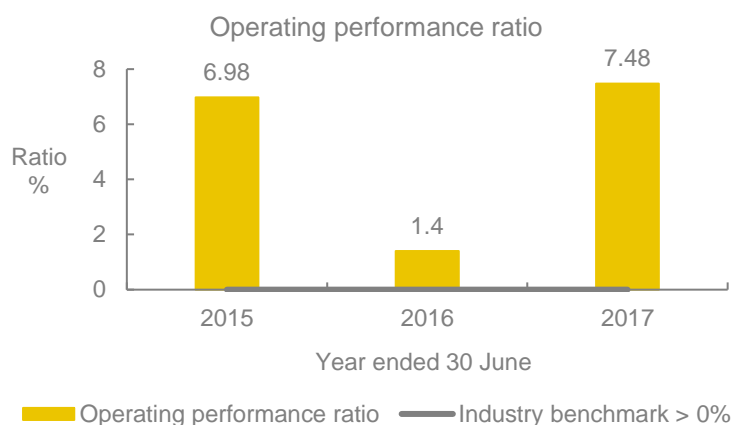
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 13(a)(i) of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7.

Operating performance ratio

- Council exceeded the benchmark of greater than zero per cent.
- This ratio increased to 7.48 per cent due to early receipt of the 2017-18 Financial Assistance Grant.

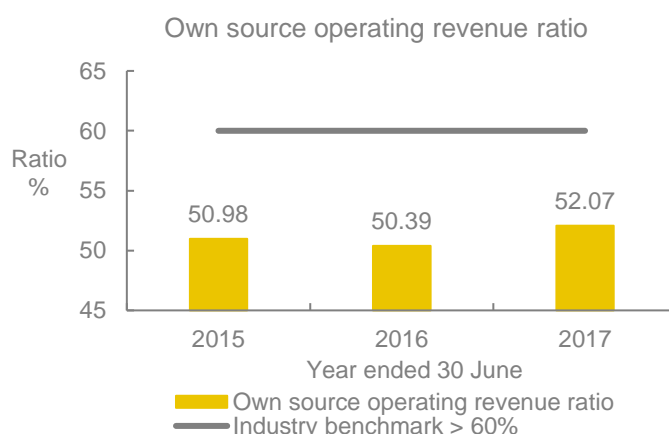
The ‘operating performance ratio’ measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

- Council’s own source operating revenue was below the benchmark because of low rate revenue base.
- The ratio marginally increased due to increased fee revenue from Roads and Maritime Services.

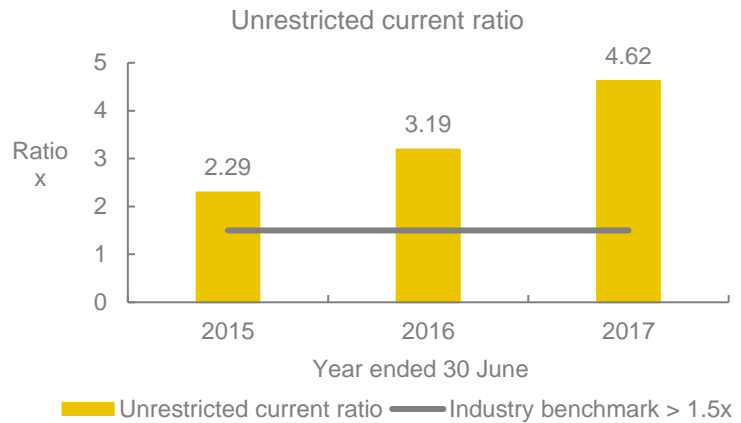
The ‘own source operating revenue ratio’ measures Council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council exceeded the benchmark of 1.5 times.
- Council has sufficient liquid assets to meet its liabilities as and when they fall due.

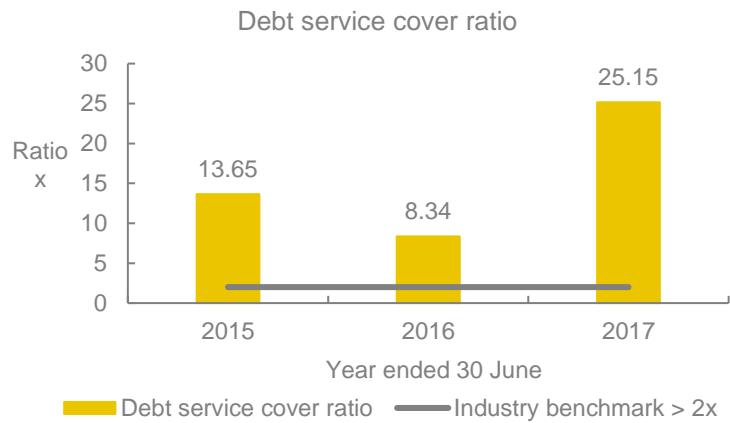
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council continue to exceed the benchmark of greater than two times.
- The increase to 25.15 times was due to the increased operating result in 2017.

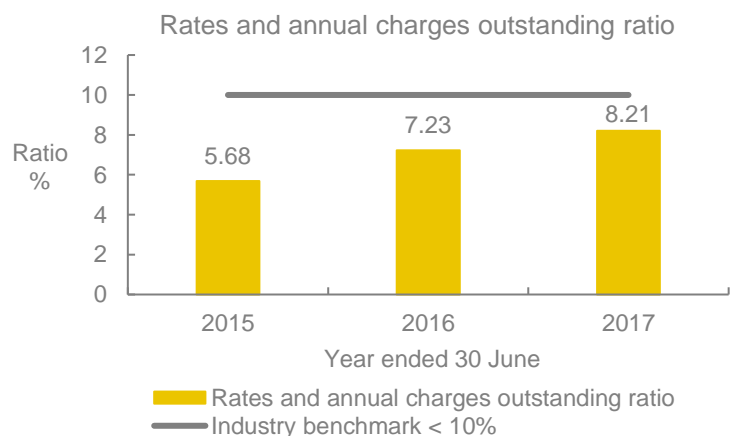
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council continues to achieve the benchmark for outstanding rates and annual charges.
- The ratio continues to increase in the past three years.

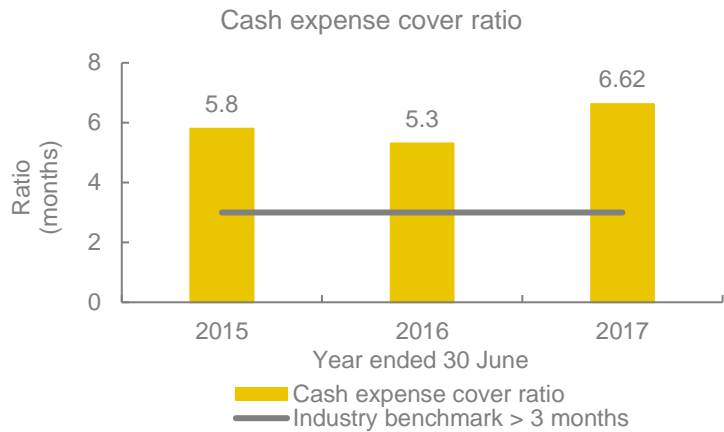
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

- Council exceeded the benchmark of greater than three months for the past three years.
- This has improved in 2017 in line with the increased cash balance.

This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

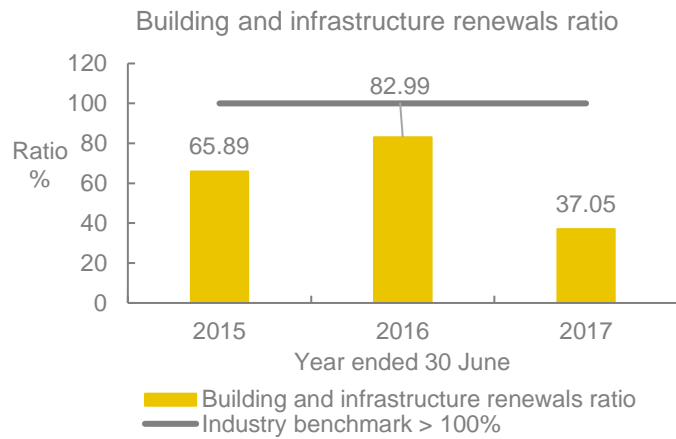


Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio was below the benchmark.
- Management advised this ratio declined in 2017 with reduced renewals for road assets due to projects being deferred based on weather conditions.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in Council's Special Schedule 7 which has not been audited.



OTHER MATTERS

Council Entities

I did not audit the following council entity:

- Lilliane Brady Village (not disclosed in the financial statements).

The arrangements for the audit of the above entity will be explored as part of the Audit Office's transition strategy to deliver our new mandate.

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

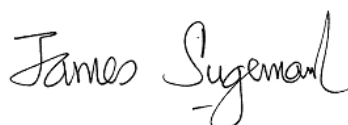
AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nil other related party transactions or balances.

Legislative compliance

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

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



James Sugumar
Director, Financial Audit Services

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