

Coonamble Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“Coonamble on the Castlereagh”



Coonamble Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

80 Castlereagh Street
Coonamble NSW 2829

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

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

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

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

Coonamble Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Coonamble Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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


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

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

Signed in accordance with a resolution of Council made on 08 August 2018.



Michael Webb
Mayor
08 August 2018

John Walker
Councillor
08 August 2018

Rick Warren
General Manager
08 August 2018

Bruce Quarmby
Responsible Accounting Officer
08 August 2018

Coonamble Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
6,176	Rates and annual charges	3a	6,109	5,896
5,126	User charges and fees	3b	8,219	6,635
583	Interest and investment revenue	3c	552	531
28	Other revenues	3d	800	708
6,641	Grants and contributions provided for operating purposes	3e,f	8,796	9,417
1,824	Grants and contributions provided for capital purposes	3e,f	988	1,792
Other income:				
—	Net gains from the disposal of assets	5	—	55
—	Net share of interests in joint ventures and associates using the equity method	14	—	4
20,378	Total income from continuing operations		25,464	25,038
Expenses from continuing operations				
5,837	Employee benefits and on-costs	4a	7,493	7,658
8	Borrowing costs	4b	6	8
5,702	Materials and contracts	4c	7,561	4,306
5,446	Depreciation and amortisation	4d	5,428	4,945
1,096	Other expenses	4e	2,031	2,038
—	Net losses from the disposal of assets	5	289	—
18,089	Total expenses from continuing operations		22,808	18,955
2,289	Operating result from continuing operations		2,656	6,083
2,289	Net operating result for the year		2,656	6,083
2,289	Net operating result attributable to Council		2,656	6,083
Net operating result for the year before grants and contributions provided for capital purposes				
465			1,668	4,291

Coonamble Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		2,656	6,083
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	7,838	3,547
Total items which will not be reclassified subsequently to the operating result		7,838	3,547
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		7,838	3,547
Total comprehensive income for the year		10,494	9,630
Total comprehensive income attributable to Council		10,494	9,630

Coonamble Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	14,609	21,517
Investments	6b	15,000	3,500
Receivables	7	1,629	2,788
Inventories	8	788	695
Other	8	55	31
Total current assets		32,081	28,531
Non-current assets			
Receivables	7	290	481
Infrastructure, property, plant and equipment	9	285,105	276,561
Investments accounted for using the equity method	14	53	53
Total non-current assets		285,448	277,095
TOTAL ASSETS		317,529	305,626
LIABILITIES			
Current liabilities			
Payables	10	2,661	1,510
Income received in advance	10	889	671
Borrowings	10	46	50
Provisions	11	1,938	1,864
Total current liabilities		5,534	4,095
Non-current liabilities			
Borrowings	10	83	129
Provisions	11	92	76
Total non-current liabilities		175	205
TOTAL LIABILITIES		5,709	4,300
Net assets		311,820	301,326
EQUITY			
Accumulated surplus	12	174,331	171,675
Revaluation reserves	12	137,489	129,651
Total equity		311,820	301,326

Coonamble Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		171,675	129,651	301,326	165,592	126,104	291,696
Net operating result for the year		2,656	–	2,656	6,083	–	6,083
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	7,838	7,838	–	3,547	3,547
Other comprehensive income		–	7,838	7,838	–	3,547	3,547
Total comprehensive income (c&d)		2,656	7,838	10,494	6,083	3,547	9,630
Equity – balance at end of the reporting period		174,331	137,489	311,820	171,675	129,651	301,326

Coonamble Shire Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
<u>Receipts:</u>				
6,128	Rates and annual charges		6,228	5,846
5,089	User charges and fees		10,081	6,375
583	Investment and interest revenue received		513	532
8,469	Grants and contributions		10,928	10,300
–	Bonds, deposits and retention amounts received		464	3
39	Other		1,563	1,872
<u>Payments:</u>				
(5,836)	Employee benefits and on-costs		(7,421)	(7,748)
(5,734)	Materials and contracts		(9,310)	(3,985)
(8)	Borrowing costs		(6)	(9)
–	Bonds, deposits and retention amounts refunded		(454)	–
(1,097)	Other		(2,076)	(3,290)
7,633	Net cash provided (or used in) operating activities	13b	10,510	9,896
Cash flows from investing activities				
<u>Receipts:</u>				
–	Sale of investment securities		15,000	10,000
–	Sale of real estate assets		50	–
50	Sale of infrastructure, property, plant and equipment		413	483
<u>Payments:</u>				
–	Purchase of investment securities		(26,500)	(11,000)
(8,493)	Purchase of infrastructure, property, plant and equipment		(6,331)	(7,245)
(8,443)	Net cash provided (or used in) investing activities		(17,368)	(7,762)
Cash flows from financing activities				
<u>Receipts:</u>				
Nil				
<u>Payments:</u>				
(51)	Repayment of borrowings and advances		(50)	(50)
(51)	Net cash flow provided (used in) financing activities		(50)	(50)
(861)	Net increase/(decrease) in cash and cash equivalents		(6,908)	2,084
18,776	Plus: cash and cash equivalents – beginning of year	13a	21,517	19,433
17,915	Cash and cash equivalents – end of the year	13a	14,609	21,517
Additional Information:				
plus:	Investments on hand – end of year	6b	15,000	3,500
	Total cash, cash equivalents and investments		29,609	25,017

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 08/08/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

Coonamble Shire Council

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

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

Coonamble Shire Council

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

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Administration	9,196	11,374	5,158	7,138	4,038	4,236	3,835	5,652	23,191	48,022
Public order and safety	379	924	597	337	(218)	587	–	–	1,611	40
Health	6	6	234	228	(228)	(222)	–	4	455	30
Environment	625	537	1,314	771	(689)	(234)	165	1,028	5,574	–
Community service and education	4	2	177	136	(173)	(134)	1	32	786	21
Housing and community amenities	357	273	470	354	(113)	(81)	160	–	2,242	2,707
Water supplies	1,420	1,252	1,494	1,154	(74)	98	12	14	20,693	20,424
Sewerage supplies	835	845	921	770	(86)	75	10	12	18,315	18,250
Recreation and culture	414	691	1,626	1,426	(1,212)	(735)	314	420	14,953	2,843
Mining, manufacturing and construction	917	1,141	2,213	1,142	(1,296)	(1)	–	2,747	6,142	7,686
Transport and Communication	10,591	7,708	8,144	4,942	2,447	2,766	3,621	–	221,452	205,019
Economic Affairs	720	281	460	557	260	(276)	–	–	2,115	531
Other	–	4	–	–	–	4	–	–	–	53
Total functions and activities	25,464	25,038	22,808	18,955	2,656	6,083	8,118	9,909	317,529	305,626

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Administration

includes Council's governance function, corporate support and other support services, engineering works and any council policy compliance.

Public order and safety

includes Council's fire and emergency services levy, fire protection, emergency services, animal control and other public order and safety

Health

includes administration and inspection costs for health services as well as provision of residential accommodation for medical professionals.

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 service and education

includes administration and education; aged and disabled services; youth services and programs; other community services

Housing and community amenities

includes public cemeteries; public conveniences; street lighting; town planning ; other community amenities, including housing development and accommodation.

Water supplies

water services

Sewerage supplies

sewer services

Recreation and culture

includes public libraries ; museums; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks and gardens; 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; saleyards and markets; real estate development and other business undertakings.

Coonamble Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	603	510
Farmland	3,772	3,751
Business	159	147
Total ordinary rates	4,534	4,408
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	460	445
Water supply services	479	429
Sewerage services	636	614
Total annual charges	1,575	1,488
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>6,109</u>	<u>5,896</u>

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

Accounting policy for rates and annual charges

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

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

Coonamble Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	864	637
Sewerage services	123	102
Total specific user charges	987	739
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Regulatory/ statutory fees	171	157
Total fees and charges – statutory/regulatory	171	157
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	9	11
Caravan park	6	6
Cemeteries	68	72
Lease rentals	15	37
Private works	190	246
Quarry revenues	879	1,137
Recreational grounds fees	20	18
RMS (formerly RTA) charges (state roads not controlled by Council)	5,718	4,019
Saleyards	7	65
Swimming centres	35	34
Water connection fees	4	–
Other	110	94
Total fees and charges – other	7,061	5,739
TOTAL USER CHARGES AND FEES	8,219	6,635

Accounting policy for user charges and fees

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	37	40
– Cash and investments	515	491
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>552</u>	<u>531</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	37	40
General Council cash and investments	403	329
Restricted investments/funds – external:		
Water fund operations	46	67
Sewerage fund operations	66	95
<u>Total interest and investment revenue recognised</u>	<u>552</u>	<u>531</u>
Accounting policy for interest and investment revenue		
Interest income is recognised using the effective interest rate at the date that interest is earned.		
(d) Other revenues		
Commissions and agency fees	98	96
Energy rebate	116	119
Insurance rebate	62	30
Reimbursement – bushfire	314	307
Sales – general	62	98
Farming income	75	–
Other	73	58
<u>TOTAL OTHER REVENUE</u>	<u>800</u>	<u>708</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Coonamble Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	1,732	5,415	–	–
Payment in advance – future year allocation				
Financial assistance	2,080	–	–	–
Other				
Pensioners' rates subsidies – general component	23	28	–	–
Total general purpose	3,835	5,443	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	12	13	–	–
– Sewerage	10	12	–	–
– Domestic waste management	13	15	–	–
Animal control	–	5	–	–
Community care	1	1	–	–
Employment and training programs	–	4	–	–
Environmental protection	–	58	102	939
Library	–	–	26	31
Library – per capita	30	31	–	–
Recreation and culture	–	51	258	532
Street lighting	37	36	–	–
Transport (roads to recovery)	1,562	819	–	275
Transport (other roads and bridges funding)	–	541	245	–
Transport (flood damage)	1,270	1,103	–	–
Community Drought Program	703	–	–	–
Other	14	–	–	–
Total specific purpose	3,652	2,689	631	1,777
Total grants	7,487	8,132	631	1,777
Grant revenue is attributable to:				
– Commonwealth funding	4,529	5,485	–	–
– State funding	2,958	2,647	631	1,777
	7,487	8,132	631	1,777

Coonamble Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
Recreation and culture	–	–	–	15
RMS contributions (regional roads, block grant)	1,309	1,285	357	–
Total other contributions – cash	1,309	1,285	357	15
Total other contributions	1,309	1,285	357	15
Total contributions	1,309	1,285	357	15
TOTAL GRANTS AND CONTRIBUTIONS	8,796	9,417	988	1,792

Accounting policy for contributions

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

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

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

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	297	423
Add: operating grants recognised in the current period but not yet spent	138	(44)
Add: operating grants received for the provision of goods and services in a future period	184	341
Less: operating grants recognised in a previous reporting period now spent	(297)	(423)
Unexpended and held as restricted assets (operating grants)	322	297
Capital grants		
Unexpended at the close of the previous reporting period	852	1,438
Add: capital grants recognised in the current period but not yet spent	226	852
Less: capital grants recognised in a previous reporting period now spent	(852)	(1,438)
Unexpended and held as restricted assets (capital grants)	226	852

Coonamble Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	5,993	6,259
Travel expenses	2	4
Employee leave entitlements (ELE)	716	606
Superannuation	712	663
Workers' compensation insurance	187	139
Fringe benefit tax (FBT)	26	48
Training costs (other than salaries and wages)	169	99
Protective clothing	21	–
Other	49	57
Total employee costs	7,875	7,875
Less: capitalised costs	(382)	(217)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>7,493</u>	<u>7,658</u>
Number of 'full-time equivalent' employees (FTE) at year end	84	91

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	6	8
Total interest bearing liability costs expensed	6	8
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>6</u>	<u>8</u>

Accounting policy for borrowing costs

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

Coonamble Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	3,124	2,190
Contractor and consultancy costs		
– Administration	–	60
– Building, electrical, plumbing	253	183
– External plant hire	1,667	356
– Planning	–	32
– Quarry	286	166
– Road repairs	678	424
– Roadmarking services	267	125
– Waste management	255	323
– Aerodrome Grounds Maintenance	40	–
Contractor and consultancy costs – other	810	370
Auditors remuneration ⁽¹⁾	61	54
Legal expenses:		
– Legal expenses: debt recovery	100	–
– Legal expenses: other	20	23
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>7,561</u>	<u>4,306</u>

1. Auditor remuneration

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

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

Audit and review of financial statements	61	46
Remuneration for audit and other assurance services	61	46
Total Auditor-General remuneration	61	46

Non NSW Auditor-General audit firms:**(i) Audit and other assurance services**

Audit and review of financial statements	–	8
Remuneration for audit and other assurance services	–	8
Total remuneration of non NSW Auditor-General audit firms	–	8
Total Auditor remuneration	61	54

Coonamble Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	1,223	1,276
Office equipment	62	81
Land improvements (depreciable)	1	–
Infrastructure:		
– Buildings – non-specialised	111	95
– Buildings – specialised	379	179
– Other structures	412	219
– Roads	2,455	2,327
– Bridges	146	146
– Footpaths	24	22
– Stormwater drainage	29	29
– Water supply network	243	239
– Sewerage network	343	332
Total depreciation and amortisation costs	5,428	4,945
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>	<u>5,428</u>	<u>4,945</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

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.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Coonamble Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	62	43
Bad and doubtful debts	74	30
Bank charges	15	14
Commission	22	22
Contributions/levies to other levels of government	591	576
Councillor expenses – mayoral fee	19	17
Councillor expenses – councillors' fees	69	69
Councillors' expenses (incl. mayor) – other (excluding fees above)	22	17
Donations, contributions and assistance to other organisations (Section 356)	104	92
Election expenses	30	30
Electricity and heating	206	205
Farming costs	13	–
Insurance	349	341
Postage	25	24
Printing and stationery	76	55
Royalties	42	66
Street lighting	117	104
Subscriptions and publications	56	55
Telephone and communications	50	59
Valuation fees	24	18
Other	65	201
<u>TOTAL OTHER EXPENSES</u>	<u>2,031</u>	<u>2,038</u>

Accounting policy for other expenses

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

Coonamble Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		250	145
Less: carrying amount of property assets sold/written off		(244)	(181)
Net gain/(loss) on disposal		6	(36)
Plant and equipment	9		
Proceeds from disposal – plant and equipment		163	338
Less: carrying amount of plant and equipment assets sold/written off		(156)	(247)
Net gain/(loss) on disposal		7	91
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(291)	–
Net gain/(loss) on disposal		(291)	–
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		50	–
Less: carrying amount of real estate assets sold/written off		(61)	–
Net gain/(loss) on disposal		(11)	–
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		15,000	10,000
Less: carrying amount of financial assets sold/redeemed/matured		(15,000)	(10,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(289)	55

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	1,609	3,517
Cash-equivalent assets		
– Deposits at call	1,500	1,500
– Short-term deposits	11,500	16,500
Total cash and cash equivalents	14,609	21,517

Accounting policy for cash and cash equivalents

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

Coonamble Shire Council

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

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	15,000	—	3,500	—
Total investments	15,000	—	3,500	—
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>29,609</u>	<u>—</u>	<u>25,017</u>	<u>—</u>
Held to maturity investments				
Long term deposits	15,000	—	3,500	—
Total	15,000	—	3,500	—

Accounting policy for investments

Classification

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

Held to maturity investments

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

Recognition and de-recognition

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

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

Coonamble Shire Council

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

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	29,609	–	25,017	–
attributable to:				
External restrictions (refer below)	9,989	–	10,561	–
Internal restrictions (refer below)	15,677	–	13,119	–
Unrestricted	3,943	–	1,337	–
	29,609	–	25,017	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Specific purpose unexpended grants	548	1,149
Water supplies	2,787	2,819
Sewerage services	5,774	5,842
Domestic waste management	880	751
External restrictions – other	9,989	10,561
Total external restrictions	9,989	10,561

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	2,652	1,871
Employees leave entitlement	1,205	1,205
Carry over works	55	55
Aerodrome	50	50
Caravan park	501	226
Cemetery	82	68
Common	29	14
Depot improvements	56	56
Development	469	489
Election expenses	14	44
Emergency services building maintenance	200	100
Financial assistance grant (in advance)	2,080	1,842
Footpath replacement	150	150
Kerb and gutter replacement	114	114
Land acquisition	–	3
Levee reserve	912	912
Local environmental plan	25	25
Museum	–	6
Office equipment	380	350
Other community development	60	10
Pound facility	–	100
Premises refurbishment	700	355
Quarry	1,326	700
Quarry rehabilitation	130	120
Recreational facilities	198	182
Riverwalk	–	2
Road reloaning	1,106	1,056
Road reserve sealed	1,078	1,028
Rural fire service	36	36
Saleyards	20	20
Security camera reserve	–	7
Showground	197	247
Single invitation contract	200	200
Sportsground	39	39
Stormwater drainage	20	35
Strategic plan review	20	20
Street lighting	35	30
Street numbering contribution	–	5
Training reserve	–	50
Urban streets	765	764
Weir improvement	18	30
Coonamble Scholarship	–	3
Bore Baths Establishment Reserve	500	500
SCC Grant Matching Component'	255	–
Total internal restrictions	15,677	13,119
TOTAL RESTRICTIONS	25,666	23,680

Coonamble Shire Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	367	191	400	173
Interest and extra charges	41	27	39	26
User charges and fees	723	263	1,145	481
Accrued revenues				
– Interest on investments	114	–	78	–
Government grants and subsidies	507	–	993	–
Other debtors	34	–	209	–
Total	1,786	481	2,864	680
Less: provision for impairment				
Rates and annual charges	(136)	(143)	(46)	(129)
User charges and fees	(21)	(48)	(30)	(70)
Total provision for impairment – receivables	(157)	(191)	(76)	(199)
<u>TOTAL NET RECEIVABLES</u>	<u>1,629</u>	<u>290</u>	<u>2,788</u>	<u>481</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	36	–	22	6
– Other	274	–	181	35
Sewerage services				
– Rates and availability charges	47	–	42	10
– Other	30	–	20	6
Total external restrictions	387	–	265	57
Unrestricted receivables	1,242	290	2,523	424
<u>TOTAL NET RECEIVABLES</u>	<u>1,629</u>	<u>290</u>	<u>2,788</u>	<u>481</u>
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			275	247
+ new provisions recognised during the year			74	30
– amounts already provided for and written off this year			(1)	(2)
Balance at the end of the year			348	275

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	306	—	367	—
Stores and materials	239	—	258	—
Trading stock	243	—	70	—
Total inventories at cost	788	—	695	—
TOTAL INVENTORIES	788	—	695	—
(b) Other assets				
Prepayments	55	—	31	—
TOTAL OTHER ASSETS	55	—	31	—

Externally restricted assets

There are no restrictions applicable to the above assets.

Coonamble Shire Council

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

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current

(i) Other disclosures

(a) Details for real estate development

Industrial/commercial		306	–	367	–
Total real estate for resale		306	–	367	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs		306	–	367	–
Total costs		306	–	367	–
Total real estate for resale		306	–	367	–

Movements:

Real estate assets at beginning of the year		367	–	367	–
– WDV of sales (expense)	5	(61)	–	–	–
Total real estate for resale		306	–	367	–

(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;

	2018	2017
Real estate for resale	306	367
	306	367

Accounting policy**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. 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.

Inventory held for distribution

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

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.

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	65	–	65	97	29	–	–	(65)	–	126	–	126
Plant and equipment	13,481	6,185	7,296	31	492	(156)	(1,223)	–	–	13,241	6,801	6,440
Office equipment	1,193	1,026	167	–	–	–	(62)	–	–	674	569	105
Land:												
– Operational land	1,954	–	1,954	–	–	(15)	–	–	493	2,432	–	2,432
– Community land	1,414	–	1,414	–	9	–	–	–	5	1,428	–	1,428
Land improvements – non-depreciable	–	–	–	36	–	–	–	–	–	36	–	36
Land improvements – depreciable	122	89	33	–	47	–	(1)	–	–	169	91	78
Infrastructure:												
– Buildings – non-specialised	4,307	2,348	1,959	84	–	(229)	(111)	–	494	2,755	558	2,197
– Buildings – specialised	28,724	14,075	14,649	142	52	–	(379)	–	4,277	27,125	8,384	18,741
– Other structures	16,071	6,025	10,046	246	37	–	(412)	–	2,006	17,059	5,136	11,923
– Roads	229,166	40,038	189,128	3,471	49	–	(2,455)	54	–	232,740	42,493	190,247
– Bridges	14,575	1,901	12,674	–	–	–	(146)	–	–	14,575	2,046	12,529
– Footpaths	1,901	195	1,706	56	–	–	(24)	–	–	1,957	219	1,738
– Bulk earthworks (non-depreciable)	4,281	–	4,281	–	1,278	–	–	–	–	5,559	–	5,559
– Stormwater drainage	2,459	948	1,511	–	–	–	(29)	–	–	2,459	977	1,482
– Water supply network	24,582	7,234	17,348	252	–	(126)	(243)	11	338	24,970	7,390	17,580
– Sewerage network	26,918	14,588	12,330	375	42	(165)	(343)	–	225	27,220	14,756	12,464
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	371,213	94,652	276,561	4,790	2,035	(691)	(5,428)	–	7,838	374,525	89,420	285,105

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: structure	Infinite	Swimming pools	50
Unsealed roads	30	Other open space/recreational assets	20 to 50
Unsealed roads: structure	Infinite		
Bridge: concrete	100		
Bridge: other	100		
Road pavements	20 to 30		
Kerb, gutter and footpaths	60		

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.

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Land under roads

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

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

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	16	–	16	11	–	11
Infrastructure	24,970	7,390	17,580	24,583	7,231	17,352
Total water supply	24,986	7,390	17,596	24,594	7,231	17,363
Sewerage services						
Infrastructure	27,220	14,756	12,464	26,918	14,588	12,330
Total sewerage services	27,220	14,756	12,464	26,918	14,588	12,330
Domestic waste management						
Land						
– Operational land	29	–	29	–	–	–
– Improvements non-depreciable	12	–	12	–	–	–
Infrastructure	317	54	263	271	43	228
Total DWM	358	54	304	271	43	228
TOTAL RESTRICTED IPP&E	52,564	22,200	30,364	51,783	21,862	29,921

Coonamble Shire Council

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

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	380	–	675	–
Goods and services – capital expenditure	842	–	348	–
Accrued expenses:				
– Borrowings	1	–	1	–
– Other expenditure accruals	572	–	331	–
Other payables	701	–	–	–
Security bonds, deposits and retentions	165	–	155	–
Total payables	2,661	–	1,510	–
Income received in advance				
Payments received in advance	889	–	671	–
Total income received in advance	889	–	671	–
Borrowings				
Loans – unsecured	46	83	50	129
Total borrowings	46	83	50	129
TOTAL PAYABLES AND BORROWINGS	3,596	83	2,231	129

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	114	–	75	–
Sewer	77	–	163	5
Payables and borrowings relating to externally restricted assets	191	–	238	5
Total payables and borrowings relating to restricted assets	191	–	238	5
Total payables and borrowings relating to unrestricted assets	3,405	83	1,993	124
TOTAL PAYABLES AND BORROWINGS	3,596	83	2,231	129

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 17.

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	135	–
	135	–

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – unsecured	179	(50)	–	–	–	129
TOTAL	179	(50)	–	–	–	129

\$ '000	2018	2017
---------	------	------

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

Bank overdraft facilities ⁽¹⁾	250	250
Credit cards/purchase cards	25	25
Total financing arrangements	275	275

Undrawn facilities as at balance date:

– Bank overdraft facilities	250	250
– Credit cards/purchase cards	25	25
Total undrawn financing arrangements	275	275

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings (continued)

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Coonamble Shire Council

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

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	934	–	862	–
Long service leave	1,004	92	1,002	76
<u>TOTAL PROVISIONS</u>	<u>1,938</u>	<u>92</u>	<u>1,864</u>	<u>76</u>

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,036	1,017
	<u>1,036</u>	<u>1,017</u>

(c) Description of and movements in provisions

2018	ELE provisions		
	Annual leave	Long service leave	Total
At beginning of year	862	1,078	1,940
Additional provisions	490	225	715
Amounts used (payments)	(418)	(207)	(625)
Total ELE provisions at end of year	934	1,096	2,030

2017	ELE provisions		
	Annual leave	Long service leave	Total
At beginning of year	839	1,191	2,030
Additional provisions	477	120	597
Amounts used (payments)	(454)	(233)	(687)
Total ELE provisions at end of year	862	1,078	1,940

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

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

Restoration

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

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

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

Rehabilitation

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

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

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

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

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

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

Self-insurance

Council does not self insure

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	14,609	21,517
Balance as per the Statement of Cash Flows		14,609	21,517
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,656	6,083
Adjust for non-cash items:			
Depreciation and amortisation		5,428	4,945
Net losses/(gains) on disposal of assets		289	(55)
Share of net (profits) or losses of associates/joint ventures		–	(4)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,277	(1,945)
Increase/(decrease) in provision for doubtful debts		73	28
Decrease/(increase) in inventories		(154)	11
Decrease/(increase) in other assets		(24)	39
Increase/(decrease) in payables		(295)	310
Increase/(decrease) in accrued interest payable		–	(1)
Increase/(decrease) in other accrued expenses payable		241	113
Increase/(decrease) in other liabilities		929	462
Increase/(decrease) in employee leave entitlements		90	(90)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,510	9,896

Note 14. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	–	4	53	53
Total	–	4	53	53

Coonamble Shire Council

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

Note 14. Interests in other entities (continued)

\$ '000

Joint arrangements

(i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	2018	2017
Northern Western Library Service	Joint Venture	53	53
Total carrying amounts – material joint ventures		53	53

(b) Details

Name of entity	Principal activity
Northern Western Library Service	Provision of Library Services

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
Northern Western Library Service	25%	25%	25%	25%	25%	25%

(d) Summarised financial information for joint ventures

	Northern Western Library Service	
	2018	2017
Statement of financial position		
Current assets		
Cash and cash equivalents	24	9
Non-current assets	190	204
Net assets	214	213
Reconciliation of the carrying amount		
Opening net assets (1 July)	213	197
Profit/(loss) for the period	1	16
Closing net assets	214	213
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	53	53

Coonamble Shire Council

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

Note 14. Interests in other entities (continued)

\$ '000

Joint arrangements (continued)

(d) Summarised financial information for joint ventures (cont'd)

	Northern Western Library Service	
	2018	2017
Statement of comprehensive income		
Income	242	241
Other expenses	(241)	(225)
Profit/(loss) for period	1	16
Total comprehensive income	1	16
Share of income – Council (%)		25.0%
Profit/(loss) – Council (\$)	–	4
Total comprehensive income – Council (\$)	–	4

(i) County Councils

Council is a member of the following county councils (which are bodies incorporated under the *Local Government Act 1993*):

– Castlereagh Macquarie County Council

The Castlereagh Macquarie County Council (CMCC) is a local government authority for noxious weed control in the Walgett, Coonamble, Warren, Gilgandra and Warrumbungle Shire Council areas. The CMCC is empowered to implement and enforce the Noxious Weeds Act 1993 on behalf of the constituent councils and the New South Wales State Government

Council is of the opinion that it does not control the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Accounting policy for joint arrangements

The Council has determined that it has only joint ventures

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

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

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

Coonamble Shire Council

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

Note 15. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	335	–
Plant and equipment	–	303
Other Software	107	107
Water Mains	206	217
Sewer Relining	342	–
Urban Roads Re-sealing Program	439	–
Other Structures	2,165	–
Total commitments	3,594	627
These expenditures are payable as follows:		
Within the next year	3,594	627
Total payable	3,594	627
Sources for funding of capital commitments:		
Unrestricted general funds	–	627
Future grants and contributions	2,080	–
Unexpended grants	200	–
Externally restricted reserves	548	–
Internally restricted reserves	766	–
Total sources of funding	3,594	627

Details of capital commitments

Capital commitments in place represent carry over works from Council 2017/2018 planned capital works program that were not completed within the 2017/2018 financial year.

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	86	70
Later than one year and not later than 5 years	286	184
Total non-cancellable operating lease commitments	372	254

b. Non-cancellable operating leases include the following assets:

Office Rentals, Accounting Software Package Lease

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Coonamble Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

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

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

Coonamble Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (cont'd)

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

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

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

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

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$218,247. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

The expected contributions to the Fund for the next annual reporting period are \$216,107.92

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

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

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

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

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

Coonamble Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (cont'd)

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

Council's additional lump sum contribution is around 0.21% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(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.

Coonamble Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(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.

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.

Coonamble Shire Council

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

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	14,609	21,517	12,109	21,517
Investments				
– 'Held to maturity'	15,000	3,500	17,500	3,500
Receivables	1,919	3,269	1,919	3,269
Total financial assets	31,528	28,286	31,528	28,286
Financial liabilities				
Payables	2,661	1,510	1,960	1,551
Loans/advances	129	179	129	179
Total financial liabilities	2,790	1,689	2,089	1,730

Fair value is determined as follows:

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	226	226	226	226
2017				
Possible impact of a 1% movement in interest rates	215	215	215	215

Coonamble Shire Council

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

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	79%	0%	78%
Overdue	100%	21%	100%	22%
	100%	100%	100%	100%
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			69	261
< 1 year overdue			262	210
1 – 2 years overdue			157	74
2 – 5 years overdue			60	26
> 5 years overdue			10	2
			558	573
Other receivables				
Current			1,344	2,885
0 – 30 days overdue			106	31
31 – 60 days overdue			196	2
61 – 90 days overdue			3	1
> 91 days overdue			60	52
			1,709	2,971

Coonamble Shire Council

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

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables		165	1,786	–	–	1,951	2,661
Loans and advances	7.75%	–	46	83	–	129	129
Total financial liabilities		165	1,832	83	–	2,080	2,790
2017							
Trade/other payables	0.00%	155	1,396	–	–	1,551	1,510
Loans and advances	7.75%	–	50	129	–	179	179
Total financial liabilities		155	1,446	129	–	1,730	1,689

Coonamble Shire Council

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

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 14 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	6,176	6,109	(67)	(1%) U
User charges and fees	5,126	8,219	3,093	60% F
Council adopted a conservative approach for estimating user fees and charges income for the 2017/2018 financial year. Council was also successful in gaining additional works orders allocation as part of its State Highways contract agreement				
Interest and investment revenue	583	552	(31)	(5%) U
Other revenues	28	800	772	2757% F
A change to the classification and treatment of income types has affected the variation, in particular energy rebates. As well as Council receiving additional unplanned revenue				
Operating grants and contributions	6,641	8,796	2,155	32% F
Council adopted a conservative approach for estimating the level of Grant funded income expected to be received. During the 2017/2018 financial year Council was successful in obtaining additional grant funds				
Capital grants and contributions	1,824	988	(836)	(46%) U
Council was unsuccessful in obtaining capital grants for renewal of the Coonamble Levee				

Coonamble Shire Council

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

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	5,837	7,493	(1,656)	(28%) U
Council was successful in obtaining additional grant funding for programs to which it utilised Council staff to complete the works				
Borrowing costs	8	6	2	25% F
Minor increase in borrowing expenses due to the accrual of interest at the end of the financial year.				
Materials and contracts	5,702	7,561	(1,859)	(33%) U
Council was successful in obtaining additional grant funding for programs to which it utilised additional materials and contractors to complete the works.				
Depreciation and amortisation	5,446	5,428	18	0% F
Other expenses	1,096	2,031	(935)	(85%) U
Council does not include the expenditure from the forwarding Rural Fire Service Contributions from other zone member Councils. Coupled with this is a more detailed analysis of expenditure previously charged to materials and contractors				
Net losses from disposal of assets	—	289	(289)	100% U
Council does not include net losses from disposal of assets as part of its estimates process				

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

Cash flows from operating activities	7,633	10,510	2,877	37.7%	F
The part prepayment of the 2018/2019 Financial assistance grant during the 2017/2018 increased Council's budgeted Cash flow for the 2017/2018 Financial year.					
Cash flows from investing activities	(8,443)	(17,368)	(8,925)	105.7%	U
Due to additional grant funding received through the financial year, this enabled Council to purchase more investment securities in attempt to maximise the return on its investment portfolio.					
Cash flows from financing activities	(51)	(50)	1	(2.0%)	F

Coonamble Shire Council

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

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	—	—	6,440	6,440
Office Equipment	—	—	105	105
Operational land	—	—	2,432	2,432
Community land	—	—	1,428	1,428
Buildings - non-specialised	—	1,327	870	2,197
Buildings - specialised	—	—	18,741	18,741
Other Structures	—	—	11,923	11,923
Roads	—	—	190,247	190,247
Bridges	—	—	12,529	12,529
Footpaths	—	—	1,738	1,738
Stormwater Drainage	—	—	1,482	1,482
Water Supply network	—	—	17,580	17,580
Sewerage network	—	—	12,464	12,464
Bulk Earthworks	—	—	5,559	5,559
Land Improvements	—	—	114	114
Total infrastructure, property, plant and equipment	—	1,327	283,652	284,979

Coonamble Shire Council

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

Note 19. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	—	—	7,296	7,296
Office Equipment	—	—	167	167
Operational land	—	—	1,954	1,954
Community land	—	—	1,414	1,414
Buildings - non-specialised	—	—	1,959	1,959
Buildings - specialised	—	—	14,682	14,682
Other Structures	—	—	14,327	14,327
Roads	—	—	189,103	189,103
Bridges	—	—	12,674	12,674
Footpaths	—	—	1,731	1,731
Stormwater Drainage	—	—	1,511	1,511
Water Supply network	—	—	17,350	17,350
Sewerage network	—	—	12,331	12,331
Total infrastructure, property, plant and equipment	—	—	276,499	276,499

(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.

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Infrastructure, property, plant and equipment

Plant and Equipment, Office Equipment and Furniture and Fittings

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

There has been no change to the valuation process during the reporting period.

Operational and Community Land

Operational and Community Land are based on either the Land Value provided by the Valuer-General or an where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer value as these are representative of the actual market values in the Coonamble Shire LGA. As these rates were not considered to be observable market evidence they have been classified a level 3.

There has been no change to the valuation process during the reporting period.

Buildings - Non-Specialised and Specialised

Non-Specialised and Specialised Buildings were valued utilising APV Valuers & Asset Management consultants during the 2017/2018 financial year. Depending on the specific asset the valuation approach may have included the adoption of a singular or multiple technique.

- The Market approach has been applied where there is a principal Market which provides observable evidence of the Fair Value of the asset
- The income approach has been applied for assets where the income generating capability of the asset provides the best estimate of the assets Fair Value
- The Cost approach was used for assets which are not commonly traded. Typically these include assets that public and not-for-profit sector entities use to provide services to the public for no or minimal charge

Prior to this period the valuation of these assets had been carried out in house

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Other Structures

Other Structures were also revalued through the 2017/2018 financial year utilising APV Valuers & Asset Management consultants. The various asset types identified included Airport Assets, Fences, Hardstand and Internal Roads, Landscaping, Lighting, Miscellaneous, Park Assets, Pool Assets, Saleyards and Sporting Equipment. Depending on the specific asset the valuation approach may have included the adoption of a singular or multiple technique.

- The Market approach has been applied where there is a principal Market which provides observable evidence of the Fair Value of the asset
- The income approach has been applied for assets where the income generating capability of the asset provides the best estimate of the assets Fair Value
- The Cost approach was used for assets which are not commonly traded. Typically these include assets that public and not-for-profit sector entities use to provide services to the public for no or minimal charge

Prior to this period the valuation of these assets had been carried out in house

Roads

Roads comprise road carriageway, roadside shoulders and kerb and gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken by an external valuer, Jeff Roorda and Associates. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period

Bridges

Bridges were valued externally by Jeff Roorda and Associates with input from Councils engineering department. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Footpaths

Footpaths were valued externally by Jeff Roorda and Associates as at the 30th June, 2014 with input from Council staff relating to costings. Footpaths are inspected annually and condition assessed.

There has been no change to the valuation process during the reporting period

Drainage Infrastructure

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

There has been no change to the valuation process during the reporting period

Water Supply Network

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

The asset class has been revalued this year, the assumptions of this revaluation remain the same as in prior years.

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

The asset class has been revalued this year, the assumptions of this revaluation remain the same as in prior years.

Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued externally by APV Valuers & Asset Management consultants. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Previously these assets had been valued internally by Council staff.

Bulk Earthworks/Land Improvements

Assets within this class comprise Bulk Earthworks, turf surfaces, irrigation and other misc land improvements etc. All assets in this class were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

There has been no change to the valuation process during the reporting period.

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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.

	WIP	Water Supply Network	Sewerage Network	Plant & Equipment	Operational Land	Community Land	Total
Opening balance – 1/7/16	–	13,925	12,279	7,746	2,017	1,532	37,499
Purchases (GBV)	–	340	161	1,321	–	–	1,822
Disposals (WDV)	–	–	–	(247)	(181)	–	(428)
Depreciation and impairment	–	(239)	(333)	(1,357)	–	–	(1,929)
FV gains – Income Statement ¹	–	3,322	223	–	–	–	3,545
Other movement	54	–	–	–	118	(118)	54
Closing balance – 30/6/17	54	17,348	12,330	7,463	1,954	1,414	40,563
Transfers from/(to) another asset class	(54)	11	–	–	–	–	(43)
Purchases (GBV)	–	252	417	523	–	9	1,201
Disposals (WDV)	–	(126)	(165)	(156)	(15)	–	(462)
Depreciation and impairment	–	(243)	(343)	(1,285)	–	–	(1,871)
Other movement	126	–	–	–	–	–	126
Revaluation increment to ARR	–	338	225	–	493	5	1,061
Closing balance – 30/6/18	126	17,580	12,464	6,545	2,432	1,428	40,575
¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:							
YE 16/17	–	3,324	223	–	–	–	3,547
YE 17/18	–	338	225	–	493	5	1,061

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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)

	Land Imp.	Bulk Earthworks	Buildings Non- -Specialised	Buildings Specialised	Other Structures	Roads Infra- -structure	Stormwater Drainage	Total
Opening balance – 1/7/16	33	4,281	2,064	14,391	7,957	202,531	1,540	232,797
Purchases (GBV)	–	–	–	475	2,259	3,472	–	6,206
Depreciation and impairment	–	–	(95)	(179)	(219)	(2,495)	(29)	(3,017)
Other movement	–	–	(10)	(38)	49	–	–	1
Closing balance – 30/6/17	33	4,281	1,959	14,649	10,046	203,508	1,511	235,987
Transfers from/(to) level 2 FV hierarchy 19 4(b)	–	–	(1,327)	–	–	–	–	(1,327)
Transfers from/(to) another asset class	–	–	–	–	–	54	–	54
Purchases (GBV)	82	1,278	84	194	283	3,577	–	5,498
Disposals (WDV)	–	–	(229)	–	–	–	–	(229)
Depreciation and impairment	(1)	–	(111)	(379)	(412)	(2,625)	(29)	(3,557)
Revaluation increment to ARR	–	–	494	4,277	2,006	–	–	6,777
Closing balance – 30/6/18	114	5,559	870	18,741	11,923	204,514	1,482	243,203

¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 17/18	–	–	494	4,277	2,066	–	–	6,837
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Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Following the revaluation of Council Buildings and other structures as at 30/06/2018, by external consultants a number of buildings , 8 in total, were valued based on observable market evidence (level 2). This varies to previous approach adopted by Council staff.

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Buildings non specialised	2,197	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Buildings Specialised	18,741	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Buildings Other Structures	11,923	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Road Infrastructure	203,508	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (cont'd)			
Stormwater drainage	1,482	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Water Supply	17,580	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Sewerage network	12,464	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Plant & Equipment	6,545	Cost approach used to approximate fair value	Gross replacement cost, Remaining useful life, Residual value
Operational land	2,432	Land values obtained from the NSW Valuer General	Land value based on price per square meter
Community land	1,428	Land values obtained from the NSW Valuer General	Land value based on price per square meter
Bulk Earthworks	5,559	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Land Improvements	114	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value

(5). Highest and best use

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	778	834
Post-employment benefits	92	76
Other long-term benefits	23	19
Termination benefits	49	–
Total	942	929

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

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) will not be disclosed.

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Actual \$	Actual \$		Actual \$	Actual \$
2018					
Supply of Product to Council	6,708	6,708	30 Day Terms	—	—
Supply of Refreshment to Council	1,277	—	30 Day Terms	—	—
Aerodrome Grounds Maintenance Contract	44,378	—	30 Day Terms	—	—
Hire of Plant & Equipment	3,700	—	30 Day Terms	—	—
Supply of materials	624	—	30 Day Terms	—	—
Quarry Sales	115,705	24,823	21 Day Term	—	—
2017	Actual \$	Actual \$		Actual \$	Actual \$
Supply of concrete to Council	6,318	—	30-day terms	—	—
Refreshment Supply	564	—	30-day terms	—	—
Quarry Sales	93,380	28,238	21-day terms	—	—
Council Wages	—	—	State Award	—	—
Contract Weeds Spraying	2,700	—	30-day terms	—	—
Less: immaterial transactions	(9,582)	—		—	—

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

c. Other related party transactions

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
2018	Actual \$	Actual \$		Actual \$	Actual \$
Library Services	55,163	1,113	Membership of library Co-op	—	—
2017	Actual \$	Actual \$		Actual \$	Actual \$
Library Services	58,759	700	Membership of library Co-op	—	—

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Events occurring after the reporting date

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	509	644	4,956
User charges and fees	934	136	7,149
Interest and investment revenue	46	66	440
Other revenues	19	–	781
Grants and contributions provided for operating purposes	12	10	8,774
Grants and contributions provided for capital purposes	–	–	988
Other income			
Net gains from disposal of assets	–	–	2
Total income from continuing operations	1,520	856	23,090
Expenses from continuing operations			
Employee benefits and on-costs	293	204	6,996
Borrowing costs	–	–	6
Materials and contracts	807	213	6,541
Depreciation and amortisation	243	343	4,842
Other expenses	157	–	1,874
Net losses from the disposal of assets	126	165	–
Total expenses from continuing operations	1,626	925	20,259
Operating result from continuing operations	(106)	(69)	2,831
Net operating result attributable to each council fund	(106)	(69)	2,831
Net operating result for the year before grants and contributions provided for capital purposes	(106)	(69)	1,843

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.

Coonamble Shire Council

Notes to the Financial Statements
as at 30 June 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	2,787	5,774	6,048
Investments	–	–	15,000
Receivables	310	77	1,242
Inventories	–	–	788
Other	–	–	55
Total current assets	3,097	5,851	23,133
Non-current assets			
Receivables	–	–	290
Infrastructure, property, plant and equipment	17,596	12,464	255,045
Investments accounted for using the equity method	–	–	53
Total non-current assets	17,596	12,464	255,388
TOTAL ASSETS	20,693	18,315	278,521
LIABILITIES			
Current liabilities			
Payables	68	72	2,521
Income received in advance	46	–	843
Borrowings	–	5	41
Provisions	–	–	1,938
Total current liabilities	114	77	5,343
Non-current liabilities			
Borrowings	–	–	83
Provisions	–	–	92
Total non-current liabilities	–	–	175
TOTAL LIABILITIES	114	77	5,518
Net assets	20,579	18,238	273,003
EQUITY			
Accumulated surplus	13,822	12,436	148,073
Revaluation reserves	6,757	5,802	124,930
Total equity	20,579	18,238	273,003

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.

Coonamble Shire Council

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

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	1,957	8.00%	18.25%	8.29%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	24,476				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	15,680	61.58%	55.13%	57.16%	> 60.00%
Total continuing operating revenue ⁽¹⁾	25,464				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	21,399	5.13x	6.10x	7.70x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	4,172				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	7,391	131.98x	158.36x	121.78x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	56				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	347	5.25%	7.30%	6.52%	< 10% regional & rural
Rates, annual and extra charges collectible	6,609				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	29,609	18.39 mths	19.9 mths	20.1 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,610				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 10 and 11.

⁽⁴⁾ Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	9.65%	19.24%	-6.97%	7.98%	-8.06%	8.88%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	57.72%	51.12%	99.21%	98.96%	98.83%	98.58%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	5.13x	6.10x	27.17x	40.29x	75.99x	36.22x	> 1.5x

Notes

(1) - (4) Refer to Notes at Note 23a above.

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

Coonamble Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	151.72x	175.79x	0.00x	0.00x	27.50x	40.80x	> 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	4.85%	7.28%	6.96%	6.06%	7.30%	8.35%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	13.08	13.01	0.00	0.00	0.00	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 23a above.

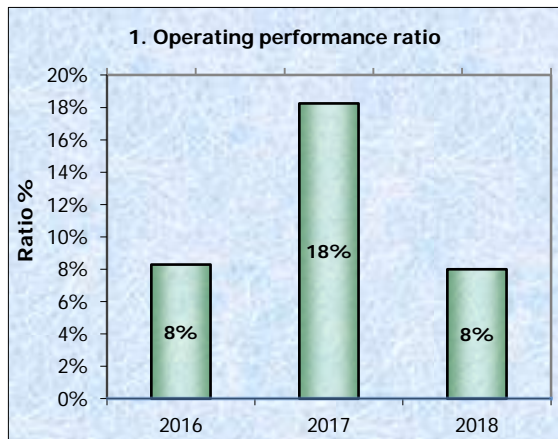
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Coonamble Shire Council

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

Note 23(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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



Commentary on 2017/18 result

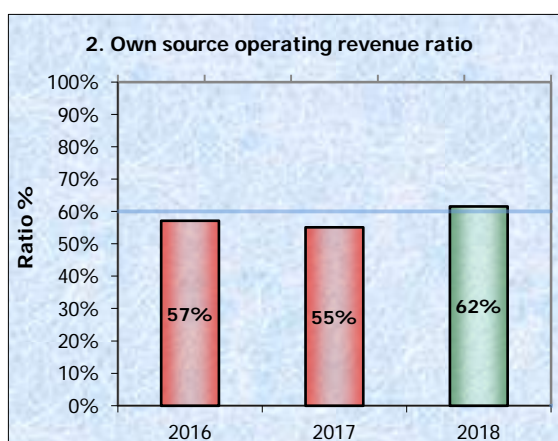
2017/18 ratio 8.00%

Council Operating performance ratio exceeds the industry benchmark. It is noted that the part prepayment of the 2018/2019 Financial Assistance Grant has inflated the 2017/2018 operating result.

Benchmark: — Minimum $\geq 0.00\%$

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

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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



Commentary on 2017/18 result

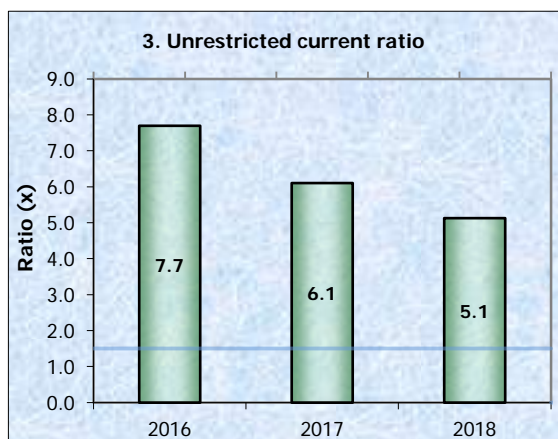
2017/18 ratio 61.58%

This Ratio exceeds the industry benchmark of 60% indicating Council possesses the ability to generate its own source revenue. This ability is attributed mainly to income generated from Rates and Annual charges as well as user fees and charges

Benchmark: — Minimum $\geq 60.00\%$

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

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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



Commentary on 2017/18 result

2017/18 ratio 5.13x

Council's unrestricted current ratio exceeds the industry benchmark of 1.5 which indicates that Council is capable to satisfy its debts as and when they fall due

Benchmark: — Minimum ≥ 1.50

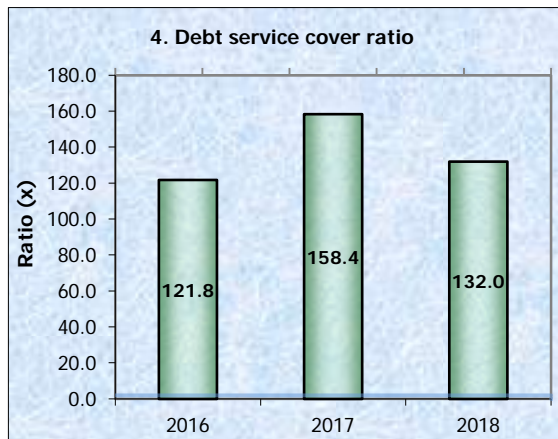
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

 Ratio achieves benchmark
 Ratio is outside benchmark

Coonamble Shire Council

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

Note 23(c). Statement of performance measures – consolidated results (graphs)

Benchmark: — Minimum ≥ 2.00

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

Purpose of debt service cover ratio

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

Commentary on 2017/18 result**2017/18 ratio 131.98x**

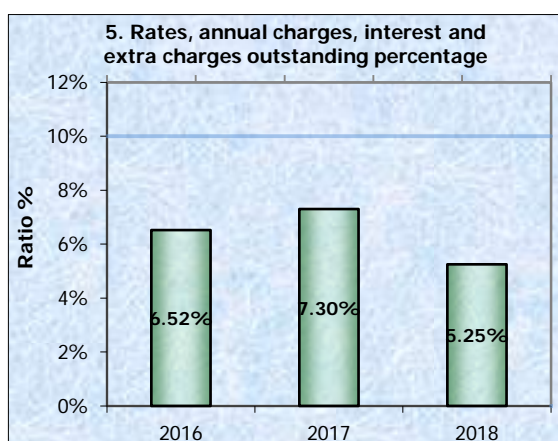
The Debt Service ratio indicates that Council has sufficient operating cash to service its debts.



Ratio achieves benchmark



Ratio is outside benchmark

Benchmark: — Maximum $< 10.00\%$

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

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result**2017/18 ratio 5.25%**

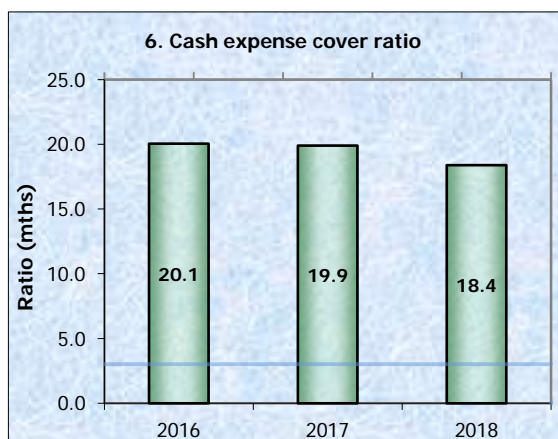
The 2017/2018 result is an improvement on the previous year. Council staff will continue to maintain its recovery efforts throughout the 2018/2019 in line with Council policy. It is also noted that Council's ratio is also better than the industry standard.



Ratio is within Benchmark



Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2017/18 result**2017/18 ratio 18.39 mths**

This ratio is well above the industry standard of 3 months which indicates that Council has sufficient liquidity to mitigate any unforeseen future events.



Ratio achieves benchmark



Ratio is outside benchmark

Coonamble Shire Council

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

Note 24. Council information and contact details

Principal place of business:

80 Castlereagh Street
Coonamble NSW 2829

Contact details**Mailing address:**

PO Box 249
Coonamble NSW 2829

Opening hours:

8:30am - 5pm Monday - Friday

Telephone: 02 6827 1900

Facsimile: 02 6822 1626

Internet: www.coonambleshire.nsw.gov.au

Email: council@coonambleshire.nsw.gov.au

Officers**GENERAL MANAGER**

Rick Warren

Elected members**MAYOR**

Michael Webb

RESPONSIBLE ACCOUNTING OFFICER

Bruce Quarmby

Other information

ABN: 19 499 848 443



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Coonamble Shire Council

To the Councillors of Coonamble Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:


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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

30 October 2018
SYDNEY

Mr Al Karanouh
Mayor
Coonamble Shire Council
PO Box 249
COONAMBLE NSW 2829

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1826614/1717

30 October 2018

Dear Mr Karanouh

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

I have audited the general purpose financial statements of Coonamble Shire Council (the Council) for the year ended 30 June 2018 as required by section 415 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 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	6.1	5.9	3.4
Grants and contributions revenue	9.8	11.2	12.5
Operating result for the year	2.7	6.1	55.7
Net operating result before capital amounts	1.7	4.3	60.5

Council's operating result (\$2.7 million including the effect of depreciation expense of \$5.4 million) was \$3.4 million lower than the 2016–17 result. The decrease from the previous period is the result of increased expenditure on materials and contracts.

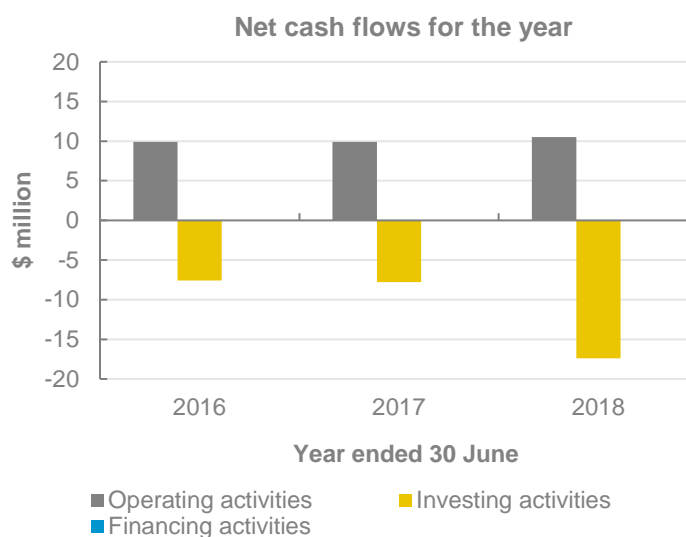
The net operating result before capital grants and contributions (\$1.7 million) was \$2.6 million lower than the 2016–17 result due to reasons noted above.

Rates and annual charges revenue (\$6.1 million) increased by \$0.2 million (3.4 per cent) in 2017–2018.

Grants and contributions revenue (\$9.8 million) decreased by \$1.4 million (12.5 per cent) in 2017–2018 due to reduced specific purpose capital grants and the timing of financial assistance grants received over the past two years.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$6.9 million to \$14.6 million at the close of the year.
- The decrease can be mostly attributed to increased purchase of investment securities.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	10.0	10.6	• External restrictions include unspent specific purpose grants and contributions and water and sewerage funds.
Internal restrictions	15.7	13.1	
Unrestricted	3.9	1.3	• Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Cash and investments	29.6	25.0	
			• Unrestricted balances provide liquidity for day-to-day operations.

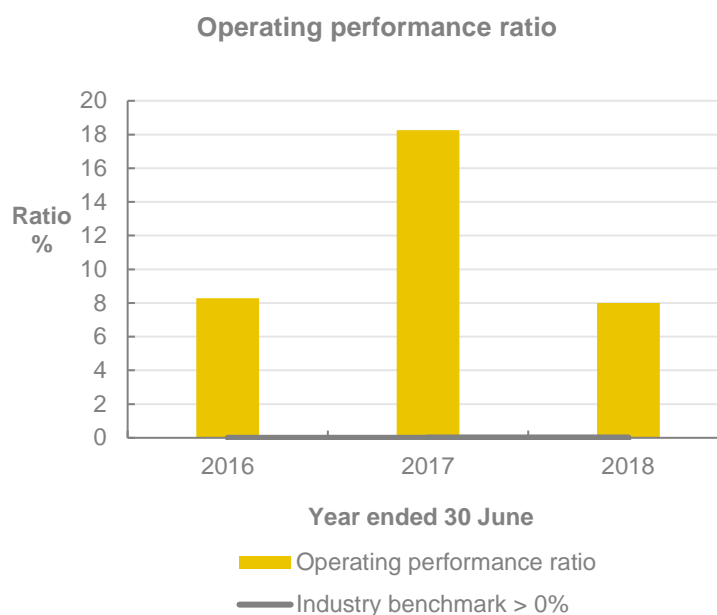
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- The indicator of 8.0 per cent was above the industry benchmark.
- The variance from the previous year is due to the reduced operating grants received.

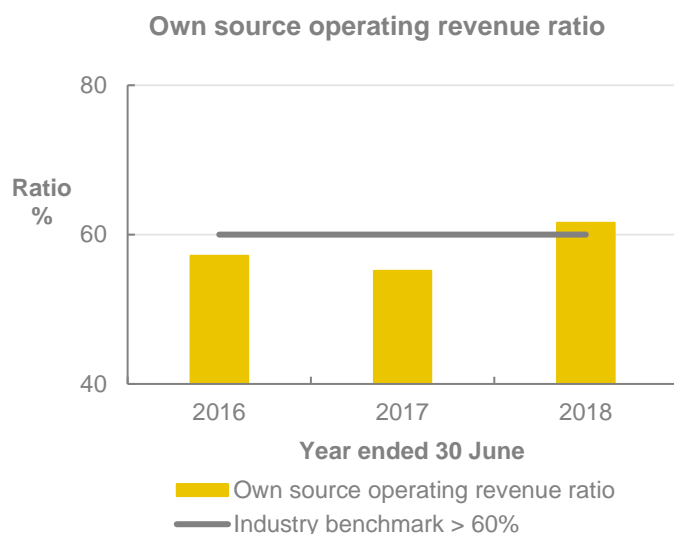
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 61.58 per cent exceeded the industry benchmark.
- This indicator would increase with the inclusion of the financial assistance grant.

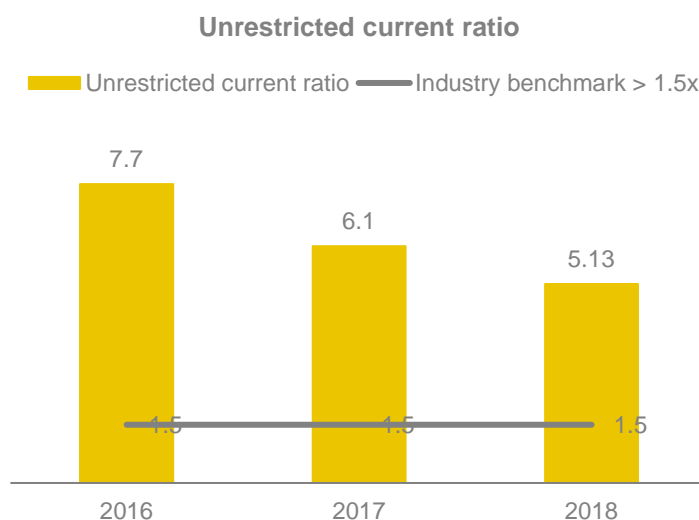
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council currently had 5.13 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.

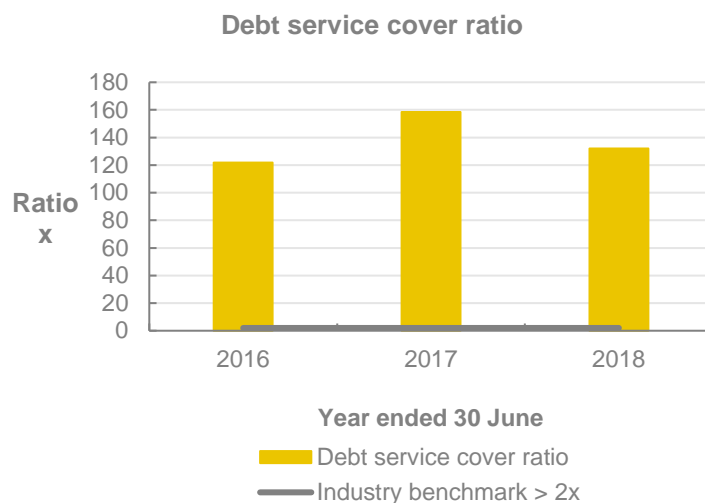
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 132.98 times exceeded the industry benchmark.
- The variance from the previous is a reflection of reduced operating grants received.

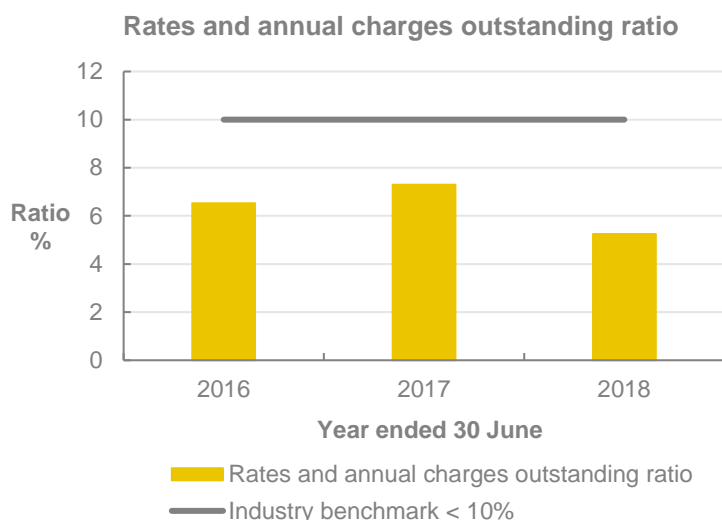
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 5.25 per cent was within the industry benchmark.

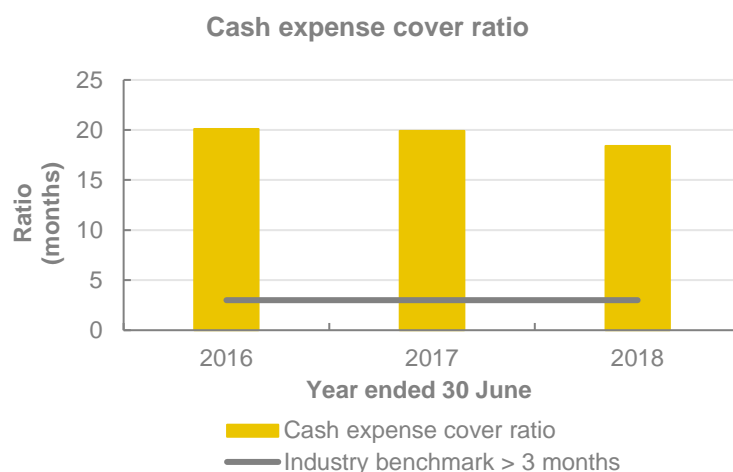
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 18.39 months exceeded the industry benchmark.

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.

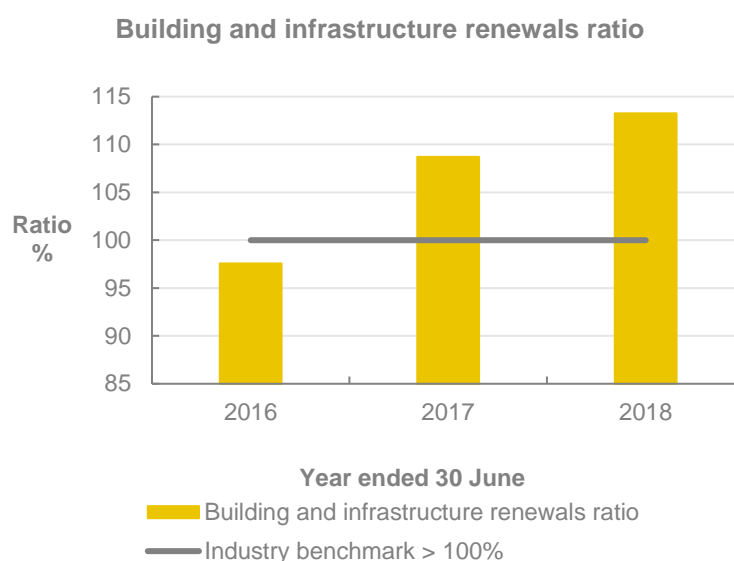


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 113.25 per cent exceeded the industry benchmark.

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

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

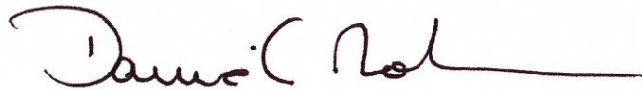


OTHER MATTERS

Legislative compliance

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

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



David Nolan
Director, Financial Audit Services

cc: Mr Rick Warren, General Manager
Tim Hurst, Chief Executive of the Office of Local Government

Coonamble Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“Coonamble on the Castlereagh”



Coonamble Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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2. Special Purpose Financial Statements:	
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
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Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	19

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Coonamble Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

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

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

Signed in accordance with a resolution of Council made on 08 August 2018.

Michael Webb
Mayor

John Walker
Councillor

Rick Warren
General manager

Bruce Quarmby
Responsible accounting officer

Coonamble Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	509	454
User charges	934	706
Interest	46	67
Grants and contributions provided for non-capital purposes	12	13
Other income	19	13
Total income from continuing operations	1,520	1,253
Expenses from continuing operations		
Employee benefits and on-costs	293	252
Materials and contracts	807	662
Depreciation, amortisation and impairment	243	239
Water purchase charges	157	–
Loss on sale of assets	126	–
Total expenses from continuing operations	1,626	1,153
Surplus (deficit) from continuing operations before capital amounts	(106)	100
Surplus (deficit) from continuing operations after capital amounts	(106)	100
Surplus (deficit) from all operations before tax	(106)	100
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(30)
SURPLUS (DEFICIT) AFTER TAX	(106)	70
Plus opening retained profits	13,928	13,828
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	30
Closing retained profits	13,822	13,928
Return on capital %	-0.6%	0.6%
Subsidy from Council	569	313
Calculation of dividend payable:		
Surplus (deficit) after tax	(106)	70
Surplus for dividend calculation purposes	–	70
Potential dividend calculated from surplus	–	35

Coonamble Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	644	623
User charges	136	115
Interest	66	95
Grants and contributions provided for non-capital purposes	10	12
Total income from continuing operations	856	845
Expenses from continuing operations		
Employee benefits and on-costs	204	222
Materials and contracts	213	216
Depreciation, amortisation and impairment	343	332
Loss on sale of assets	165	–
Total expenses from continuing operations	925	770
Surplus (deficit) from continuing operations before capital amounts	(69)	75
Surplus (deficit) from continuing operations after capital amounts	(69)	75
Surplus (deficit) from all operations before tax	(69)	75
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(23)
SURPLUS (DEFICIT) AFTER TAX	(69)	53
Plus opening retained profits	12,505	12,430
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	23
Closing retained profits	12,436	12,505
Return on capital %	-0.6%	0.6%
Subsidy from Council	397	218
Calculation of dividend payable:		
Surplus (deficit) after tax	(69)	53
Surplus for dividend calculation purposes	–	53
Potential dividend calculated from surplus	–	26

Coonamble Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Quarry

Category 2

\$ '000	2018	2017
Income from continuing operations		
User charges	3,104	2,471
Total income from continuing operations	3,104	2,471
Expenses from continuing operations		
Employee benefits and on-costs	566	456
Materials and contracts	1,735	998
Depreciation, amortisation and impairment	121	107
Other expenses	120	–
Total expenses from continuing operations	2,542	1,561
Surplus (deficit) from continuing operations before capital amounts	562	910
Surplus (deficit) from continuing operations after capital amounts	562	910
Surplus (deficit) from all operations before tax	562	910
Less: corporate taxation equivalent (30%) [based on result before capital]	(169)	(273)
SURPLUS (DEFICIT) AFTER TAX	393	637
Plus opening retained profits	5,683	4,773
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	169	273
Closing retained profits	6,245	5,683
Return on capital %	51.4%	35.2%

Coonamble Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	2,787	2,819
Receivables	310	203
Total current assets	3,097	3,022
Non-current assets		
Receivables	–	41
Infrastructure, property, plant and equipment	17,596	17,363
Total non-current assets	17,596	17,404
TOTAL ASSETS	20,693	20,426
LIABILITIES		
Current liabilities		
Payables	68	32
Income received in advance	46	43
Total current liabilities	114	75
Non-current liabilities		
Nil		
TOTAL LIABILITIES	114	75
NET ASSETS	20,579	20,351
EQUITY		
Accumulated surplus	13,822	13,928
Revaluation reserves	6,757	6,423
TOTAL EQUITY	20,579	20,351

Coonamble Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	5,774	5,842
Receivables	77	62
Total current Assets	5,851	5,904
Non-current assets		
Receivables	–	16
Infrastructure, property, plant and equipment	12,464	12,330
Total non-current assets	12,464	12,346
TOTAL ASSETS	18,315	18,250
LIABILITIES		
Current liabilities		
Payables	72	154
Borrowings	5	9
Total current liabilities	77	163
Non-current liabilities		
Borrowings	–	5
Total non-current liabilities	–	5
TOTAL LIABILITIES	77	168
NET ASSETS	18,238	18,082
EQUITY		
Accumulated surplus	12,436	12,505
Revaluation reserves	5,802	5,577
TOTAL EQUITY	18,238	18,082

Coonamble Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Quarry

Category 2

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	4,860	3,932
Receivables	75	175
Inventories	243	70
Total Current Assets	5,178	4,177
Non-current assets		
Infrastructure, property, plant and equipment	1,093	2,584
Total non-current assets	1,093	2,584
TOTAL ASSETS	6,271	6,761
LIABILITIES		
Current liabilities		
Payables	26	–
Total current liabilities	26	–
Non-current liabilities		
Nil		
TOTAL LIABILITIES	26	–
NET ASSETS	6,245	6,761
EQUITY		
Accumulated surplus	6,245	5,683
Revaluation reserves	–	1,078
TOTAL EQUITY	6,245	6,761

Coonamble Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Coonamble Shire Council

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

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

Council does not operate any Category 1 business activities.

Category 2

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

a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing Coonamble Shire.

Coonamble Shire Council

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

Note 1. Significant accounting policies (continued)

b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing Coonamble Shire.

c. Quarry Operations

Extraction and production of road making materials.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

Coonamble Shire Council

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

Note 1. Significant accounting policies (continued)

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face ‘true’ commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, ‘subsidies disclosed’ (in relation to National Competition Policy) represents the difference between revenue generated from ‘rate of return’ pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

Coonamble Shire Council

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

Note 1. Significant accounting policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Coonamble Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="–"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text" value=""/>

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	<input type="text" value="–"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	<input type="text" value="34,000"/>

2018 Surplus	<input type="text" value="(106,000)"/>	2017 Surplus	<input type="text" value="70,000"/>	2016 Surplus	<input type="text" value="70,000"/>
		2017 Dividend	<input type="text" value="–"/>	2016 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="–"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	<input type="text" value="YES"/>

3. Required outcomes for 6 criteria

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

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

Coonamble Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,482
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	64.73%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	17,580
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,201
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	263
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	0.22%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Coonamble Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="–"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text"/>

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="–"/>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="–"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	<input type="text" value="29,000"/>

2018 Surplus	<input type="text" value="(69,000)"/>	2017 Surplus	<input type="text" value="52,500"/>	2016 Surplus	<input type="text" value="45,500"/>
		2017 Dividend	<input type="text" value="–"/>	2016 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="–"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="text" value="YES"/>

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	<input type="text" value="YES"/>
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="text" value="YES"/>
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(b) Non-residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(c) Trade waste [item 2 (d) in table 1]	<input type="text" value="NO"/>
	DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="NO"/>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text" value="NO"/>
(iii)	Complete performance reporting form (by 15 September each year)	<input type="text" value="NO"/>
(iv)	a. Integrated water cycle management evaluation	<input type="text" value="NO"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>

Coonamble Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	790
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	12,464
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	391
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	417
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.45%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	1,981
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.11%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	680
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.31%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Coonamble Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage)	%	-22.04%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		> 100
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		94
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		(103)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	(175)
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	22
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Coonamble Shire Council

To the Councillors of Coonamble Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Coonamble Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Quarry Business Activity.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the 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.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:


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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

30 October 2018
SYDNEY

Coonamble Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

“Coonamble on the Castlereagh”



Coonamble Shire Council

Special Schedules

for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Coonamble Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	275	–	–	(275)
Administration	4,883	387	–	(4,496)
Public order and safety				
Fire service levy, fire protection, emergency services	460	325	–	(135)
Animal control	127	54	–	(73)
Other	10	–	–	(10)
Total public order and safety	597	379	–	(218)
Health	234	6	–	(228)
Environment				
Noxious plants and insect/vermin control	104	–	–	(104)
Other environmental protection	16	–	102	86
Solid waste management	312	523	–	211
Street cleaning	841	–	–	(841)
Drainage	29	–	–	(29)
Stormwater management	12	–	–	(12)
Total environment	1,314	523	102	(689)
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	4	–	–	(4)
Aged persons and disabled	–	–	–	–
Children's services	173	4	–	(169)
Total community services and education	177	4	–	(173)
Housing and community amenities				
Public cemeteries	87	–	–	(87)
Public conveniences	117	191	–	74
Street lighting	117	37	–	(80)
Town planning	12	72	–	60
Other community amenities	137	57	–	(80)
Total housing and community amenities	470	357	–	(113)
Water supplies	1,494	1,420	–	(74)
Sewerage services	921	835	–	(86)

Coonamble Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	240	32	26	(182)
Museums	25	—	—	(25)
Art galleries	—	—	—	—
Community centres and halls	75	43	—	(32)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	28	—	—	(28)
Sporting grounds and venues	157	6	238	87
Swimming pools	540	35	—	(505)
Parks and gardens (lakes)	350	14	20	(316)
Other sport and recreation	211	—	—	(211)
Total recreation and culture	1,626	130	284	(1,212)
Fuel and energy	—	—	—	—
Agriculture	18	100	—	82
Mining, manufacturing and construction				
Building control	5	38	—	33
Other mining, manufacturing and construction	2,208	879	—	(1,329)
Total mining, manufacturing and const.	2,213	917	—	(1,296)
Transport and communication				
Urban roads (UR) – local	1,064	—	—	(1,064)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	861	1,562	—	701
Sealed rural roads (SRR) – regional	1,596	1,666	245	315
Unsealed rural roads (URR) – local	484	—	—	(484)
Unsealed rural roads (URR) – regional	1,390	1,057	357	24
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	91	—	—	(91)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	54	—	—	(54)
Parking areas	—	—	—	—
Footpaths	114	—	—	(114)
Aerodromes	147	9	—	(138)
Other transport and communication	2,343	5,839	—	3,496
Total transport and communication	8,144	10,133	602	2,591
Economic affairs				
Camping areas and caravan parks	27	6	—	(21)
Other economic affairs	415	470	—	55
Total economic affairs	442	476	—	34
Totals – functions	22,808	15,667	988	(6,153)
General purpose revenues ⁽¹⁾		8,809		8,809
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	22,808	24,476	988	2,656

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

Coonamble Shire Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	4,602	4,510
Plus or minus adjustments ⁽²⁾	b	1	2
Notional general income	c = (a + b)	4,603	4,512
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	106	68
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	k = (c + g + h + i + j)	4,709	4,580
Plus (or minus) last year's carry forward total	l	6	28
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	6	28
Total permissible income	o = k + n	4,715	4,608
Less notional general income yield	p	4,711	4,602
Catch-up or (excess) result	q = o - p	4	6
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	1	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	5	6

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Coonamble Shire Council

To the Councillors of Coonamble Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Coonamble Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' 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 that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

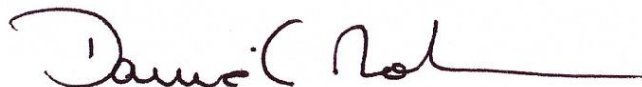
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.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
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

30 October 2018
SYDNEY

Coonamble Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	–	–
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	203	142
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	45	33
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	84	77
i. Maintenance expenses	101	59
– Treatment		
j. Operation expenses (excluding chemical costs)	97	78
k. Chemical costs	308	212
l. Maintenance expenses	71	139
– Other		
m. Operation expenses	54	51
n. Maintenance expenses	81	94
o. Purchase of water	157	–
3. Depreciation expenses		
a. System assets	243	239
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	56	29
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,500	1,153

Coonamble Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	509	454
b. Usage charges	934	706
7. Non-residential charges		
a. Access (including rates)	—	—
b. Usage charges	—	—
8. Extra charges	8	8
9. Interest income	38	59
10. Other income	19	13
10a. Aboriginal Communities Water and Sewerage Program	—	—
11. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	12	13
c. Other grants	—	—
12. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
13. Total income	1,520	1,253
14. Gain (or loss) on disposal of assets	(126)	—
15. Operating result	(106)	100
15a. Operating result (less grants for acquisition of assets)	(106)	100

Coonamble Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	85
b. New assets for growth	–	–
c. Renewals	263	265
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	263	350
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	–	–
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	–	–
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ -	\$ -

Coonamble Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,787	–	2,787
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	36	–	36
c. User charges	274	–	274
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	17,596	17,596
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	3,097	17,596	20,693
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	114	–	114
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	114	–	114
36. NET ASSETS COMMITTED	2,983	17,596	20,579
EQUITY			
37. Accumulated surplus			13,822
38. Asset revaluation reserve			6,757
39. Other reserves			–
40. TOTAL EQUITY			20,579
Note to system assets:			
41. Current replacement cost of system assets			24,970
42. Accumulated current cost depreciation of system assets			(7,390)
43. Written down current cost of system assets			17,580

Coonamble Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	–	–
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	89	69
– Pumping stations		
c. Operation expenses (excluding energy costs)	28	37
d. Energy costs	45	47
e. Maintenance expenses	50	51
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	105	124
g. Chemical costs	–	–
h. Energy costs	12	13
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	62	89
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	343	332
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	1	1
b. Revaluation decrements	–	–
c. Other expenses	25	7
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	760	770

Coonamble Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	644	622
7. Non-residential charges		
a. Access (including rates)	—	—
b. Usage charges	127	111
8. Trade waste charges		
a. Annual fees	—	—
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	66	95
11. Other income	9	5
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	10	12
c. Other grants	—	—
13. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	856	845
15. Gain (or loss) on disposal of assets	(165)	—
16. Operating result	(69)	75
16a. Operating result (less grants for acquisition of assets)	(69)	75

Coonamble Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	42	5
b. New assets for growth	—	—
c. Renewals	375	156
d. Plant and equipment	—	—
18. Repayment of debt	9	9
19. Totals	426	170
Non-operating funds employed		
20. Proceeds from disposal of assets	—	—
21. Borrowing utilised	—	—
22. Totals	—	—
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	—	—
b. Residential (unoccupied, ie. vacant lot)	—	—
c. Non-residential (occupied)	—	—
d. Non-residential (unoccupied, ie. vacant lot)	—	—
24. Number of ETs for which developer charges were received	— ET	— ET
25. Total amount of pensioner rebates (actual dollars)	\$ -	\$ -

Coonamble Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	5,774	—	5,774
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	47	—	47
c. User charges	30	—	30
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	12,464	12,464
b. Plant and equipment	—	—	—
30. Other assets	—	—	—
31. Total assets	5,851	12,464	18,315
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	72	—	72
34. Borrowings	5	—	5
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	77	—	77
37. NET ASSETS COMMITTED	5,774	12,464	18,238
EQUITY			
38. Accumulated surplus			5,802
39. Asset revaluation reserve			12,436
40. Other reserves			—
41. TOTAL EQUITY			18,238
Note to system assets:			
42. Current replacement cost of system assets			27,220
43. Accumulated current cost depreciation of system assets			(14,756)
44. Written down current cost of system assets			12,464

Coonamble Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Coonamble Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings	60	60	290	281	20,938	29,880	22%	49%	29%	0%	0%
	Sub-total	60	60	290	281	20,938	29,880	22.2%	48.8%	29.0%	0.0%	0.0%
Other structures												
	Other structures	100	100	100	44	11,923	17,059	24%	46%	30%	0%	0%
	Sub-total	100	100	100	44	11,923	17,059	23.9%	45.7%	30.4%	0.0%	0.0%
Roads												
	Sealed roads	1,235	1,235	595	652	81,855	143,649	0%	100%	0%	0%	0%
	Unsealed roads	200	200	819	2,188	108,392	89,091	0%	100%	0%	0%	0%
	Bridges	–	–	23	–	12,529	14,575	100%	0%	0%	0%	0%
	Footpaths	10	10	90	105	1,738	1,957	0%	100%	0%	0%	0%
	Bulk earthworks	–	–	8	3	5,559	5,559	100%	0%	0%	0%	0%
	Sub-total	1,445	1,445	1,535	2,948	210,073	254,831	7.9%	92.1%	0.0%	0.0%	0.0%
Water supply network												
	Water supply network	240	240	222	436	17,580	24,970	35%	5%	60%	0%	0%
	Sub-total	240	240	222	436	17,580	24,970	35.0%	5.0%	60.0%	0.0%	0.0%
Sewerage network												
	Sewerage network	350	350	106	201	12,464	27,220	0%	100%	0%	0%	0%
	Sub-total	350	350	106	201	12,464	27,220	0.0%	100.0%	0.0%	0.0%	0.0%

Coonamble Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	20	14	1,482	2,459	0%	100%	0%	0%	0%
	Sub-total	–	–	20	14	1,482	2,459	0.0%	100.0%	0.0%	0.0%	0.0%
Other infrastructure assets	Land Improvements	–	–	10	12	114	205	0%	100%	0%	0%	0%
	Sub-total	–	–	10	12	–	205	0.0%	100.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	2,195	2,195	2,283	3,936	274,460	356,624	11.1%	80.8%	8.1%	0.0%	0.0%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Coonamble Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	4,691	113.25%	108.72%	97.57%	>= 100%
Depreciation, amortisation and impairment	4,142				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	2,195	0.80%	0.98%	1.01%	< 2.00%
Net carrying amount of infrastructure assets	274,460				
3. Asset maintenance ratio					
Actual asset maintenance	3,936	172.40%	262.65%	182.13%	> 100%
Required asset maintenance	2,283				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,195	0.62%	0.74%	0.77%	
Gross replacement cost	356,624				

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

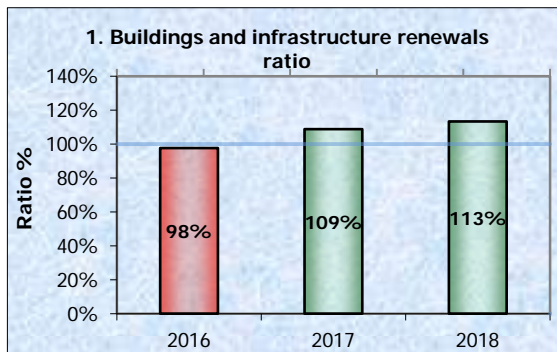
⁽¹⁾ Excludes Work In Progress (WIP)

⁽²⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Coonamble Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018



Benchmark: — Minimum $\geq 100.00\%$

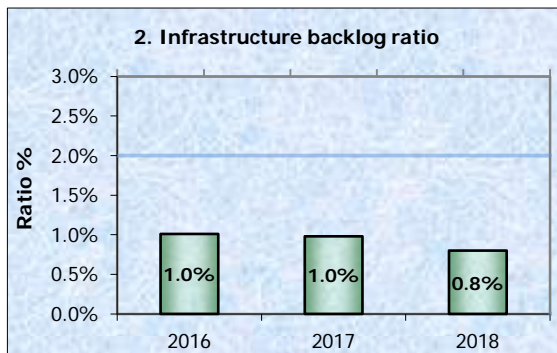
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

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

2017/18 Ratio 113.25%

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

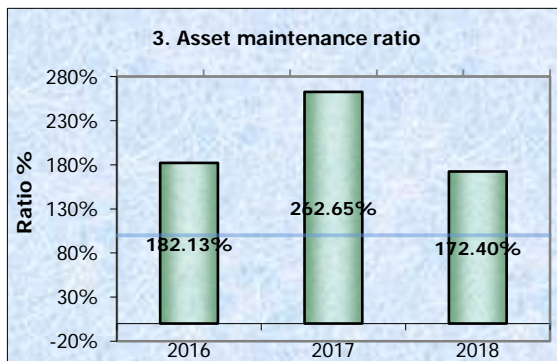
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

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

2017/18 Ratio 0.80%

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum $> 100.00\%$

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

Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

2017/18 Ratio 172.40%

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

2017/18 Ratio 0.62%

Coonamble Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	114.29%	121.64%	103.70%	31.38%	109.33%	46.99%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.66%	0.83%	1.37%	1.43%	2.81%	3.24%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	168.75%	277.82%	196.40%	570.27%	189.62%	116.47%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.53%	0.65%	0.96%	1.01%	1.29%	1.49%	
Gross replacement cost							

Notes

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

⁽²⁾ Excludes Work In Progress (WIP)

⁽³⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.