

Cabonne Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“...providing sustainable local government to our rural communities
through consultation and sound financial management”*



Cabonne Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

99 - 101 Bank Street
Molong NSW 2866

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.cabonne.nsw.gov.au.

Cabonne 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.

Cabonne 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.

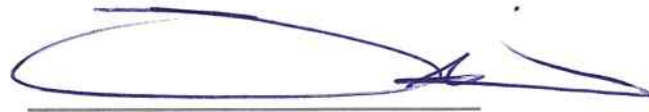
To the best of our knowledge and belief, these financial statements:

- 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 28 August 2018.



Kevin Beatty
Mayor
28 August 2018

Anthony Durkin
Councillor
28 August 2018

Stephen Harding
General Manager
28 August 2018

Luke Taberner
Responsible Accounting Officer
28 August 2018

Cabonne 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:				
13,644	Rates and annual charges	3a	13,631	13,183
8,570	User charges and fees	3b	8,666	13,000
1,190	Interest and investment revenue	3c	1,154	1,255
629	Other revenues	3d	593	569
9,216	Grants and contributions provided for operating purposes	3e,f	11,376	15,640
18,926	Grants and contributions provided for capital purposes	3e,f	6,588	5,929
Other income:				
300	Net gains from the disposal of assets	5	478	729
—	Net share of interests in joint ventures and associates using the equity method	15	179	—
52,475	Total income from continuing operations		42,665	50,305
Expenses from continuing operations				
12,172	Employee benefits and on-costs	4a	11,398	11,592
174	Borrowing costs	4b	142	170
6,876	Materials and contracts	4c	7,035	9,593
9,992	Depreciation and amortisation	4d	10,646	10,340
4,460	Other expenses	4e	4,717	5,249
33,674	Total expenses from continuing operations		33,938	36,944
18,801	Operating result from continuing operations		8,727	13,361
18,801	Net operating result for the year		8,727	13,361
18,801	Net operating result attributable to Council		8,727	13,361
Net operating result for the year before grants and contributions provided for capital purposes				
(125)			2,139	7,432

Cabonne 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)		8,727	13,361
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	(786)	6,687
Other comprehensive income – joint ventures and associates	15b	3,710	–
Total items which will not be reclassified subsequently to the operating result		2,924	6,687
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		48	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		48	–
Total other comprehensive income for the year		2,972	6,687
Total comprehensive income for the year		11,699	20,048
Total comprehensive income attributable to Council		11,699	20,048

Cabonne Council

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	5,804	10,629
Investments	6b	39,500	36,000
Receivables	7	7,280	3,712
Inventories	8	936	941
Other	8	123	108
Total current assets		53,643	51,390
Non-current assets			
Receivables	7	1,359	1,008
Inventories	8	41	215
Infrastructure, property, plant and equipment	9	556,981	548,005
Intangible assets	10	139	74
Investments accounted for using the equity method	15	24,213	20,324
Other	8	282	282
Total non-current assets		583,015	569,908
TOTAL ASSETS		636,658	621,298
LIABILITIES			
Current liabilities			
Payables	11	6,930	3,127
Income received in advance	11	291	274
Borrowings	11	207	204
Provisions	12	3,950	3,919
Total current liabilities		11,378	7,524
Non-current liabilities			
Payables	11	55	50
Borrowings	11	1,906	2,113
Provisions	12	1,626	1,617
Total non-current liabilities		3,587	3,780
TOTAL LIABILITIES		14,965	11,304
Net assets		621,693	609,994
EQUITY			
Accumulated surplus		353,595	341,158
Revaluation reserves	13	268,098	268,836
Council equity interest		621,693	609,994
Total equity		621,693	609,994

Cabonne Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total	2017	IPP&E	Total
		Accumulated surplus	revaluation reserve	equity	Accumulated surplus	revaluation reserve	equity
Opening balance		341,158	268,836	609,994	327,797	262,149	589,946
Net operating result for the year		8,727	–	8,727	13,361	–	13,361
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	(786)	(786)	–	6,687	6,687
– Joint ventures and associates	15b	3,710	–	3,710	–	–	–
– Other movements		–	48	48	–	–	–
Other comprehensive income		3,710	(738)	2,972	–	6,687	6,687
Total comprehensive income		12,437	(738)	11,699	13,361	6,687	20,048
Equity – balance at end of the reporting period		353,595	268,098	621,693	341,158	268,836	609,994

Cabonne Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
13,643	Rates and annual charges		13,637	13,124
8,569	User charges and fees		9,332	13,182
1,189	Investment and interest revenue received		1,165	1,204
28,142	Grants and contributions		16,299	22,149
–	Other		886	3,727
Payments:				
(12,172)	Employee benefits and on-costs		(11,370)	(11,604)
(6,876)	Materials and contracts		(7,936)	(9,064)
(149)	Borrowing costs		(132)	(146)
–	Bonds, deposits and retention amounts refunded		–	(4)
(4,457)	Other		(2,740)	(9,426)
27,889	Net cash provided (or used in) operating activities	14b	19,141	23,142
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		86,250	91,500
–	Sale of real estate assets		179	285
(700)	Sale of infrastructure, property, plant and equipment		1,177	1,708
–	Deferred debtors receipts		–	26
Payments:				
–	Purchase of investment securities		(89,750)	(102,500)
(40,137)	Purchase of infrastructure, property, plant and equipment		(21,177)	(23,215)
–	Deferred debtors and advances made		(441)	–
(40,837)	Net cash provided (or used in) investing activities		(23,762)	(32,196)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(206)	Repayment of borrowings and advances		(204)	(204)
(206)	Net cash flow provided (used in) financing activities		(204)	(204)
(13,154)	Net increase/(decrease) in cash and cash equivalents		(4,825)	(9,258)
46,629	Plus: cash and cash equivalents – beginning of year	14a	10,629	19,887
33,475	Cash and cash equivalents – end of the year	14a	5,804	10,629

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

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n/a – not applicable

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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 28/08/2018.

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 21 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 19 – 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

Cabonne 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 12,
- (iii) employee benefit provisions – refer Note 12.

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*
- *Cabonne Water Fund - Molong, Cumnock & Yeoval*
- *Cabonne Sewer Fund - Molong, Canowindra, Eugowra, Cudal, Manildra, Cumnock & Yeoval*

(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.

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.

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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 considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

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

Cabonne 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
Connect Cabonne to each other and the World	12,264	19,032	14,111	16,221	(1,847)	2,811	2,224	4,538	398,275	389,375
Build Business and Generate employment	184	194	743	625	(559)	(431)	5	5	347	352
Provide and develop Community facilities	1,992	1,676	7,303	6,870	(5,311)	(5,194)	716	485	75,416	75,416
Grow Cabonne Culture and Community	17,199	19,269	3,875	3,982	13,324	15,287	5,112	7,013	69,454	66,879
Manage our Natural Resources	11,026	10,134	7,906	9,246	3,120	888	3,800	3,307	93,166	89,276
Total functions and activities	42,665	50,305	33,938	36,944	8,727	13,361	11,857	15,348	636,658	621,298

Cabonne 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:

Connect Cabonne to each other and the World

To provide a safe, efficient, quality and well maintained Urban and Rural transport system. To ensure that Cabonne's infrastructure meets agricultural needs to get goods to and from market. To ensure everywhere in Cabonne has access to contemporary information and communication technology. To provide a range of transport options in to, out of and around Cabonne. To ensure access to major metropolitan markets to enable growth of tourism.

Build Business and Generate employment

To provide a strong and vibrant local business sector and to increase viable, sustainable and value adding business in Cabonne. To have a co-ordinated tourism product and a thriving visitor industry in Cabonne. To provide jobs for Cabonne people in Cabonne.

Provide and develop Community facilities

To provide preschool, play group, child care and youth facilities within Cabonne. To provide health and aged care facilities that meet the local communities needs. To provide sporting, recreational, council and community facilities and services that are maintained and developed in Cabonne.

Grow Cabonne Culture and Community

To have a successful balance of village and rural living in the Cabonne Shire. To provide a network of viable, relevant and cultural facilities that exist in Cabonne. To provide the community with beautiful towns and villages with historic assets. The community events build visitation, generate investment and strengthen community well being. To ensure that Cabonne is effective and efficient Council which make transparent and accountable decisions.

Manage our Natural Resources

To ensure that all town and villages have a secure and quality water supply. That Cabonne has flood mitigation processes in place to manage stormwater and pollution. That Cabonne has a sustainable solid and liquid waste management practices in place across the Shire. To provide our primary producers with information regarding best practice in regards to noxious weed controls. To ensure that all the natural resources are managed sustainably and in a planned way.

Cabonne 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	3,016	2,968
Farmland	4,911	4,809
Mining	1,723	1,699
Business	242	236
Less: pensioner rebates (mandatory)	(94)	(95)
Total ordinary rates	9,798	9,617
Special rates		
Nil		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,289	1,210
Water supply services	476	435
Sewerage services	1,880	1,741
Waste management services (non-domestic)	191	178
Section 611 charges	7	7
Stormwater levy	74	74
Less: pensioner rebates (mandatory)	(84)	(79)
Total annual charges	3,833	3,566
TOTAL RATES AND ANNUAL CHARGES	13,631	13,183

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.

Cabonne 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	694
Sewerage services	87	82
Total specific user charges	951	776
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Discretionary fees – other	356	335
Planning and building regulation	289	322
Private works – section 67	382	242
Section 603 certificates	28	28
Waste management	98	121
Total fees and charges – statutory/regulatory	1,153	1,048
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	172	137
Cemeteries	70	58
Child care	721	588
Lease rentals	230	77
Quarry revenues	57	1,195
RMS (formerly RTA) charges (state roads not controlled by Council)	5,302	9,107
Trade waste	10	14
Total fees and charges – other	6,562	11,176
TOTAL USER CHARGES AND FEES	8,666	13,000

Accounting policy for user charges and fees

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

Cabonne 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)	82	83
– Cash and investments	1,055	1,018
Dividend income	17	154
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,154</u>	<u>1,255</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	55	52
General Council cash and investments	876	1,030
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	8	7
Water fund operations	72	71
Sewerage fund operations	65	64
Domestic waste management operations	61	31
Other externally restricted assets	17	–
<u>Total interest and investment revenue recognised</u>	<u>1,154</u>	<u>1,255</u>

Accounting policy for interest and investment revenue

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

Cabonne Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(d) Other revenues		
Legal fees recovery – rates and charges (extra charges)	14	16
Commissions and agency fees	32	26
Diesel rebate	135	127
Gravel pit restoration	91	95
Insurance claim recoveries	66	10
Rebates received	66	133
Recycling income (non-domestic)	13	86
Fire and emergency services levy	2	65
Found assets	166	–
Other	8	11
<u>TOTAL OTHER REVENUE</u>	<u>593</u>	<u>569</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.

Cabonne Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,348	2,547	–	–
Financial assistance – local roads component	1,000	1,916	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,382	1,316	–	–
Financial assistance – local roads component	1,028	983	–	–
Other				
Pensioners' rates subsidies – general component	94	96	–	–
Total general purpose	4,852	6,858	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	12	12	–	–
– Sewerage	29	25	–	–
– Domestic waste management	43	41	–	–
Water supplies	51	–	3,233	2,883
Community services	646	665	–	–
Economic development	5	5	–	–
Environment	220	131	130	128
LIRS subsidy	82	86	–	–
Museums	–	–	150	150
Recreation and culture	65	60	225	–
Street lighting	38	38	–	–
Training	14	–	–	–
Transport and communication	–	898	189	279
Transport and communication – roads to recovery	1,873	3,089	–	–
Total specific purpose	3,078	5,050	3,927	3,440
Total grants	7,930	11,908	3,927	3,440
Grant revenue is attributable to:				
– Commonwealth funding	2,188	3,401	–	–
– State funding	5,742	8,507	3,927	3,440
	7,930	11,908	3,927	3,440

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		113	53	–	–
Total developer contributions – cash		113	53	–	–
Total developer contributions	22	113	53	–	–
Other contributions:					
Cash contributions					
Administration		12	10	–	–
Bushfire services		250	–	535	328
Community services		128	224	497	–
Economic affairs		–	12	–	–
Environment		4	10	–	–
Governance		47	78	–	–
Health		69	69	–	–
Recreation and culture		3	6	2	–
RMS contributions (regional roads, block grant)		1,577	1,548	1,031	1,019
Sewerage (excl. section 64 contributions)		40	–	173	117
Transport and communication		1,203	1,722	368	981
Water supplies (excl. section 64 contributions)		–	–	55	44
Total other contributions – cash		3,333	3,679	2,661	2,489
Total other contributions		3,333	3,679	2,661	2,489
Total contributions		3,446	3,732	2,661	2,489
TOTAL GRANTS AND CONTRIBUTIONS		11,376	15,640	6,588	5,929

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 on the following page.

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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '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	3,378	378
Add: operating grants recognised in the current period but not yet spent	2,784	3,169
Less: operating grants recognised in a previous reporting period now spent	(2,379)	(169)
Unexpended and held as restricted assets (operating grants)	3,783	3,378
Capital grants		
Unexpended at the close of the previous reporting period	349	194
Add: capital grants recognised in the current period but not yet spent	90	220
Less: capital grants recognised in a previous reporting period now spent	(144)	(65)
Unexpended and held as restricted assets (capital grants)	295	349
Contributions		
Unexpended at the close of the previous reporting period	3,956	2,581
Add: contributions recognised in the current period but not yet spent	882	3,370
Less: contributions recognised in a previous reporting period now spent	(2,841)	(1,995)
Unexpended and held as restricted assets (contributions)	1,997	3,956

Cabonne Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	2018	2017
(a) Employee benefits and on-costs			
Salaries and wages		9,178	9,309
Travel expenses		412	440
Employee leave entitlements (ELE)		1,617	1,308
Superannuation		1,107	1,110
Workers' compensation insurance		265	204
Fringe benefit tax (FBT)		93	67
Pre employment medicals		11	10
Protective clothing		63	59
Training costs (other than salaries and wages)		171	132
Other		92	71
Total employee costs		13,009	12,710
Less: capitalised costs		(1,611)	(1,118)
TOTAL EMPLOYEE COSTS EXPENSED		11,398	11,592
Number of 'full-time equivalent' employees (FTE) at year end		158	155

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 17 for more information.

(b) Borrowing costs		2018	2017
(i) Interest bearing liability costs			
Interest on loans		133	145
Total interest bearing liability costs expensed		133	145
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	9	25
Total other borrowing costs		9	25
TOTAL BORROWING COSTS EXPENSED		142	170

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.

Cabonne 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	2,643	3,111
Contractor and consultancy costs		
– Caretaker fees	174	157
– Cleaning	87	93
– Consultancy costs	14	14
– Licence agreements	365	339
– Service contracts	3,573	5,659
– Valuation fees	61	60
Auditors remuneration ⁽²⁾	51	47
Legal expenses:		
– Legal expenses: planning and development	7	61
– Legal expenses: other	60	52
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>7,035</u>	<u>9,593</u>

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

Remuneration for audit and other assurance services

Total Auditor-General remuneration

51	39
51	39
51	39

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services

Audit and review of financial statements

Remuneration for audit and other assurance services

Total remuneration of non NSW Auditor-General audit firms

Total Auditor remuneration

–	8
–	8
–	8
51	47

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,174	2,317
Office equipment		98	94
Furniture and fittings		49	44
Land improvements (depreciable)		142	151
Infrastructure:			
– Buildings – non-specialised		82	81
– Buildings – specialised		1,421	1,416
– Other structures		364	265
– Roads		3,827	3,715
– Bridges		383	386
– Footpaths		59	60
– Stormwater drainage		403	420
– Water supply network		472	464
– Sewerage network		837	810
– Swimming pools		135	26
– Other open space/recreational assets		145	–
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 12	1	1
– Quarry assets	9 & 12	4	5
Intangible assets	10	50	85
Total depreciation and amortisation costs		10,646	10,340
Impairment / revaluation decrement of IPP&E			
Nil			
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>10,646</u>	<u>10,340</u>

Cabonne Council

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

Note 4. Expenses from continuing operations (continued)

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 and Note 10 for intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Impairment of financial assets

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

Cabonne 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	80	64
Bank charges	35	31
Commissions paid	18	15
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	23	19
– NSW fire brigade levy	38	43
– NSW rural fire service levy	361	353
– Orange City Council	–	22
Councillor expenses – mayoral fee	25	25
Councillor expenses – councillors' fees	126	115
Councillors' expenses (incl. mayor) – other (excluding fees above)	39	34
Donations, contributions and assistance to other organisations (Section 356)	23	27
Donations, contributions and assistance to community groups	492	504
Electricity and heating	388	452
External hire	930	1,420
Fire and emergency services levy (FESL) implementation costs	–	19
Insurance	621	673
Memberships	167	88
Pensioner rates write off	136	145
Postage	42	46
Printing and stationery	106	116
Rates expense	494	475
Registrations	157	145
Rent expense	18	15
Service subsidy expense	18	30
Street lighting	160	143
Subscriptions and publications	19	15
Telephone and communications	104	97
Volunteer expenses	21	21
Water / sewer sampling	20	33
Other	56	64
<u>TOTAL OTHER EXPENSES</u>	<u>4,717</u>	<u>5,249</u>

Accounting policy for other expenses

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

Cabonne 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		–	181
Less: carrying amount of property assets sold/written off		–	(157)
Net gain/(loss) on disposal		–	24
Plant and equipment	9		
Proceeds from disposal – plant and equipment		1,177	1,527
Less: carrying amount of plant and equipment assets sold/written off		(704)	(860)
Net gain/(loss) on disposal		473	667
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		179	285
Less: carrying amount of real estate assets sold/written off		(174)	(247)
Net gain/(loss) on disposal		5	38
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		86,250	91,500
Less: carrying amount of financial assets sold/redeemed/matured		(86,250)	(91,500)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>478</u>	<u>729</u>

Accounting policy for disposal of assets

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

Cabonne Council

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	852	527
Cash-equivalent assets		
– Deposits at call	4,952	6,602
– Short-term deposits	–	3,500
Total cash and cash equivalents	5,804	10,629

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.

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'Loans and receivables'	39,500	–	36,000	–
Total investments	39,500	–	36,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	45,304	–	46,629	–
Loans and receivables				
Long term deposits	39,500	–	36,000	–
Total	39,500	–	36,000	–

Cabonne Council

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

Note 6(b). Investments (continued)

Accounting policy for investments

Classification

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

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

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

(b) 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.

(c) Loans and receivables

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

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

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

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

Impairment of available for sale investments

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

Cabonne 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	45,304	–	46,629	–
attributable to:				
External restrictions (refer below)	15,573	–	17,350	–
Internal restrictions (refer below)	27,101	–	27,452	–
Unrestricted	2,630	–	1,827	–
	45,304	–	46,629	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	906	799
RMS contributions	1,091	3,157
Specific purpose unexpended grants	4,078	3,727
Water supplies	1,916	3,359
Sewerage services	2,552	2,188
Domestic waste management	3,775	3,161
Stormwater management	243	169
Canowindra sports trust	65	19
Canowindra town improvement	947	771
External restrictions – other	15,573	17,350
Total external restrictions	15,573	17,350

Cabonne 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	2,692	4,350
Infrastructure replacement	1,620	1,650
Employees leave entitlement	2,062	2,062
Budget equilization	433	433
Cadia contributions	728	1,045
Capital works	6,441	5,548
Community services	5	5
Environment	126	126
Environmental sustainability	138	138
Gravel pits	323	259
Housing	137	137
Limestone quarry	1,480	1,640
Office equipment	989	1,112
Recreation and culture	2	349
Revoted expenditure (sec 23a)	3,270	3,989
Roadworks	4,558	2,362
Sewerage	17	17
Village enhancement	2,080	2,230
Total internal restrictions	27,101	27,452
TOTAL RESTRICTIONS	42,674	44,802

Cabonne 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	387	340	353	380
Interest and extra charges	25	183	21	195
User charges and fees	444	150	1,029	164
Accrued revenues				
– Interest on investments	303	–	306	–
– Other income accruals	2,887	–	1,357	–
Amounts due from other councils	148	–	–	–
Council private works	32	–	73	–
Deferred debtors	36	686	12	269
Government grants and subsidies	2,448	–	84	–
Net GST receivable	–	–	351	–
NSW Rural Fire Service	666	–	187	–
Quarry debtors	–	–	55	–
Other debtors	239	–	219	–
Total	7,615	1,359	4,047	1,008
Less: provision for impairment				
Rates and annual charges	(172)	–	(172)	–
User charges and fees	(163)	–	(163)	–
Total provision for impairment – receivables	(335)	–	(335)	–
TOTAL NET RECEIVABLES	7,280	1,359	3,712	1,008
Externally restricted receivables				
Water supply				
– Specific purpose grants	2,262	–	119	–
– Rates and availability charges	13	13	64	–
– Other	472	36	445	54
Sewerage services				
– Rates and availability charges	22	38	29	–
– Other	711	123	673	171
Total external restrictions	3,480	210	1,330	225
Internally restricted receivables				
Nil				
Unrestricted receivables	3,800	1,149	2,382	783
TOTAL NET RECEIVABLES	7,280	1,359	3,712	1,008
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			335	341
– amounts already provided for and written off this year			–	(6)
Balance at the end of the year			335	335

Cabonne 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.

Cabonne Council

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

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)	589	41	589	215
Stores and materials	347	–	352	–
Total inventories at cost	936	41	941	215
(ii) Inventories at net realisable value (NRV)				
Nil				
<u>TOTAL INVENTORIES</u>	<u>936</u>	<u>41</u>	<u>941</u>	<u>215</u>
(b) Other assets				
Prepayments	123	–	108	–
Shares in unlisted companies – StateCover	–	282	–	282
<u>TOTAL OTHER ASSETS</u>	<u>123</u>	<u>282</u>	<u>108</u>	<u>282</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Cabonne 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

Residential	548	–	548	–
Industrial/commercial	41	41	41	215
Total real estate for resale	589	41	589	215

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

Represented by:

Acquisition costs	278	–	278	172
Development costs	311	41	311	43
Total costs	589	41	589	215
Total real estate for resale	589	41	589	215

Movements:

Real estate assets at beginning of the year	589	215	680	371
– WDV of sales (expense)	–	(174)	(91)	(156)
Total real estate for resale	589	41	589	215

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(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	589	589
	589	589

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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Other movements	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	3,139	–	3,139	–	5,328	–	–	–	–	–	8,467	–	8,467
Plant and equipment	40,467	26,385	14,082	–	2,259	(704)	(2,174)	–	–	–	40,224	26,761	13,463
Office equipment	2,665	2,154	511	–	100	–	(98)	–	–	–	2,767	2,253	514
Furniture and fittings	975	702	273	–	60	–	(49)	–	–	–	1,034	750	284
Land:													
– Operational land	7,107	–	7,107	–	138	–	–	–	–	355	7,600	–	7,600
– Community land	9,173	–	9,173	–	–	–	–	–	–	–	9,173	–	9,173
Land improvements – non-depreciable	14,832	–	14,832	–	–	–	–	–	–	–	14,832	–	14,832
Land improvements – depreciable	7,249	2,124	5,125	–	159	–	(142)	–	–	–	7,408	2,266	5,142
Infrastructure:													
– Buildings – non-specialised	3,359	2,124	1,235	–	–	–	(82)	–	–	1,536	5,763	3,074	2,689
– Buildings – specialised	59,790	32,656	27,134	542	735	–	(1,421)	–	–	4,406	66,571	35,174	31,397
– Other structures	10,381	5,072	5,309	28	996	–	(364)	83	–	–	11,423	5,371	6,052
– Roads	199,169	57,809	141,360	8,005	393	–	(3,827)	48	–	–	207,563	61,584	145,979
– Bridges	57,603	11,497	46,106	450	709	–	(383)	2	–	–	58,764	11,880	46,884
– Footpaths	5,944	1,890	4,054	–	179	–	(59)	(1)	–	–	6,123	1,950	4,173
– Bulk earthworks (non-depreciable)	148,410	–	148,410	–	–	–	–	–	–	–	148,408	–	148,408
– Stormwater drainage	62,940	11,976	50,964	213	–	–	(403)	34	–	–	63,153	12,345	50,808
– Water supply network	46,334	22,632	23,702	21	94	–	(472)	–	(2,555)	–	44,217	23,426	20,791
– Sewerage network	49,482	11,936	37,546	146	164	–	(837)	–	(4,528)	–	45,456	12,966	32,490
– Swimming pools	9,463	3,356	6,107	104	–	–	(135)	–	–	–	9,567	3,491	6,076
– Other open space/recreational assets	3,255	1,553	1,702	5	68	–	(145)	–	–	–	3,314	1,684	1,630
Reinstatement, rehabilitation and restoration assets (refer Note 12):													
– Tip assets	288	281	7	–	–	–	(1)	–	–	–	288	282	6
– Quarry assets	646	519	127	–	–	–	(4)	–	–	–	646	523	123
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	742,671	194,666	548,005	9,514	11,382	(704)	(10,596)	166	(7,083)	6,297	762,761	205,780	556,981

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

Cabonne Council

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

Note 9. 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 35
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	33 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	60
Bores	30	Culverts	60
Reticulation pipes: PVC	40 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	10 to 70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	30	Bulk earthworks	Infinite
Sealed roads: structure	75	Swimming pools	70
Unsealed roads	40	Other open space/recreational assets	15 to 110
Bridge: concrete	150	Other infrastructure	15 to 110
Kerb, gutter and footpaths	100		

Cabonne Council

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

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

Accounting policy for infrastructure, property, plant and equipment (continued)

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.

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 AASB1051.

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".

Cabonne Council

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

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	402	396
Accumulated amortisation (1/7)	(328)	(243)
Net book value – opening balance	74	153
Movements for the year		
– Purchases	115	6
– Amortisation charges	(50)	(85)
Closing values:		
Gross book value (30/6)	517	402
Accumulated amortisation (30/6)	(378)	(328)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>139</u>	<u>74</u>

¹ The net book value of intangible assets represent:

– Software	139	74
	139	74

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Cabonne Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	3,991	–	2,201	–
Accrued expenses:				
– Borrowings	5	–	4	–
– Salaries and wages	314	–	338	–
– Other expenditure accruals	2,222	–	136	–
Security bonds, deposits and retentions	352	55	357	50
ATO – net GST payable	–	–	46	–
Other	46	–	45	–
Total payables	6,930	55	3,127	50
Income received in advance				
Payments received in advance	291	–	274	–
Total income received in advance	291	–	274	–
Borrowings				
Loans – secured ¹	207	1,906	204	2,113
Total borrowings	207	1,906	204	2,113
TOTAL PAYABLES AND BORROWINGS	7,428	1,961	3,605	2,163

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	2,212	–	173	–
Sewer	255	1,906	245	2,113
Payables and borrowings relating to externally restricted assets	2,467	1,906	418	2,113
Internally restricted assets				
Nil				
Total payables and borrowings relating to restricted assets	2,467	1,906	418	2,113
Total payables and borrowings relating to unrestricted assets	4,961	55	3,187	50
TOTAL PAYABLES AND BORROWINGS	7,428	1,961	3,605	2,163

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 18.

Cabonne Council

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

Note 11. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	2,317	(204)	–	–	–	2,113
TOTAL	2,317	(204)	–	–	–	2,113

(c) Financing arrangements

Nil

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Cabonne Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,183	–	1,170	–
Long service leave	2,767	–	2,700	–
Sub-total – aggregate employee benefits	3,950	–	3,870	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,626	–	1,617
Sub-total – asset remediation/restoration	–	1,626	–	1,617
Other provisions:				
Other	–	–	49	–
Sub-total – other provisions	–	–	49	–
<u>TOTAL PROVISIONS</u>	<u>3,950</u>	<u>1,626</u>	<u>3,919</u>	<u>1,617</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	2,952	2,976
	<u>2,952</u>	<u>2,976</u>

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions		
	Annual leave	Long service leave	Total
At beginning of year	1,170	2,700	3,870
Additional provisions	719	368	1,087
Amounts used (payments)	(731)	(336)	(1,067)
Remeasurement effects	25	35	60
Total ELE provisions at end of year	1,183	2,767	3,950

2017	ELE provisions		
	Annual leave	Long service leave	Total
At beginning of year	1,139	2,714	3,853
Additional provisions	532	128	660
Amounts used (payments)	(613)	(279)	(892)
Remeasurement effects	112	137	249
Total ELE provisions at end of year	1,170	2,700	3,870

2018	Other provisions		
	Other	Asset remediation	Total
At beginning of year	49	1,617	1,666
Changes to provision:			
Unwinding of discount	—	9	9
Other	(49)	—	(49)
Total other provisions at end of year	—	1,626	1,626

2017	Other provisions		
	Other	Asset remediation	Total
At beginning of year	49	1,594	1,643
Changes to provision:			
Remeasurement effects	—	(2)	(2)
Unwinding of discount	—	25	25
Total other provisions at end of year	49	1,617	1,666

Cabonne Council

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

Note 12. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) 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.

Cabonne Council

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

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,804	10,629
Balance as per the Statement of Cash Flows		5,804	10,629
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		8,727	13,361
Adjust for non-cash items:			
Depreciation and amortisation		10,646	10,340
Net losses/(gains) on disposal of assets		(478)	(729)
Other non cash movements		48	–
Unwinding of discount rates on reinstatement provisions		9	25
Share of net (profits) or losses of associates/joint ventures		(179)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(3,478)	277
Increase/(decrease) in provision for doubtful debts		–	(6)
Decrease/(increase) in inventories		5	294
Decrease/(increase) in other assets		(15)	(47)
Increase/(decrease) in payables		1,790	535
Increase/(decrease) in accrued interest payable		1	(1)
Increase/(decrease) in other accrued expenses payable		2,062	(968)
Increase/(decrease) in other liabilities		(28)	46
Increase/(decrease) in employee leave entitlements		80	17
Increase/(decrease) in other provisions		(49)	(2)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		19,141	23,142
(c) Non-cash investing and financing activities			
Nil			

Note 15. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Associates	179	–	24,213	20,324
Total	179	–	24,213	20,324

Cabonne Council

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

Note 15. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint arrangements

Council has no interest in any joint arrangements.

(c) Associates

Council has incorporated the following associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Central Tablelands Water	Associate	Equity	24,213	20,324
Total carrying amounts – material associates			24,213	20,324

(b) Details

Name of entity	Principal activity	Place of business
Central Tablelands Water	Supply Water	Blayney

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Central Tablelands Water	n/a	n/a	33%	33%	33%	33%	33%	33%

(d) Summarised financial information for associates

	Central Tablelands Water	
	2018	2017
Statement of financial position		
Current assets		
Cash and cash equivalents	1,165	873
Other current assets	6,835	7,738
Non-current assets	67,961	56,284
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	437	409
Other current liabilities	967	1,156
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	1,912	2,352
Net assets	72,645	60,978

Cabonne Council

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

Note 15. Interests in other entities (continued)

\$ '000

(c) Associates

(d) Summarised financial information for associates (continued)	Central Tablelands Water	
	2018	2017
Reconciliation of the carrying amount		
Opening net assets (1 July)	60,978	60,978
Profit/(loss) for the period	539	—
Gains on revaluation of I,PP&E	11,128	—
Closing net assets	72,645	60,978
Council's share of net assets (%)	33.3%	33.3%
Council's share of net assets (\$)	24,213	20,324
Statement of comprehensive income		
Income	5,774	—
Interest income	210	—
Depreciation and amortisation	(1,807)	—
Interest expense	(172)	—
Other expenses	(3,466)	—
Profit/(loss) from continuing operations	539	—
Other comprehensive income	11,128	—
Total comprehensive income	11,667	—
Share of income – Council (%)	33.3%	33.3%
Profit/(loss) – Council (\$)	179	—
Total comprehensive income – Council (\$)	3,889	—
Summarised Statement of cash flows		
Cash flows from operating activities	2,145	—
Cash flows from investing activities	(1,444)	—
Cash flows from financing activities	(409)	—
Net increase (decrease) in cash and cash equivalents	292	—

Accounting policy for associates

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

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

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

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

Cabonne Council

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

Note 15. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2018	2018
		Net profit	Net assets
Central West Co-operative Public Library	Library Services to member Councils	—	184

Reasons for non-recognition

Cabonne Council has a small interest and passive control in Central West Co-operative Public Library. Council makes a financial contribution on behalf of the rate payers of Cabonne in order for the Library to provide a service. Cabonne Council does not have significant influence or control of the entity.

Section 355 Committees of Council	Management, control and care of Council property
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Reasons for non-recognition

Council auspice a number of Section 355 Committees and due to their immaterial value and nature have been excluded from recognition.

Cabonne Council

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

Note 16. 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	167	41
Plant and equipment	392	209
Sewer	4	25
Water	2,344	76
Other structures	15	–
Other	33	–
Total commitments	2,955	351
These expenditures are payable as follows:		
Within the next year	2,955	351
Total payable	2,955	351
Sources for funding of capital commitments:		
Future grants and contributions	2,297	–
Unexpended grants	167	–
Externally restricted reserves	51	133
Internally restricted reserves	440	218
Total sources of funding	2,955	351

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

Cabonne Council

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

Note 17. 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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions 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.

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.

Cabonne Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

(i) Defined benefit superannuation contribution plans (continued)

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 Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$255,433.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$292,452.

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

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

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

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

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

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

(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.

Cabonne Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

Council has provided a Bank Guarantee of \$979,000 for rehabilitation works to be carried out upon closure of its Molong Limestone Quarry. The agreement is with the Department of Primary Industries.

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.

Cabonne Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(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.

Note 18. Financial risk management

Risk management

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

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

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

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

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

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.

Cabonne Council

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

Note 18. 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 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.

(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	503	503	(403)	(403)
2017				
Possible impact of a 1% movement in interest rates	410	410	(410)	(410)

Cabonne Council

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

Note 18. 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.

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 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)	53%	83%	0%	82%
Overdue	47%	17%	100%	18%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	385	–
< 1 year overdue	342	733
	727	733

Other receivables

Current	6,869	3,555
0 – 30 days overdue	298	39
31 – 60 days overdue	26	56
61 – 90 days overdue	333	43
> 91 days overdue	721	629
	8,247	4,322

Cabonne Council

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

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	407	6,578	–	–	6,985	6,985
Loans and advances	5.88%	–	327	2,233	–	2,560	2,113
Total financial liabilities		407	6,905	2,233	–	9,545	9,098
2017							
Trade/other payables	0.00%	407	2,770	–	–	3,177	3,177
Loans and advances	6.78%	–	337	1,118	1,443	2,898	2,317
Total financial liabilities		407	3,107	1,118	1,443	6,075	5,494

Cabonne Council

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

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2018 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	13,644	13,631	(13)	(0%)	U
User charges and fees	8,570	8,666	96	1%	F
Interest and investment revenue	1,190	1,154	(36)	(3%)	U
Other revenues	629	593	(36)	(6%)	U
Council had incorrectly budgeted for Commissions from Macquarie Valley Weeds.					
Operating grants and contributions	9,216	11,376	2,160	23%	F
This favourable result against budget is due to Council receiving \$2.4million of its 18/19 Financial Assistance grant allocation early in June 2018.					
Capital grants and contributions	18,926	6,588	(12,338)	(65%)	U
Council has anticipated grant funding for the Water pipeline in its 17/18 budget allocation, of \$14.95 million, however only \$3.2 million was received.					
Net gains from disposal of assets	300	478	178	59%	F
Council's favourable result is due to higher than expected sales of plant.					
Joint ventures and associates - net profits	–	179	179	0%	F
Net profit from Central Tablelands Water was not in Council's Original budget.					

Cabonne Council

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

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	12,172	11,398	774	6% F
Borrowing costs	174	142	32	18% F
The budget variation is due to the remediation costs of Council's gravel pits and tips having decreased in actual cost due to a change in the discounting factor used.				
Materials and contracts	6,876	7,035	(159)	(2%) U
Depreciation and amortisation	9,992	10,646	(654)	(7%) U
Other expenses	4,460	4,717	(257)	(6%) U

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

Cash flows from operating activities	27,889	19,141	(8,748)	(31.4%) U
This variation is due to the Water pipeline capital grant being budgeted for \$14.95million and only receiving \$2.4million to do progression of project.				
Cash flows from investing activities	(40,837)	(23,762)	17,075	(41.8%) F
Council anticipated in its 17/18 budget a Capital expenditure program of \$40million. Council only spent \$18 million due to the water pipeline project not completing as expected.				
Cash flows from financing activities	(206)	(204)	2	(1.0%) F

Cabonne Council

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

Note 20. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date	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					
Capital works in progress	30/06/18	—	—	8,467	8,467
Plant and equipment	30/06/18	—	—	13,463	13,463
Office equipment	30/06/18	—	—	514	514
Furniture and fittings	30/06/18	—	—	284	284
Operational land	30/06/18	—	7,600	—	7,600
Community land	30/06/16	—	—	9,173	9,173
Land improvements non depreciable	30/06/16	—	—	14,832	14,832
Land Improvements depreciable	30/06/16	—	—	5,142	5,142
Building non specialised	30/06/18	—	2,689	—	2,689
Building specialised	30/06/18	—	31,397	—	31,397
Other structures	30/06/17	—	—	6,052	6,052
Roads	30/06/15	—	—	145,979	145,979
Bridges	30/06/15	—	—	46,884	46,884
Footpaths	30/06/15	—	—	4,173	4,173
Bulk earthworks	30/06/15	—	—	148,408	148,408
Stormawater drainage	30/06/15	—	—	50,808	50,808
Water supply network	30/06/18	—	—	20,791	20,791
Sewer network	30/06/18	—	—	32,490	32,490
Swimming pools	30/06/17	—	—	6,076	6,076
Tip assets	30/06/18	—	—	6	6
Quarry assets	30/06/18	—	—	123	123
Open Space/recreational assets	30/06/17	—	—	1,630	1,630
Total infrastructure, property, plant and equipment		—	41,686	515,295	556,981

Cabonne Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

2017	Date	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					
Capital works in progress	30/06/17	—	—	3,139	3,139
Plant and equipment	30/06/17	—	—	14,082	14,082
Office equipment	30/06/17	—	—	511	511
Furniture and fittings	30/06/17	—	—	273	273
Operational land	30/06/14	—	7,107	—	7,107
Community land	30/06/16	—	—	9,173	9,173
Land improvements non depreciable	30/06/16	—	—	14,832	14,832
Land Improvements depreciable	30/06/16	—	—	5,125	5,125
Building non specialised	30/06/14	—	1,235	—	1,235
Building specialised	30/06/14	—	27,134	—	27,134
Other structures	30/06/17	—	—	5,309	5,309
Roads	30/06/15	—	—	141,360	141,360
Bridges	30/06/15	—	—	46,107	46,107
Footpaths	30/06/15	—	—	4,054	4,054
Bulk earthworks	30/06/15	—	—	148,409	148,409
Stormawater drainage	30/06/15	—	—	50,964	50,964
Water supply network	30/06/12	—	—	23,702	23,702
Sewer network	30/06/12	—	—	37,546	37,546
Swimming pools	30/06/17	—	—	6,107	6,107
Tip assets	30/06/17	—	—	7	7
Quarry assets	30/06/17	—	—	127	127
Open Space/recreational assets	30/06/17	—	—	1,702	1,702
Total infrastructure, property, plant and equipment		—	35,476	512,529	548,005

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

(2) Transfers between Level 1 & 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.

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

Capital Works in Progress – Uncompleted capital projects

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

Operational Land

Valuation Techniques: 'Market approach'

Inputs Used (Level 2): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land

Councils Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

With regard to the above Councils Valuer Scott Fullarton Valuations P/L analysed sales of land throughout Cabonne Shire and surrounding Council areas and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

Community Land

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 1 July 2015)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Non Depreciable land Improvements

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Non Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

Depreciable Land Improvements – Gardens/softfall areas, cricket pitches and recreation ground pathways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, unit rates

Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

Buildings (Specialised/Non Specialised) – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 2): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2018 in accordance with Compiled Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Councils Specialised Buildings were valued by Scott Fullarton Valuation (SFV) P/L as at 30 June 2018. SFV provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

SFV estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is **significant** in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

Other Structures

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Other Structures were valued as at 30 June 2017. Valuations are based on unit rates derived from historical costs and from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Swimming Pools

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Swimming pools were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Open space/recreational assets

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates, asset condition

Open Spaces were valued as at 30 June 2017. Valuations are based on unit rates derived from industry rates from Cordell's Commercial building cost guide March 2017 and the 'Rawlinson's Australian Construction handbook 2017 Edition 35.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued by Pavement Management Services on 30 June 2015. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter

Roads – Sealed and Unsealed

GPS logged to establish the length and extent of the network. Road chainages were taken as the measure of Cabonne Council's road asset length. Seal widths (sealed roads) were taken from full condition assessment undertaken by Pavement Management Services.

The pavement width was assumed to be an additional 1m on each side of the Seal (e.g. Seal of 6 m is assumed to have an 8m wide pavement). This was confirmed by random sampling of a range of roads categories across the Shire.

Unit rates for major earthworks, pavement and sealing were based on the Rawlinson's; Construction Cost Guide 2010, Edition 18. These rates were verified against recent actual rates from Cabonne Council road works.

Condition Assessment data was established on all of Cabonne Councils road network..

Kerb and Gutter

Kerb & Gutter assets were valued in-house as at 30 June 2015.

Asset register was developed by Council staff completing a physical inspection of the Kerb & Gutter Network. Council staff were equipped with a GPS unit that measured the length and the location of each asset. Unit rates were established from historical data and also tested against recent construction costs. Condition assessment for Kerb and Gutter was collected at time of physical inspection along with the material used in the construction.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Bridges

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Bridges assets were valued in-house as at 30 June 2015.

Asset register was developed by Council staff completing a physical inspection of all Council Bridges. Council staff inspected and componentised each bridge collected the necessary data including condition rating, bridge dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Asset register was developed by Council staff completing a physical inspection of all Council's footpaths. Council staff inspected each footpath and collected the necessary data including condition rating, dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Footpaths assets were valued by Pavement Management Services as at 30 June 2015.

Stormwater Drainage – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Asset register was developed by Council staff completing a physical inspection of all Council's stormwater drainage. Council staff inspected and collected the necessary data including condition rating, dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Stormwater drainage assets were valued in-house as at 30 June 2015.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Water Supply Network

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Water Network was revalued as at 30 June 2018. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables*, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Valuations and inspections were conducted by way of field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Sewerage Network – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network were revalued as at 30 June 2018. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables*, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Valuations and inspections were conducted way of field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Tip and Quarry Assets – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Capital works in progress	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Land imp non depreciable	Land imp depreciable	Total
Opening balance – 1/7/16	393	13,038	384	222	7,133	9,173	14,725	4,530	49,598
Purchases (GBV)	2,746	4,220	223	95	54	–	107	746	8,191
Disposals (WDV)	–	(859)	–	–	(80)	–	–	–	(939)
Depreciation and impairment	–	(2,317)	(94)	(44)	–	–	–	(151)	(2,606)
Other movement	–	–	(2)	–	–	–	–	–	(2)
Closing balance – 30/6/17	3,139	14,082	511	273	7,107	9,173	14,832	5,125	54,242
Purchases (GBV)	5,328	2,259	100	60	138	–	–	159	8,044
Disposals (WDV)	–	(2,174)	–	–	–	–	–	–	(2,174)
Depreciation and impairment	–	(704)	(98)	(49)	–	–	–	(142)	(993)
FV gains – other comprehensive income	–	–	–	–	355	–	–	–	355
Other movement	–	–	1	–	–	–	–	–	1
Closing balance – 30/6/18	8,467	13,463	514	284	7,600	9,173	14,832	5,142	59,475

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. 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)

	Buildings non special	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Total
Opening balance – 1/7/16	1,385	26,990	4,906	133,226	45,514	4,113	148,410	51,345	415,889
Purchases (GBV)	9	1,560	302	11,849	979	1	–	34	14,734
Disposals (WDV)	(78)	–	–	–	–	–	–	–	(78)
Depreciation and impairment	(81)	(1,416)	(265)	(3,715)	(386)	(60)	–	(420)	(6,343)
FV gains – other comprehensive income	–	–	366	–	–	–	–	–	366
Other movement	–	–	–	–	(1)	–	–	5	4
Closing balance – 30/6/17	1,235	27,134	5,309	141,360	46,106	4,054	148,410	50,964	424,572
Purchases (GBV)	–	1,277	1,024	8,398	1,159	179	–	213	12,250
Depreciation and impairment	(82)	(1,421)	(364)	(3,827)	(383)	(59)	–	(403)	(6,539)
FV gains – other comprehensive income	1,536	4,502	83	48	2	(1)	–	34	6,204
Other movement	–	(95)	–	–	–	–	(2)	–	(97)
Closing balance – 30/6/18	2,689	31,397	6,052	145,979	46,884	4,173	148,408	50,808	436,390

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. 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)

	Open Spaces	Water network	Sewer network	Swimming pools	Tip assets	Quarry assets	Total
Opening balance – 1/7/16	–	23,796	37,583	2,375	7	133	63,894
Purchases (GBV)	–	35	245	–	–	–	280
Depreciation and impairment	–	(464)	(810)	(26)	–	(6)	(1,306)
FV gains – other comprehensive income	1,702	–	–	3,758	–	–	5,460
FV gains – Income Statement	–	335	528	–	–	–	863
Closing balance – 30/6/17	1,702	23,702	37,546	6,107	7	127	69,191
Purchases (GBV)	73	115	310	104	–	–	602
Depreciation and impairment	(145)	(472)	(837)	(135)	(1)	(4)	(1,594)
FV gains – other comprehensive income	–	(2,555)	(4,528)	–	–	–	(7,083)
Other movement	–	1	(1)	–	–	–	–
Closing balance – 30/6/18	1,630	20,791	32,490	6,076	6	123	61,116

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

(4). Fair value measurements using significant observable inputs (level 2)

b. Significant observable valuation inputs used (for level 2 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant observable inputs used in deriving the various level 2 asset class fair values.

I, PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Operational Land	\$7,600	Cost Approach	<ul style="list-style-type: none"> Market Approach – Registered Valuer
Buildings Specialised	\$31,397	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Buildings Non Specialised	\$2,689	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Capital Works in Progress	\$8,467	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost
Plant & Equipment	\$13,463	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Office Equipment	\$514	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Furniture & Fittings	\$284	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Community land	\$9,173	Cost Approach	<ul style="list-style-type: none"> NSW Valuer General's Valuation (Unimproved Capital Value)
Land Improvements Non Depreciable	\$14,832	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Remaining Useful Life

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Land Improvements Depreciable	\$5,142	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Other Structures	\$6,052	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Remaining Useful Life
Roads	\$145,979	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Condition • Useful life
Bridges	\$46,884	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Footpaths	\$4,173	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Bulk Earthworks	\$148,408	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Terrain rating
Stormwater Drainage	\$50,808	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Water Supply Network	\$20,791	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Sewer Network	\$32,490	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Swimming Pools	\$6,076	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Open Space/Recreational Assets	\$1,630	Cost Approach	<ul style="list-style-type: none"> • Unit Rates • Asset Conditions • Useful Life
Tip Assets	\$6	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows
Quarry Assets	\$123	Cost Approach	<ul style="list-style-type: none"> • Discounted future Cash Flows

(5). Highest and best use

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. 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	910	862
Post-employment benefits	73	67
Other long-term benefits	23	29
Termination benefits	62	112
Total	1,068	1,070

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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

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
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2017						
Supplier of Services	1	239,000	—	Supplier of Earthmoving equipment	—	—
Purchase of Service	2	—	1,000	Industrial waste at Council's tip	—	—

2017

- 1 A KMP of Council is a Managing Director of Paul Culverson Earthmoving and Farm contracting who supplied services to Council.
- 2 A KMP of Council is a close relative of MSM Milling who utilise Council's waste facility at Manildra to dispose of Industrial waste.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	616	104	–	6	–	–	726	–
Other	183	9	–	2	(14)	–	180	–
S7.11 contributions – under a plan	799	113	–	8	(14)	–	906	–
Total S7.11 and S7.12 revenue under plans	799	113	–	8	(14)	–	906	–
Total contributions	799	113	–	8	(14)	–	906	–

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - SMALL RURAL HOLDINGS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	36	–	–	–	–	–	36	–
Total	36	–	–	–	–	–	36	–

CONTRIBUTION PLAN NUMBER - GENERAL RURAL ZONE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	580	104	–	6	–	–	690	–
Total	580	104	–	6	–	–	690	–

CONTRIBUTION PLAN NUMBER - BUSHFIRE EQUIPMENT

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	183	9	–	2	(14)	–	180	–
Total	183	9	–	2	(14)	–	180	–

Cabonne Council

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

Note 23. 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	465	1,850	11,316
User charges and fees	886	144	7,636
Interest and investment revenue	72	65	1,017
Other revenues	4	13	576
Grants and contributions provided for operating purposes	63	151	11,162
Grants and contributions provided for capital purposes	3,286	173	3,129
Other income			
Net gains from disposal of assets	–	–	478
Share of interests in joint ventures and associates using the equity method	–	–	179
Total income from continuing operations	4,776	2,396	35,493
Expenses from continuing operations			
Employee benefits and on-costs	298	448	10,652
Borrowing costs	–	133	9
Materials and contracts	307	629	6,099
Depreciation and amortisation	537	999	9,110
Other expenses	96	293	4,328
Total expenses from continuing operations	1,238	2,502	30,198
Operating result from continuing operations	3,538	(106)	5,295
Net operating result attributable to each council fund	3,538	(106)	5,295
Net operating result for the year before grants and contributions provided for capital purposes	252	(279)	2,166

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.

Cabonne Council

Notes to the Financial Statements as at 30 June 2018

Note 23. 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	1,916	2,552	1,336
Investments	–	–	39,500
Receivables	2,739	733	3,808
Inventories	–	–	936
Other	8	–	115
Total current assets	4,663	3,285	45,695
Non-current assets			
Receivables	49	161	1,149
Inventories	–	–	41
Infrastructure, property, plant and equipment	30,837	40,497	485,647
Investments accounted for using the equity method	–	–	24,213
Intangible assets	–	–	139
Other	–	–	282
Total non-current assets	30,886	40,658	511,471
TOTAL ASSETS	35,549	43,943	557,166
LIABILITIES			
Current liabilities			
Payables	2,212	48	4,670
Income received in advance	–	–	291
Borrowings	–	207	–
Provisions	–	–	3,950
Total current liabilities	2,212	255	8,911
Non-current liabilities			
Payables	–	–	55
Borrowings	–	1,906	–
Provisions	–	–	1,626
Total non-current liabilities	–	1,906	1,681
TOTAL LIABILITIES	2,212	2,161	10,592
Net assets	33,337	41,782	546,574
EQUITY			
Accumulated surplus	17,848	24,806	310,941
Revaluation reserves	15,489	16,976	235,633
Total equity	33,337	41,782	546,574

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.

Cabonne Council

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

Note 24(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	1,482	4.18%	15.36%	8.24%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	35,420				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	24,044	57.24%	56.49%	60.69%	> 60.00%
Total continuing operating revenue ⁽¹⁾	42,008				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	34,001	5.71x	7.78x	8.35x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	5,959				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	12,270	35.46x	46.02x	35.16x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	346				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	763	5.26%	5.56%	5.33%	< 10% regional & rural
Rates, annual and extra charges collectible	14,504				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	45,304	24.29 mths	18.4 mths	22.1 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,865				

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 11 and 12.

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(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/>	4.08%	17.88%	19.77%	-11.90%	-4.42%	-16.20%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>	58.98%	57.51%	29.88%	29.05%	86.48%	89.30%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>	5.71x	7.78x	2.11x	23.05x	12.88x	11.80x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 24a above.

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(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	1040.40x	43.38x	0.00x	0.00x	3.05x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.11%	5.79%	9.03%	14.71%	5.30%	1.67%	< 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	21.89	16.19	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 24a 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

Cabonne Council

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

Note 25. Council information and contact details

Principal place of business:

99 - 101 Bank Street
Molong NSW 2866

Contact details
Mailing address:

PO Box 17
Molong NSW 2866

Opening hours:

Monday to Friday
9am to 5pm

Telephone: 02 6392 3200

Facsimile: 02 6392 3260

Internet: <http://www.cabonne.nsw.gov.au>

Email: council@cabonne.nsw.gov.au

Officers
GENERAL MANAGER

Stephen Harding

RESPONSIBLE ACCOUNTING OFFICER

Luke Taberner

PUBLIC OFFICER

Jolene Pearson

AUDITORS

Audit Office of NSW
Level 15, 1 Margaret Street
SYDNEY NSW 2001

Elected members
MAYOR

Kevin Beatty

COUNCILLORS

Anthony Durkin
Gregory Treavors
Peter Batten
Cheryl Newsom
Kevin Walker
Paul Mullins
Jennifer Weaver
Marlene Nash
Elizabeth Oldham
Ian Davison
Jamie Jones

Other information

ABN: 419 929 192 00



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Cabonne Council

To the Councillors of the Cabonne Council

Opinion

I have audited the accompanying financial report of Cabonne 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 19 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.



Karen Taylor
Director, Financial Audit Services

30 October 2018
SYDNEY

Councillor Kevin Beatty
Mayor
Cabonne Council
PO Box 17
MOLONG NSW 2866

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D1825700/1704

30 October 2018

Dear Mr Mayor

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

I have audited the general purpose financial statements of the Cabonne Council (the Council) for the year ended 30 June 2018 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 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	13.6	13.2	3.0
User Charges and fees	8.7	13.0	33.1
Grants and contributions revenue	18.0	21.6	16.7
Materials & Contracts expense	7.0	9.6	27.1
Operating result for the year	8.6	13.4	35.8
Net operating result before capital amounts	2.0	7.4	73.0

The growth in rates and annual charges is consistent with the rate-pegging limit of 1.5 per cent and increases in annual access charges for water and sewerage services.

User charges and fees decreased to more traditional levels following a sharp increase in RMS ordered road work in 2017. The decrease of \$3.8 million in RMS works was the principal cause of the overall reduction in user charges income.

Operating grants were also lower than last year at \$7.9 million (2017: \$11.9 million) mainly due to the timing of receipt of 2017–18 financial assistance grant instalments in 2016–17 (\$2.3 million) and a decrease of \$1.2 million in roads to recovery funding.

Materials and contracts expense were lower at \$7.0 million (2017: \$9.6 million) which is consistent with the reduction in RMS ordered road work.

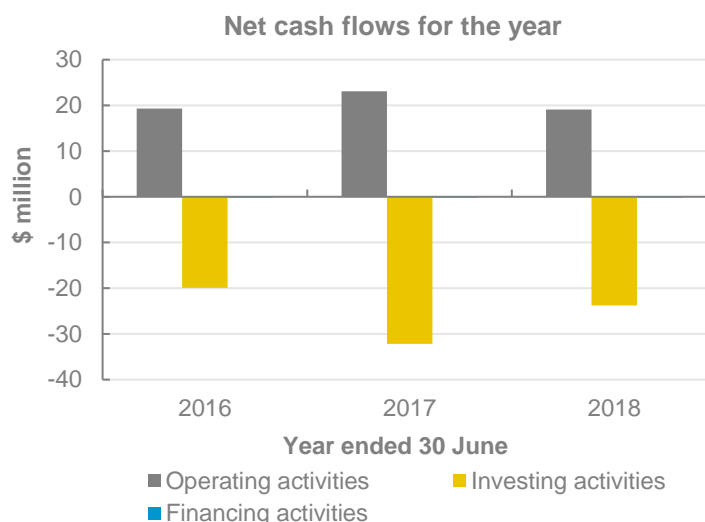
The operating surplus was generated primarily from the General Fund (\$5.1 million), followed by the Water Fund (\$3.6 million). and an operating deficit in Sewer Fund of (\$0.1 million).

Materials and contracts expense were lower at \$7.0 million (2017: \$9.6 million) which is consistent with the reduction in RMS ordered road work.

STATEMENT OF CASH FLOWS

2017–18 saw a net cash outflow of \$4.8 million compared to \$9.3 million in 2016–17.

The difference mainly due to the timing and amount of investing activities.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	15.6	17.4	Externally restricted balances include unexpended developer contributions water, sewer and domestic waste management charges.
Internal restrictions	27.1	27.4	
Unrestricted	2.6	1.8	
Cash and investments	45.3	46.6	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

Debt

At 30 June 2018, Council had external borrowings of \$2.1 million (30 June 2017: \$2.3 million). The loans are secured over Council's general rating income.

At 30 June 2018, Council also had access to a \$450,000 (30 June 2017: \$450,000) bank overdraft facility. This facility was unused at year end.

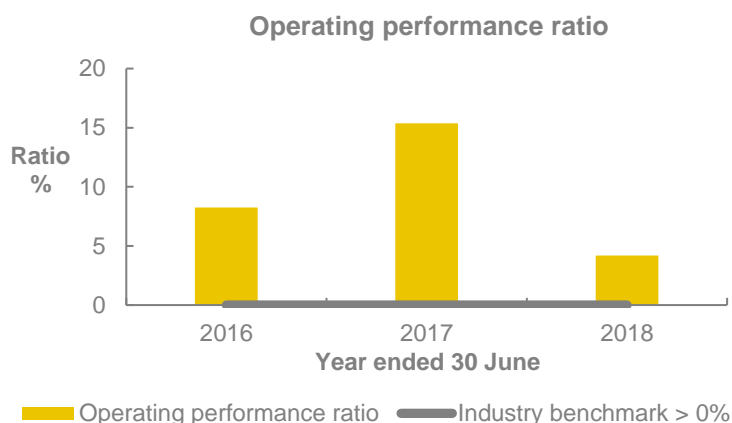
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 24(a) 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

Council's operating performance ratio exceeded the industry benchmark over the past three years.

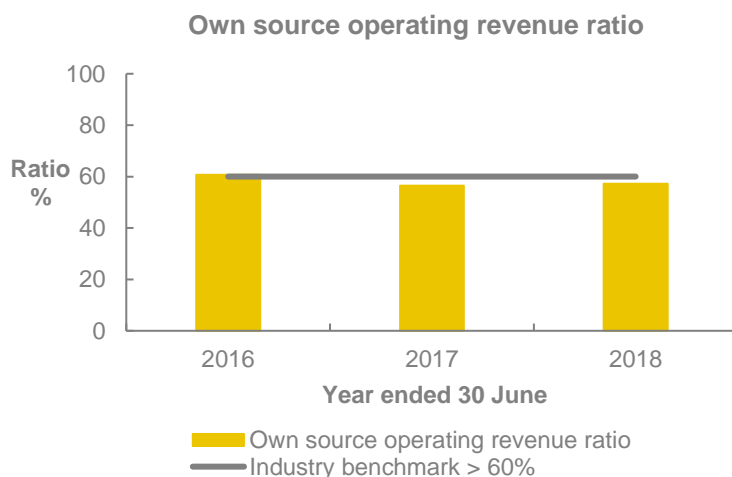
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

The elevated level of grants and contributions, particularly from the restart NSW capital grant for the Orange to Molong water pipeline, have decreased Council's own source operating revenue ratio.

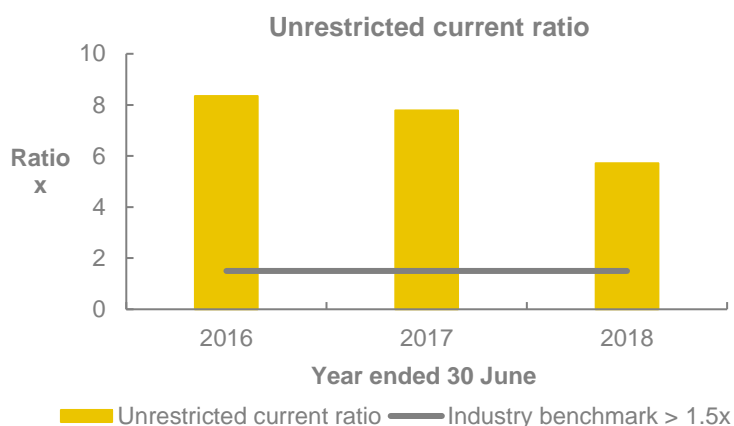
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years.

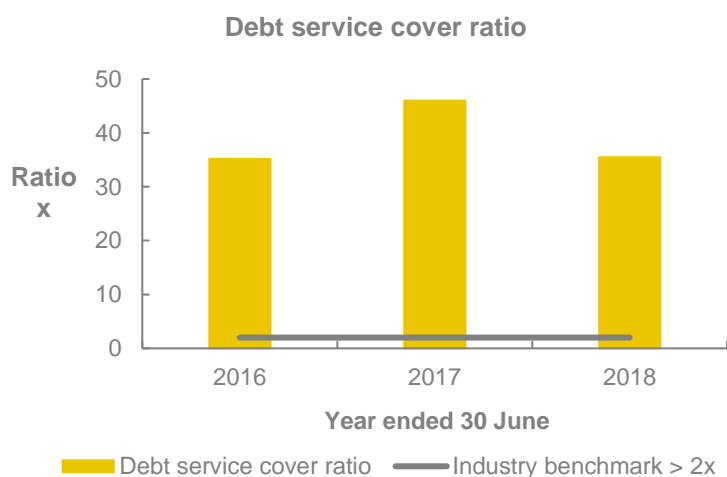
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio exceeded the industry benchmark over the past three years. The result reflects Council's low levels of debt.

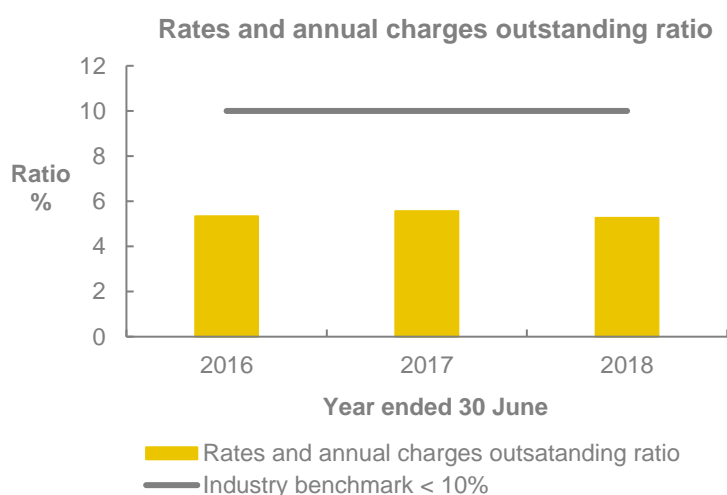
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past three years. The ratio reflects Council's sustained effort to effectively manage rates and charges recovery.

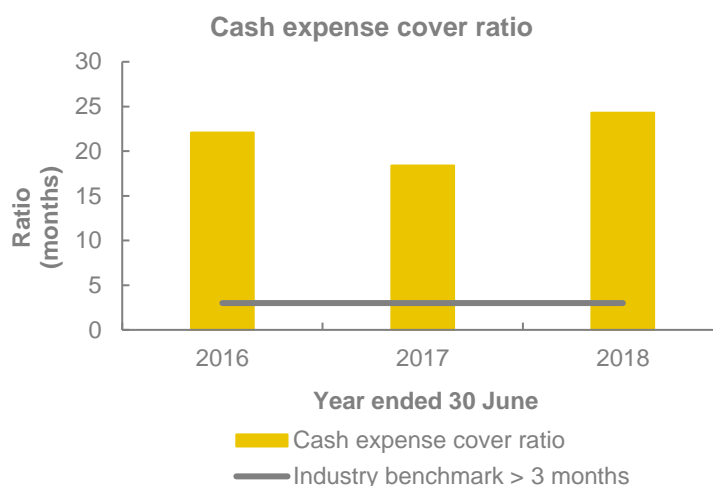
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is greater than 10 per cent for rural councils.



Cash expense cover ratio

Council's high level of liquidity means its cash expense cover ratio has far exceeded the industry benchmark over the past three years.

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

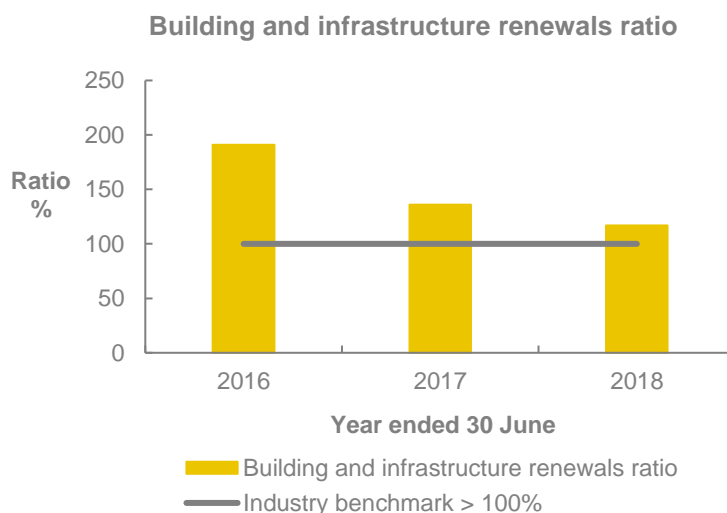


Building and infrastructure renewals ratio

Council met the building and infrastructure renewals ratio benchmark over the past three years. Council has continued to focus on the renewal of its assets to maintain them at a standard acceptable to the community.

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.



New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

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.



Karen Taylor
Director, Financial Audit Services

Cabonne Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“...providing sustainable local government to our rural communities
through consultation and sound financial management”



Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
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Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
3. Notes to the Special Purpose Financial Statements	7
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Background

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

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

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

Cabonne 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.

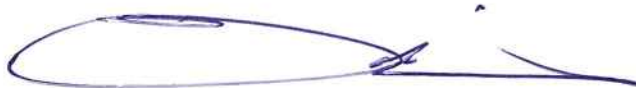
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 28 August 2018.

Kevin Beatty
Mayor



Anthony Durkin
Councillor



Stephen Harding
General manager



Luke Taberner
Responsible accounting officer



Cabonne 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	465	435
User charges	886	695
Interest	72	71
Grants and contributions provided for non-capital purposes	63	12
Other income	4	4
Total income from continuing operations	1,490	1,217
Expenses from continuing operations		
Employee benefits and on-costs	298	206
Materials and contracts	307	578
Depreciation, amortisation and impairment	537	530
Other expenses	96	97
Total expenses from continuing operations	1,238	1,411
Surplus (deficit) from continuing operations before capital amounts	252	(194)
Grants and contributions provided for capital purposes	3,286	2,927
Surplus (deficit) from continuing operations after capital amounts	3,538	2,733
Surplus (deficit) from all operations before tax	3,538	2,733
Less: corporate taxation equivalent (30%) [based on result before capital]	(76)	–
SURPLUS (DEFICIT) AFTER TAX	3,462	2,733
Plus opening retained profits	14,310	11,577
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	76	–
Closing retained profits	17,848	14,310
Return on capital %	0.8%	-0.7%
Subsidy from Council	559	876
Calculation of dividend payable:		
Surplus (deficit) after tax	3,462	2,733
Less: capital grants and contributions (excluding developer contributions)	(3,286)	(2,927)
Surplus for dividend calculation purposes	176	–
Potential dividend calculated from surplus	88	–

Cabonne 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	1,850	1,739
User charges	144	99
Interest	65	64
Grants and contributions provided for non-capital purposes	151	111
Other income	13	—
Total income from continuing operations	2,223	2,013
Expenses from continuing operations		
Employee benefits and on-costs	448	301
Borrowing costs	133	145
Materials and contracts	629	727
Depreciation, amortisation and impairment	999	955
Other expenses	293	347
Total expenses from continuing operations	2,502	2,475
Surplus (deficit) from continuing operations before capital amounts	(279)	(462)
Grants and contributions provided for capital purposes	173	117
Surplus (deficit) from continuing operations after capital amounts	(106)	(345)
SURPLUS (DEFICIT) AFTER TAX	(106)	(345)
Plus opening retained profits	24,912	25,257
Closing retained profits	24,806	24,912
Return on capital %	-0.4%	-0.7%
Subsidy from Council	1,211	1,399
Calculation of dividend payable:		
Surplus (deficit) after tax	(106)	(345)
Less: capital grants and contributions (excluding developer contributions)	(173)	(117)

Cabonne 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	1,916	3,359
Receivables	2,739	628
Other	8	–
Total current assets	4,663	3,987
Non-current assets		
Receivables	49	54
Infrastructure, property, plant and equipment	30,837	28,642
Total non-current assets	30,886	28,696
TOTAL ASSETS	35,549	32,683
LIABILITIES		
Current liabilities		
Payables	2,212	173
Total current liabilities	2,212	173
Non-current liabilities		
Nil		
TOTAL LIABILITIES	2,212	173
NET ASSETS	33,337	32,510
EQUITY		
Accumulated surplus	17,848	14,310
Revaluation reserves	15,489	18,200
Council equity interest	33,337	32,510
TOTAL EQUITY	33,337	32,510

Cabonne 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	2,552	2,188
Receivables	733	702
Total current Assets	3,285	2,890
Non-current assets		
Receivables	161	171
Infrastructure, property, plant and equipment	40,497	45,447
Total non-current assets	40,658	45,618
TOTAL ASSETS	43,943	48,508
LIABILITIES		
Current liabilities		
Payables	48	41
Borrowings	207	204
Total current liabilities	255	245
Non-current liabilities		
Borrowings	1,906	2,113
Total non-current liabilities	1,906	2,113
TOTAL LIABILITIES	2,161	2,358
NET ASSETS	41,782	46,150
EQUITY		
Accumulated surplus	24,806	24,912
Revaluation reserves	16,976	21,238
Council equity interest	41,782	46,150
TOTAL EQUITY	41,782	46,150

Cabonne 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	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Cabonne 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.

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

National Competition Policy

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

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

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

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

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, 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)

Cabonne Council Combined Sewerage Supplies

Sewerage reticulation and treatment operations servicing the towns of Molong, Eugowra, Canowindra, Cudal, Yeoval, Cumnock and Manildra.

Cabonne Council

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

Note 1. Significant accounting policies (continued)

These are reported under two special rate funds:

- Cabonne Sewer Fund, servicing the towns of Molong, Canowindra and Eugowra, and
- Small Town Sewer Fund, servicing the towns of Manildra, Cudal, Cumnock and Yeoval

Category 2

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

Cabonne Council Combined Water Supplies

Water supply operations servicing the towns of Molong, Yeoval and Cumnock, established as a combined special rate fund.

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.

Cabonne Council

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

Note 1. Significant accounting policies (continued)

Income tax

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

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

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

Cabonne Council

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

Note 1. Significant accounting policies (continued)

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.

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

Cabonne 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	–
(ii)	Number of assessments multiplied by \$3/assessment	3,621
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	88,200
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	36,210
(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	(198,600)

2018 Surplus	176,400	2017 Surplus	(194,000)	2016 Surplus	(181,000)
		2017 Dividend	–	2016 Dividend	–

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

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

Cabonne Council

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

Note 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	1,471
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)]	%	60.88%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	22,404
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	683
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,346
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)]	%	0.82%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	3,233

- 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

Cabonne Council

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

Note 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	–
(ii)	Number of assessments multiplied by \$3/assessment	4,761
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	47,610
(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	(1,400,000)

2018 Surplus	(279,000)	2017 Surplus	(462,000)	2016 Surplus	(659,000)
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	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)	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]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Cabonne 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	2,331
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	32,490
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,271
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	310
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)]	%	0.15%
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	3,802
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.08%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,656
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)]	%	0.44%
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%

Cabonne Council

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

Note 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) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-3.14%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	199
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	41

- 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

Cabonne Council

To the Councillors of the Cabonne Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Cabonne 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
- sewerage.

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 blue ink, appearing to read 'Karen Taylor', with a stylized, cursive script.

Karen Taylor
Director, Financial Audit Services

30 October 2018
SYDNEY

Cabonne Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

“...providing sustainable local government to our rural communities
through consultation and sound financial management”



Cabonne 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.

Cabonne 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	1,026	50	–	(976)
Administration	2,402	813	–	(1,589)
Public order and safety				
Fire service levy, fire protection, emergency services	958	262	536	(160)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	190	13	–	(177)
Other	–	3	–	3
Total public order and safety	1,148	278	536	(334)
Health	725	110	–	(615)
Environment				
Noxious plants and insect/vermin control	344	149	–	(195)
Other environmental protection	326	76	130	(120)
Solid waste management	1,650	1,721	–	71
Street cleaning	400	–	–	(400)
Drainage	3	74	–	71
Stormwater management	–	–	–	–
Total environment	2,723	2,020	130	(573)
Community services and education				
Administration and education	118	20	–	(98)
Social protection (welfare)	561	602	–	41
Aged persons and disabled	131	24	497	390
Children's services	1,074	1,038	–	(36)
Total community services and education	1,884	1,684	497	297
Housing and community amenities				
Public cemeteries	157	70	–	(87)
Public conveniences	333	–	–	(333)
Street lighting	–	–	–	–
Town planning	160	294	–	134
Other community amenities	10	–	–	(10)
Total housing and community amenities	660	364	–	(296)
Water supplies	1,238	1,490	3,286	3,538
Sewerage services	2,502	2,223	173	(106)

Cabonne 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	395	56	–	(339)
Museums	243	1	150	(92)
Art galleries	–	–	–	–
Community centres and halls	389	2	–	(387)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	39	1	–	(38)
Sporting grounds and venues	834	8	225	(601)
Swimming pools	963	–	–	(963)
Parks and gardens (lakes)	334	–	2	(332)
Other sport and recreation	789	12	89	(688)
Total recreation and culture	3,986	80	466	(3,440)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	199	347	–	148
Total mining, manufacturing and const.	199	347	–	148
Transport and communication				
Urban roads (UR) – local	5,526	2,253	38	(3,235)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	1,512	1,620	1,423	1,531
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	292	–	–	(292)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	91	–	(36)	(127)
Parking areas	–	–	–	–
Footpaths	163	–	75	(88)
Aerodromes	–	–	–	–
Other transport and communication	6,835	6,420	–	(415)
Total transport and communication	14,419	10,293	1,500	(2,626)
Economic affairs				
Camping areas and caravan parks	256	173	–	(83)
Other economic affairs	770	392	–	(378)
Total economic affairs	1,026	565	–	(461)
Totals – functions	33,938	20,317	6,588	(7,033)
General purpose revenues ⁽¹⁾		15,581		15,581
Share of interests – joint ventures and associates using the equity method	–	179		179
NET OPERATING RESULT ⁽²⁾	33,938	36,077	6,588	8,727

(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

Cabonne 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	9,917	9,708
Plus or minus adjustments ⁽²⁾	b	(4)	20
Notional general income	c = (a + b)	9,913	9,728
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 x (c – g)	—	—
Or plus rate peg amount	i = c x e	228	146
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	10,141	9,874
Plus (or minus) last year's carry forward total	l	2	41
Less valuation objections claimed in the previous year	m	(4)	—
Sub-total	n = (l + m)	(2)	41
Total permissible income	o = k + n	10,139	9,915
Less notional general income yield	p	10,135	9,917
Catch-up or (excess) result	q = o – p	4	(2)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	4
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r – s	4	2

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

Cabonne Council

To the Councillors of Cabonne Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Cabonne 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 blue ink, appearing to read 'Karen Taylor', with a stylized, cursive script.

Karen Taylor
Director, Financial Audit Services

30 October 2018

SYDNEY

Cabonne 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	76	112
b. Engineering and supervision	36	–
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	49	81
b. Maintenance expenses	10	18
– Mains		
c. Operation expenses	104	127
d. Maintenance expenses	46	45
– Reservoirs		
e. Operation expenses	21	27
f. Maintenance expenses	15	13
– Pumping stations		
g. Operation expenses (excluding energy costs)	45	67
h. Energy costs	22	19
i. Maintenance expenses	14	13
– Treatment		
j. Operation expenses (excluding chemical costs)	160	181
k. Chemical costs	–	28
l. Maintenance expenses	52	51
– Other		
m. Operation expenses	8	23
n. Maintenance expenses	25	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	473	459
b. Plant and equipment	63	71
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	19	76
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	1,238	1,411

Cabonne 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)	401	362
b. Usage charges	624	510
7. Non-residential charges		
a. Access (including rates)	76	72
b. Usage charges	240	178
8. Extra charges	–	
9. Interest income	72	71
10. Other income	14	11
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	3,233	2,883
b. Grants for pensioner rebates	12	12
c. Other grants	51	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	53	45
13. Total income	4,776	4,144
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	3,538	2,733
15a. Operating result (less grants for acquisition of assets)	305	(150)

Cabonne 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	65	2,746
b. New assets for growth	3,232	–
c. Renewals	49	40
d. Plant and equipment	–	8
17. Repayment of debt	–	–
18. Totals	3,346	2,794
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)	982	981
b. Residential (unoccupied, ie. vacant lot)	62	60
c. Non-residential (occupied)	156	157
d. Non-residential (unoccupied, ie. vacant lot)	7	8
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 19,172	\$ 21,856

Cabonne 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	1,916	–	1,916
26. Receivables			
a. Specific purpose grants	2,262	–	2,262
b. Rates and availability charges	13	13	26
c. User charges	416	36	452
d. Other	56	–	56
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	22,404	22,404
b. Plant and equipment	–	8,433	8,433
29. Other assets	–	–	–
30. Total assets	4,663	30,886	35,549
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	2,212	–	2,212
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	2,212	–	2,212
36. NET ASSETS COMMITTED	2,451	30,886	33,337
EQUITY			
37. Accumulated surplus			17,848
38. Asset revaluation reserve			15,489
39. Other reserves			–
40. TOTAL EQUITY			33,337
Note to system assets:			
41. Current replacement cost of system assets			45,538
42. Accumulated current cost depreciation of system assets			(23,134)
43. Written down current cost of system assets			22,404

Cabonne 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	338	397
b. Engineering and supervision	109	108
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	89	128
b. Maintenance expenses	51	78
– Pumping stations		
c. Operation expenses (excluding energy costs)	182	182
d. Energy costs	21	23
e. Maintenance expenses	44	56
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	279	354
g. Chemical costs	4	4
h. Energy costs	58	43
i. Effluent management	11	11
j. Biosolids management	–	–
k. Maintenance expenses	82	82
– Other		
l. Operation expenses	3	20
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	873	809
b. Plant and equipment	126	146
4. Miscellaneous expenses		
a. Interest expenses	132	–
b. Revaluation decrements	–	–
c. Other expenses	100	34
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	2,502	2,475

Cabonne 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)	1,624	1,526
7. Non-residential charges		
a. Access (including rates)	227	215
b. Usage charges	87	81
8. Trade waste charges		
a. Annual fees	10	14
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	65	64
11. Other income	59	2
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	29	25
c. Other grants	82	86
13. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	213	117
14. Total income	2,396	2,130
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	(106)	(345)
16a. Operating result (less grants for acquisition of assets)	(106)	(345)

Cabonne 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	–	–
b. New assets for growth	310	341
c. Renewals	–	–
d. Plant and equipment	–	35
18. Repayment of debt	204	–
19. Totals	514	376
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)	1,282	1,271
b. Residential (unoccupied, ie. vacant lot)	112	118
c. Non-residential (occupied)	178	181
d. Non-residential (unoccupied, ie. vacant lot)	15	17
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 47,021	\$ 46,223

Cabonne 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	2,552	—	2,552
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	22	38	60
c. User charges	699	113	812
d. Other	12	10	22
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	32,490	32,490
b. Plant and equipment	—	8,007	8,007
30. Other assets	—	—	—
31. Total assets	3,285	40,658	43,943
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	48	—	48
34. Borrowings	207	1,906	2,113
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	255	1,906	2,161
37. NET ASSETS COMMITTED	3,030	38,752	41,782
EQUITY			
38. Accumulated surplus			24,806
39. Asset revaluation reserve			16,976
40. Other reserves			—
41. TOTAL EQUITY			41,782
Note to system assets:			
42. Current replacement cost of system assets			45,456
43. Accumulated current cost depreciation of system assets			(12,966)
44. Written down current cost of system assets			32,490

Cabonne 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.

Cabonne 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	17,902	5,786	114	81	34,086	72,334	22%	11%	36%	30%	1%
	Sub-total	17,902	5,786	114	81	34,086	72,334	22.0%	11.0%	36.0%	30.0%	1.0%
Other structures	Other	1,827	58	–	–	6,052	11,423	14%	24%	60%	2%	0%
	Sub-total	1,827	58	–	–	6,052	11,423	14.0%	24.0%	60.0%	2.0%	0.0%
Roads	Sealed roads	4,329	393	1,832	1,885	126,131	157,449	32%	58%	9%	1%	0%
	Unsealed roads	6,892	2,060	1,630	1,496	11,928	28,421	5%	27%	43%	21%	4%
	Bridges	4,407	1,763	50	–	46,884	58,764	40%	42%	8%	8%	2%
	Footpaths	612	62	104	104	4,173	6,123	10%	44%	43%	2%	1%
	Bulk earthworks	–	–	–	–	148,408	148,408	100%	0%	0%	0%	0%
	Kerb & Gutter	1,789	235	13	61	6,903	11,734	7%	40%	46%	6%	1%
	Road Structure	179	46	–	–	1,017	1,559	44%	22%	24%	8%	2%
	Sub-total	18,208	4,559	3,629	3,546	345,444	412,458	54.8%	31.9%	9.6%	3.2%	0.6%

Cabonne 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
Water supply network	Water supply network	10,501	3,593	509	525	20,791	44,217	0%	0%	0%	0%	100%
	Sub-total	10,501	3,593	509	525	20,791	44,217	0.0%	0.0%	0.0%	0.0%	100.0%
Sewerage network	Sewerage network	6,591	2,045	842	745	32,490	45,456	0%	0%	0%	0%	100%
	Sub-total	6,591	2,045	842	745	32,490	45,456	0.0%	0.0%	0.0%	0.0%	100.0%
Stormwater drainage	Stormwater drainage	1,145	1,145	15	9	50,808	63,153	0%	0%	0%	0%	100%
	Sub-total	1,145	1,145	15	9	50,808	63,153	0.0%	0.0%	0.0%	0.0%	100.0%
Open space/recreational assets	Swimming pools	2,392	–	258	264	6,076	9,567	0%	0%	100%	0%	0%
	Open Spaces	828	–	–	–	1,630	3,314	0%	0%	100%	0%	0%
	Sub-total	3,220	–	258	264	7,706	12,881	0.0%	0.0%	100.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	59,394	17,186	5,367	5,170	497,377	661,922	36.8%	21.5%	12.9%	5.3%	23.6%

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

Cabonne 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⁾	9,514	117.05%	135.99%	191.21%	>= 100%
Depreciation, amortisation and impairment	8,128				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	59,394	11.82%	3.60%	2.76%	< 2.00%
Net carrying amount of infrastructure assets	502,519				
3. Asset maintenance ratio					
Actual asset maintenance	5,170	96.33%	117.81%	90.96%	> 100%
Required asset maintenance	5,367				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	17,186	2.60%	1.95%	0.00%	
Gross replacement cost	661,922				

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.

Cabonne 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⁾	139.52%	160.89%	0.00%	1.51%	0.00%	17.28%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	9.42%	4.31%	50.51%	0.41%	20.29%	0.20%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	97.11%	119.16%	103.14%	119.25%	88.48%	110.01%	> 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	2.02%	2.25%	8.13%	0.21%	4.50%	0.15%	
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.