

Federation Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

**Creating Opportunity, Celebrating
Community**



Federation Council

General Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	
– On the Conduct of the Audit (Sect 417 [3])	

Overview

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

100 Edward Street
COROWA NSW 2646

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

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

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

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

Federation 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.

Federation 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 16 October 2018.



Patrick Bourke
Mayor
16 October 2018



Shaun Whitechurch
Councillor
16 October 2018



Adrian Butler
General Manager
16 October 2018



Shane Norman
Responsible Accounting Officer
16 October 2018

Federation Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 13/5/16 to 30/6/17
Income from continuing operations				
Revenue:				
13,276	Rates and annual charges	3a	13,272	13,392
7,948	User charges and fees	3b	8,383	8,435
927	Interest and investment revenue	3c	1,176	1,437
492	Other revenues	3d	588	785
10,946	Grants and contributions provided for operating purposes	3e,f	11,768	19,130
1,475	Grants and contributions provided for capital purposes	3e,f	4,320	13,294
Other income:				
50	Net gains from the disposal of assets	5	327	40
35,114	Total income from continuing operations		39,834	56,513
Expenses from continuing operations				
11,317	Employee benefits and on-costs	4a	10,990	11,456
435	Borrowing costs	4b	209	401
10,158	Materials and contracts	4c	8,633	10,938
8,916	Depreciation and amortisation	4d	10,520	9,575
3,214	Other expenses	4e	3,481	3,538
–	Revaluation decrement / impairment of IPP&E	4d	3,453	2,273
34,040	Total expenses from continuing operations		37,286	38,181
1,074	Operating result from continuing operations		2,548	18,332
1,074	Net operating result for the year		2,548	18,332
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	475,250
1,074	Net result for the year		2,548	493,582
1,074	Net result attributable to Council		2,548	493,582
(401)	Net operating result for the year before grants and contributions provided for capital purposes		(1,772)	5,038

Federation Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	Actual 2018	Restated Actual 13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		2,548	493,582
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	54,138	1,260
Total items which will not be reclassified subsequently to the operating result		54,138	1,260
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		54,138	1,260
Total comprehensive income for the year		56,686	494,842
Total comprehensive income attributable to Council		56,686	494,842

Federation Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	Actual 2018	Restated Actual 2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,651	2,014
Investments	6b	40,203	41,552
Receivables	7	7,874	7,161
Inventories	8	1,357	1,473
Other	8	93	45
Total current assets		53,178	52,245
Non-current assets			
Receivables	7	60	60
Inventories	8	234	234
Infrastructure, property, plant and equipment	9	512,211	453,042
Intangible assets	10	317	358
Total non-current assets		512,822	453,694
TOTAL ASSETS		566,000	505,939
LIABILITIES			
Current liabilities			
Payables	11	6,233	3,143
Income received in advance	11	596	409
Borrowings	11	102	95
Provisions	12	2,869	2,763
Total current liabilities		9,800	6,410
Non-current liabilities			
Borrowings	11	3,867	3,969
Provisions	12	805	718
Total non-current liabilities		4,672	4,687
TOTAL LIABILITIES		14,472	11,097
Net assets		551,528	494,842
EQUITY			
Accumulated surplus	13	496,130	493,582
Revaluation reserves	13	55,398	1,260
Total equity		551,528	494,842

Federation Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018		Total equity	13/5/16 to 30/6/17		Restated Actual Total equity
		Accumulated surplus	IPP&E revaluation reserve		Restated accumulated surplus	IPP&E revaluation reserve	
Opening balance		493,582	1,260	494,842	–	–	–
Restated opening balance		493,582	1,260	494,842	–	–	–
Net result for the year prior to correction of errors and changes in accounting policies		2,548	–	2,548	491,160	–	491,160
Correction of prior period errors	13 (b)	–	–	–	2,422	–	2,422
Restated net result for the year		2,548	–	2,548	493,582	–	493,582
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	54,138	54,138	–	1,260	1,260
Other comprehensive income		–	54,138	54,138	–	1,260	1,260
Total comprehensive income (c&d)		2,548	54,138	56,686	493,582	1,260	494,842
Equity – balance at end of the reporting period		496,130	55,398	551,528	493,582	1,260	494,842

Federation Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
13,276	Rates and annual charges		12,785	13,877
7,948	User charges and fees		8,706	7,708
927	Investment and interest revenue received		1,153	1,255
12,421	Grants and contributions		17,079	32,467
–	Bonds, deposits and retention amounts received		46	12
492	Other		458	904
Payments:				
(11,317)	Employee benefits and on-costs		(10,963)	(11,212)
(10,358)	Materials and contracts		(5,659)	(12,280)
(435)	Borrowing costs		(209)	(518)
(3,014)	Other		(4,496)	(3,866)
9,940	Net cash provided (or used in) operating activities	14b	18,900	28,347
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		22,595	5,485
50	Sale of real estate assets		430	97
–	Sale of infrastructure, property, plant and equipment		436	328
–	Deferred debtors receipts		10	18
Payments:				
–	Purchase of investment securities		(21,246)	(38,755)
(24,191)	Purchase of infrastructure, property, plant and equipment		(19,393)	(15,987)
(24,141)	Net cash provided (or used in) investing activities		(17,168)	(48,814)
Cash flows from financing activities				
Receipts:				
1,600	Proceeds from borrowings and advances		–	–
Payments:				
(336)	Repayment of borrowings and advances		(95)	(131)
1,264	Net cash flow provided (used in) financing activities		(95)	(131)
(12,937)	Net increase/(decrease) in cash and cash equivalents		1,637	(20,598)
35,796	Plus: cash and cash equivalents – beginning of year	14a	2,014	–
–	Plus: cash transferred on amalgamation of councils		–	22,612
22,859	Cash and cash equivalents – end of the year	14a	3,651	2,014
Additional Information:				
	plus: Investments on hand – end of year	6b	40,203	41,552
	Total cash, cash equivalents and investments		43,854	43,566

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	17
4	Expenses from continuing operations	23
5	Gains or losses from the disposal of assets	28
6(a)	Cash and cash equivalent assets	28
6(b)	Investments	29
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	32
8	Inventories and other assets	33
9(a)	Infrastructure, property, plant and equipment	35
9(b)	Externally restricted infrastructure, property, plant and equipment	37
9(c)	Infrastructure, property, plant and equipment – current year impairments	38
10	Intangible assets	38
11	Payables and borrowings	39
12	Provisions	42
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	45
14	Statement of cash flows – additional information	48
15	Commitments for expenditure	49
16	Contingencies and other liabilities/assets not recognised	50
17	Financial risk management	55
18	Material budget variations	58
19	Fair value measurement	60
20	Related party transactions	71
21	Statement of developer contributions	72
22	Financial result and financial position by fund	74
23(a)	Statement of performance measures – consolidated results	76
23(b)	Statement of performance measures – by fund	77
	Additional council disclosures (unaudited)	
23(c)	Statement of performance measures – consolidated results (graphs)	79
24	Council information and contact details	81

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 16/10/2018.

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

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

Basis of preparation

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

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

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

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 11 (b).

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

Instead it is expected that for Not-for-profit entities holding non-cash-generating assets, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Plus for Merger Councils:

AASB 124 Related Party Disclosures was adopted for the first time in the financial statements.

The impact of adopting this standard has had no impact on the reporting of Council's financial position or performance.

Note 20 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated asset remediation/restoration 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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water supply
- Sewerage service
- Howlong Town Improvement
- Domestic Waste Fund
- Section 355 Committees

(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.

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

Goods and Services Tax (GST)

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

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

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

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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Fuctions/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	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Built Federation	25,965	20,147	29,171	32,057	(3,206)	(11,910)	6,555	4,948	508,600	449,949
Economic Federation	521	155	742	448	(221)	(293)	218	35	3,429	3,826
Natural Federation	117	85	359	447	(242)	(362)	72	68	5	–
Social Federation	344	385	1,102	766	(758)	(381)	282	354	–	–
Well-Governed Federation	12,527	20,321	3,726	3,060	8,801	17,261	6,817	9,676	53,962	49,742
Amalgamation	360	15,420	2,186	1,403	(1,826)	14,017	–	15,000	–	–
Total functions and activities	39,834	56,513	37,286	38,181	2,548	18,332	13,944	30,081	566,000	505,939

Federation 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:

Built Federation

Council aim to maintain and improve infrastructure that meets the needs of residents and industry by providing the following services:

- Asset inspection - road, stormwater, sewer
- Road management - construction, maintenance & renewal
- Storm water - construction, maintenance & renewal
- Water & Sewerage Reticulation - construction, maintenance & renewal
- Development assessment
- Building control and planning
- Environmental health
- Building inspections
- Strategic land use planning
- Development Contributions Planning
- Swimming pool management
- Traffic & parking services
- Fleet Management and Maintenance
- Economic Development
- Waste Management

Economic Federation

Growing, progressive and prosperous communities that build on sustainable manufacturing, agriculture and tourism, close proximity to other centres, on both sides of the Murray River and affordability by providing the following services:

- Visitor Information Centre
- Marketing and promotion
- Events and events sponsorship
- Business support
- Product development and grant applications
- Training facilitation and promotion
- Saleyard management and maintenance
- Economic Services

Natural Federation

Sustainable rural landscapes and waterways offering tranquillity and attractive recreational spaces by providing the following services:

- Animal compliance
- Local laws
- Street cleaning
- Waste collection
- Weed management
- Pest control
- Roadside vegetation management
- Community facilities management
- Tree management
- Caravan park management
- Park reserve management
- Emergency management

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Social Federation

Close-knit and welcoming communities where people come together and support each other by providing the following services:

- Library services
- Community/ civic events
- Art space
- Community facilities
- Cultural services
- Community support
- Youth services
- Disability services
- Volunteer services
- Ageing well services
- Community Grants
- Road Safety

Well-Governed Federation

Strong civic leadership and governance supporting equity across communities and effective communication with residents by providing the following services:

- Financial management
- IT support hardware software, systems
- Records management
- GIS
- Lease management
- Customer service
- Policy development
- Internal & external audits
- Risk and compliance
- Workforce management
- Performance reporting
- Council & committee support
- GIPA (Access to Information)
- Asset management

Amalgamation

Federation Council was proclaimed on 12 May 2016, following the amalgamation of the former Corowa Shire and Urana Shire Council's. With the union, the new Council received funding for the community and itself to help with the integration.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	Restated 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	3,475	3,379
Farmland	3,385	3,104
Business	561	502
Less: pensioner rebates (mandatory)	(248)	(275)
Total ordinary rates	7,173	6,710
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,702	1,697
Water supply services	694	771
Sewerage services	3,735	4,196
Waste levy	354	337
Less: pensioner rebates (mandatory)	(386)	(319)
Total annual charges	6,099	6,682
TOTAL RATES AND ANNUAL CHARGES	13,272	13,392

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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	Restated 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	–	62
Water supply services	3,339	3,849
Sewerage services	618	775
Waste management services (non-domestic)	184	245
Non portable water	32	–
Other	53	45
Total specific user charges	4,226	4,976
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	165	185
Planning and building regulation	253	252
Private works – section 67	100	87
Regulatory/ statutory fees	12	11
Registration fees	22	19
Section 149 certificates (EPA Act)	42	38
Section 603 certificates	42	35
Tapping fees	49	49
Sewer/drainage diagrams fee	18	17
Water meter readings fee	2	21
Other	–	1
Total fees and charges – statutory/regulatory	705	715
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	47	63
Caravan park	108	134
Cemeteries	141	173
Child care	3	1
Community centres	46	36
Fire and emergency services levy (FESL) implementation	–	97
Leaseback fees – Council vehicles	78	57
Quarry revenues	199	–
RMS (formerly RTA) charges (state roads not controlled by Council)	1,492	874
Saleyards	940	1,032
Swimming centres	25	27
Tourism	59	35
Waste disposal tipping fees	145	137
Rent and hire of non-investment property	159	62
Other	10	16
Total fees and charges – other	3,452	2,744
TOTAL USER CHARGES AND FEES	8,383	8,435

Accounting policy for user charges and fees

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	115	109
– Cash and investments	1,042	1,292
– Other	19	36
TOTAL INTEREST AND INVESTMENT REVENUE	1,176	1,437

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	44	45
General Council cash and investments	647	905

Restricted investments/funds – external:

Water fund operations	291	284
Sewerage fund operations	194	203

Total interest and investment revenue recognised	1,176	1,437
---	--------------	--------------

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	154	219
Legal fees recovery – rates and charges (extra charges)	3	15
Commissions and agency fees	150	198
Diesel rebate	90	108
Insurance claim recoveries	52	132
Sales – general	32	31
Workers compensation incentive rebate	53	7
Other	54	75
TOTAL OTHER REVENUE	588	785

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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,207	4,179	–	–
Financial assistance – local roads component	1,083	2,066	–	–
Payment in advance – future year allocation				
Financial assistance – general component	2,269	2,158	–	–
Financial assistance – local roads component	1,109	1,063	–	–
Other				
Pensioners' rates subsidies – general component	147	169	–	–
Total general purpose	6,815	9,635	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	65	35	–	–
– Sewerage	68	10	–	–
– Domestic waste management	76	72	–	–
Water supplies	–	–	–	212
Bushfire and emergency services	196	238	24	126
Economic development	21	35	197	–
Employment and training programs	2	42	–	–
Flood restoration	–	500	1,814	–
Heritage and cultural	14	14	–	–
Library	72	64	–	–
Noxious weeds	72	68	–	–
Recreation and culture	–	1	13	302
Street lighting	45	53	–	–
Transport (roads to recovery)	2,460	1,235	–	–
Transport (other roads and bridges funding)	–	–	1,429	2,113
Preschools	173	176	–	–
New council implementation fund	–	5,000	–	–
Stronger Communities fund	–	–	–	10,000
Stronger Country Communities fund	–	–	352	–
Aerodrome	–	20	–	–
Other	36	94	–	36
Total specific purpose	3,300	7,657	3,829	12,789
Total grants	10,115	17,292	3,829	12,789
Grant revenue is attributable to:				
– Commonwealth funding	9,128	9,466	1,429	2,113
– State funding	987	7,826	2,400	10,676
	10,115	17,292	3,829	12,789

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 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		–	–	115	29
S 64 – water supply contributions		–	–	54	14
S 64 – sewerage service contributions		–	–	113	25
Total developer contributions – cash		–	–	282	68
Total developer contributions	21	–	–	282	68
Other contributions:					
Cash contributions					
Community services		15	2	–	–
Kerb and gutter		–	–	118	43
Other councils – joint works/services		–	104	–	–
Recreation and culture		8	11	91	129
RMS contributions (regional roads, block grant)		1,630	1,721	–	265
Total other contributions – cash		1,653	1,838	209	437
Total other contributions		1,653	1,838	209	437
Total contributions		1,653	1,838	491	505
TOTAL GRANTS AND CONTRIBUTIONS		11,768	19,130	4,320	13,294

Accounting policy for contributions

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

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

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(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	3,321	–
Add: operating grants received for the provision of goods and services in a future period	3,378	3,321
Less: operating grants recognised in a previous reporting period now spent	(3,321)	–
Unexpended and held as restricted assets (operating grants)	<u>3,378</u>	<u>3,321</u>
Capital grants		
Unexpended at the close of the previous reporting period	13,679	833
Add: capital grants recognised in the current period but not yet spent	531	13,586
Less: capital grants recognised in a previous reporting period now spent	(1,943)	(740)
Unexpended and held as restricted assets (capital grants)	<u>12,267</u>	<u>13,679</u>
Contributions		
Unexpended at the close of the previous reporting period	1,156	1,082
Add: contributions recognised in the current period but not yet spent	288	74
Unexpended and held as restricted assets (contributions)	<u>1,444</u>	<u>1,156</u>

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	8,810	9,415
Travel expenses	60	45
Employee leave entitlements (ELE)	2,080	1,755
Superannuation – defined contribution plans	836	912
Superannuation – defined benefit plans	261	304
Workers' compensation insurance	396	293
Fringe benefit tax (FBT)	67	9
Training costs (other than salaries and wages)	144	106
Other	75	64
Total employee costs	12,729	12,903
Less: capitalised costs	(1,739)	(1,447)
TOTAL EMPLOYEE COSTS EXPENSED	10,990	11,456
Number of 'full-time equivalent' employees (FTE) at year end	147	136

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs	2018	13/5/16 to 30/6/17
(i) Interest bearing liability costs		
Interest on loans	209	396
Total interest bearing liability costs expensed	209	396
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Other liabilities	–	5
Total other borrowing costs	–	5
TOTAL BORROWING COSTS EXPENSED	209	401

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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	22,584	22,197
Contractor and consultancy costs	188	117
Auditors remuneration ⁽²⁾	69	64
Infringement notice contract costs (SEINS)	–	24
Legal expenses:		
– Legal expenses: planning and development	7	29
– Legal expenses: debt recovery	2	15
– Legal expenses: other	108	34
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	–	14
Total materials and contracts	22,958	22,494
Less: capitalised costs	(14,325)	(11,556)
TOTAL MATERIALS AND CONTRACTS	8,633	10,938

Operating leases

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

1. Operating lease payments are attributable to:

Other	–	14
	–	14

2. Auditor remuneration

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

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

Audit and review of financial statements	66	63
Remuneration for audit and other assurance services	66	63
Total Auditor-General remuneration	66	63

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

Audit of regulatory returns	3	1
Remuneration for audit and other assurance services	3	1
Total remuneration of non NSW Auditor-General audit firms	3	1
Total Auditor remuneration	69	64

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment	9	860	897
Office equipment	9	159	79
Furniture and fittings	9	25	26
Land improvements (depreciable)	9	116	99
Infrastructure:			
– Buildings – non-specialised	9	142	790
– Buildings – specialised	9	2,116	1,197
– Other structures	9	28	124
– Roads	9	3,504	3,432
– Bridges	9	208	137
– Footpaths	9	353	114
– Stormwater drainage	9	590	331
– Water supply network	9	1,074	1,089
– Sewerage network	9	1,123	1,026
– Swimming pools	9	122	149
– Other open space/recreational assets	9	52	59
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 12	–	3
– Quarry assets	10 & 14	7	–
– Other remediation assets	10 & 14	–	–
Intangible assets	10	41	23
Total depreciation and amortisation costs		10,520	9,575

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment (continued)			
Impairment / revaluation decrement of IPP&E			
Land improvements (depreciable)	9	341	–
Infrastructure		–	3
Infrastructure:			
– Other structures	9	431	–
– Roads		–	2,270
– Stormwater drainage	9	2,681	–
Total IPP&E impairment / revaluation decrement costs / (reversals)		3,453	2,273
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>13,973</u>	<u>11,848</u>

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

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	125	112
Bad and doubtful debts	–	4
Bank charges	78	86
Computer software charges	151	342
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	341	335
Councillor expenses – mayoral fee	25	–
Councillor expenses – councillors' fees	116	–
Councillors' expenses (incl. mayor) – other (excluding fees above)	3	–
Donations, contributions and assistance to other organisations (Section 356)	33	44
Election expenses	78	–
Electricity and heating	755	740
Fire control expenses	260	191
Insurance	446	452
Office expenses (including computer expenses)	79	220
Postage	54	59
Printing and stationery	93	80
Street lighting	274	240
Subscriptions and publications	111	57
Telephone and communications	109	146
Tourism expenses (excluding employee costs)	103	60
Valuation fees	56	43
Stronger communities donations	–	209
Fair value decrements – restoration	147	–
Other	50	118
Total other expenses	3,487	3,538
Less: capitalised costs	(6)	–
TOTAL OTHER EXPENSES	3,481	3,538

Accounting policy for other expenses

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

Federation 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	13/5/16 to 30/6/17
Property (excl. investment property)	9		
Proceeds from disposal – property		–	82
Less: carrying amount of property assets sold/written off		–	(162)
Net gain/(loss) on disposal		–	(80)
Plant and equipment	9		
Proceeds from disposal – plant and equipment		436	246
Less: carrying amount of plant and equipment assets sold/written off		(430)	(222)
Net gain/(loss) on disposal		6	24
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		430	97
Less: carrying amount of real estate assets sold/written off		(109)	(1)
Net gain/(loss) on disposal		321	96
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		22,595	5,485
Less: carrying amount of financial assets sold/redeemed/matured		(22,595)	(5,485)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		327	40

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	72	182
Cash-equivalent assets		
– Deposits at call	2,349	1,306
– Short-term deposits	1,230	526
Total cash and cash equivalents	3,651	2,014

Accounting policy for cash and cash equivalents

For Statement of Cash Flows 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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'Held to maturity'	40,203	–	41,552	–
Total investments	40,203	–	41,552	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	43,854	–	43,566	–
Held to maturity investments				
Long term deposits	40,203	–	41,552	–
Total	40,203	–	41,552	–

Accounting policy for investments**Classification**

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

Held to maturity investments

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

Recognition and de-recognition

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

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

Federation 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 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	43,854	–	43,566	–
attributable to:				
External restrictions (refer below)	31,287	–	31,309	–
Internal restrictions (refer below)	11,368	–	11,108	–
Unrestricted	1,199	–	1,149	–
	43,854	–	43,566	–

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

Details of restrictions

External restrictions – other

Developer contributions – general	579	464
Developer contributions – water fund	264	210
Developer contributions – sewer fund	339	226
Specific purpose unexpended grants	15,645	17,001
Water supplies	8,498	7,528
Sewerage services	5,569	5,483
Domestic waste management	132	142
Yuluma-Cullivel Bus Committee	261	255
External restrictions – other	31,287	31,309
Total external restrictions	31,287	31,309

Federation 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	784	2,284
Employees leave entitlement	1,915	1,915
Carry over works	2,385	776
Buildings / office equipment	601	601
Rand hall committee – toilet block	30	30
Gravel pits restoration	1,000	852
Waste depot restoration	600	575
Urana aquatic centre – upgrade	172	202
Cemetery	35	31
Corowa swimming pool	1,934	1,934
Saleyard	200	–
Economic development	75	94
Insurance	300	300
Howlong town improvement	306	306
Bangerang Park - Rivalea	25	–
Urana walkways – drs network	1	1
Medical services upgrade urana	28	28
ICT/UPS installation reserve	100	98
Bridge infrastructure reserve	100	100
Preschool building asbestos removal	30	30
Billabidgee aged care units	104	118
Victoria park – balance budget	8	8
Road infrastructure reserve	500	627
Combined town and recreation s355	100	107
Youth – cnl reserve (min. 434/13)	–	7
Weir repairs reserve	28	28
Preschool mobile van replacement	–	49
Windmill restoration	7	7
Total internal restrictions	11,368	11,108
TOTAL RESTRICTIONS	42,655	42,417

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		Restated 2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,215	–	728	–
Interest and extra charges	224	–	145	–
User charges and fees	670	–	827	–
Private works	42	–	21	–
Contributions to works	52	–	59	–
Accrued revenues				
– Interest on investments	228	–	284	–
– Rates and annual charges	2,552	–	2,422	–
Amounts due from other councils	20	–	130	–
Deferred debtors	33	–	43	–
Government grants and subsidies	666	–	1,657	–
Loans to non-profit organisations	–	60	–	60
Net GST receivable	654	–	432	–
RMS works	1,263	–	111	–
Sundry works	103	–	142	–
Saleyard fees	88	–	94	–
Certificates	18	–	15	–
Other debtors	111	–	116	–
Total	7,939	60	7,226	60
Less: provision for impairment				
Rates and annual charges	(61)	–	(61)	–
User charges and fees	(4)	–	(4)	–
Total provision for impairment – receivables	(65)	–	(65)	–
TOTAL NET RECEIVABLES	7,874	60	7,161	60
Externally restricted receivables				
Water supply				
– Rates and availability charges	304	–	19	–
– Other	1,645	–	441	–
Sewerage services				
– Rates and availability charges	1,888	–	309	–
– Other	220	–	354	–
Total external restrictions	4,057	–	1,123	–
Unrestricted receivables	3,817	60	6,038	60
TOTAL NET RECEIVABLES	7,874	60	7,161	60
Movement in provision for impairment of receivables			2018	13/5/16 to 30/6/17
Balance at the beginning of the year			65	65
Balance at the end of the year			65	65

Federation 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. 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 uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

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)	795	234	904	234
Stores and materials	562	–	569	–
Total inventories at cost	1,357	234	1,473	234
TOTAL INVENTORIES	1,357	234	1,473	234
(b) Other assets				
Prepayments	93	–	45	–
TOTAL OTHER ASSETS	93	–	45	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Industrial/commercial		795	234	904	234
Total real estate for resale		795	234	904	234
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		–	234	–	234
Development costs		795	–	904	–
Total costs		795	234	904	234
Total real estate for resale		795	234	904	234
Movements:					
Real estate assets at beginning of the year		904	234	904	234
– WDV of sales (expense)	5	(109)	–	–	–
Total real estate for resale		795	234	904	234

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.

Real Estate held for resale/capitalisation of borrowing costs

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

Federation Council

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

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

Asset class	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	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	2,396	–	2,396	3,364	319	–	–	–	–	(1,214)	–	4,865	–	4,865
Plant and equipment	14,013	7,412	6,601	3,371	–	–	(430)	(860)	–	–	170	16,124	7,272	8,852
Office equipment	894	636	258	203	22	–	–	(159)	–	289	418	1,610	579	1,031
Furniture and fittings	363	205	158	–	–	–	–	(25)	–	–	48	449	268	181
Plant and equipment (under finance lease)	30	30	–	–	–	–	–	–	–	–	–	30	30	–
Land:														
– Operational land	9,764	–	9,764	4	–	–	–	–	–	–	1,320	11,088	–	11,088
– Community land	5,407	–	5,407	–	–	–	–	–	–	–	5,976	11,383	–	11,383
– Land under roads (post 30/6/08)	100	–	100	–	–	–	–	–	–	–	–	100	–	100
Land improvements – depreciable	3,659	1,082	2,577	72	75	–	–	(116)	(341)	21	–	4,130	1,842	2,288
Infrastructure:														
– Buildings – non-specialised	26,679	14,256	12,423	182	–	–	–	(142)	–	34	4,812	22,524	5,215	17,309
– Buildings – specialised	45,227	27,662	17,565	–	39	–	–	(2,116)	–	–	19,848	67,830	32,494	35,336
– Other structures	3,693	2,527	1,166	–	–	–	–	(28)	(431)	–	–	1,526	818	708
– Roads	213,498	41,045	172,453	7,823	–	1,919	–	(3,504)	–	630	1,352	226,435	45,762	180,673
– Bridges	20,180	5,805	14,375	–	–	–	–	(208)	–	–	1,747	23,980	8,066	15,914
– Footpaths	7,562	1,033	6,529	60	–	–	–	(353)	–	–	3,664	12,898	2,998	9,900
– Bulk earthworks (non-depreciable)	68,960	–	68,960	–	–	–	–	–	–	–	1,449	70,409	–	70,409
– Stormwater drainage	52,857	5,336	47,521	57	–	–	–	(590)	(2,681)	–	–	54,078	9,771	44,307
– Water supply network	62,870	22,694	40,176	414	–	–	–	(1,074)	–	71	1,911	66,117	24,619	41,498
– Sewerage network	60,050	18,021	42,029	1,089	–	–	–	(1,123)	–	164	10,135	77,870	25,576	52,294
– Swimming pools	6,365	4,517	1,848	–	–	–	–	(122)	–	–	1,197	5,492	2,569	2,923
– Other open space/recreational assets	1,010	398	612	379	–	–	–	(52)	–	5	91	1,433	398	1,035
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Quarry assets	343	219	124	–	–	–	–	(7)	–	–	–	343	226	117
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	605,920	152,878	453,042	17,018	455	1,919	(430)	(10,479)	(3,453)	–	54,138	680,714	168,503	512,211

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	4 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	15 to 25
Computer equipment	3 to 10		
Vehicles	5 to 15	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	50 to 80
Other plant and equipment	5 to 90	Buildings: other	10 to 60
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100 to 150	Drains	80 to 100
Bores	20 to 30	Culverts	80 to 100
Reticulation pipes: PVC	70	Flood control structures	70 to 90
Reticulation pipes: other	45 to 90		
Pumps and telemetry	5 to 25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 25	Bulk earthworks	Indefinite
Sealed roads: structure		Swimming pools	20 to 100
Unsealed roads	10 to 20	Other open space/recreational assets	10 to 100
Bridge: concrete	100		
Bridge: other			
Road pavements	40 to 80		
Kerb and gutter	40 to 80		
Footpaths	15 to 50		

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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment (continued)**Land under roads**

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Council will not recognise rural fire service assets except for land and buildings.

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

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	807	–	807	338	–	338
Plant and equipment	44	–	44	–	–	–
Office equipment	6	3	3	23	11	12
Land						
– Operational land	1,971	–	1,971	1,684	–	1,684
Buildings	1,182	422	760	–	–	–
Infrastructure	66,117	24,619	41,498	62,870	22,694	40,176
Total water supply	70,127	25,044	45,083	64,915	22,705	42,210
Sewerage services						
WIP	259	–	259	164	–	164
Plant and equipment	61	35	26	27	23	4
Office equipment	2	1	1	9	8	1
Land						
– Operational land	1,081	–	1,081	1,810	–	1,810
Buildings	914	214	700	–	–	–
Infrastructure	77,870	25,542	52,328	60,049	18,021	42,028
Total sewerage services	80,187	25,792	54,395	62,059	18,052	44,007
TOTAL RESTRICTED IPP&E	150,314	50,836	99,478	126,974	40,757	86,217

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
Impairment losses recognised in the Income Statement:			
– For Flood Damage on Roads in October 2016		–	(2,270)
Total impairment losses		–	(2,270)
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	–	(2,270)

Note 10. Intangible assets

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

Intangible assets are as follows:

Opening values:

Gross book value (1/7)	408	408
Accumulated amortisation (1/7)	(50)	(27)
Net book value – opening balance	358	381

Movements for the year

– Amortisation charges	(41)	(23)
------------------------	------	------

Closing values:

Gross book value (30/6)	408	408
Accumulated amortisation (30/6)	(91)	(50)

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	317	358
--	------------	------------

¹ The net book value of intangible assets represent:

– Software	317	358
	317	358

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.

Federation 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	5,266	–	2,299	–
Accrued expenses:				
– Salaries and wages	391	–	317	–
Security bonds, deposits and retentions	573	–	527	–
Other	3	–	–	–
Total payables	6,233	–	3,143	–
Income received in advance				
Payments received in advance	596	–	409	–
Total income received in advance	596	–	409	–
Borrowings				
Loans – secured ¹	102	3,867	95	3,969
Total borrowings	102	3,867	95	3,969
TOTAL PAYABLES AND BORROWINGS	6,931	3,867	3,647	3,969

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	288	–	–	–
Sewer	62	2,500	58	2,562
Payables and borrowings relating to externally restricted assets	350	2,500	58	2,562
Total payables and borrowings relating to restricted assets	350	2,500	58	2,562
Total payables and borrowings relating to unrestricted assets	6,581	1,367	3,589	1,407
TOTAL PAYABLES AND BORROWINGS	6,931	3,867	3,647	3,969

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

Federation 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	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	4,064	(95)	–	–	–	3,969
TOTAL	4,064	(95)	–	–	–	3,969

\$ '000		2018	2017
(c) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		380	380
Credit cards/purchase cards		35	35
Total financing arrangements		415	415
Drawn facilities as at balance date:			
– Credit cards/purchase cards		16	13
Total drawn financing arrangements		16	13
Undrawn facilities as at balance date:			
– Bank overdraft facilities		380	380
– Credit cards/purchase cards		19	22
Total undrawn financing arrangements		399	402

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Federation 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	1,013	–	1,044	–
Long service leave	1,215	89	1,231	90
Other leave	2	–	1	–
Sub-total – aggregate employee benefits	2,230	89	2,276	90
Asset remediation/restoration:				
Asset remediation/restoration (future works)	431	709	368	625
Sub-total – asset remediation/restoration	431	709	368	625
Other provisions:				
Superannuation	137	4	119	3
Workers Compensation	71	3	–	–
Sub-total – other provisions	208	7	119	3
<u>TOTAL PROVISIONS</u>	<u>2,869</u>	<u>805</u>	<u>2,763</u>	<u>718</u>

(a) Provisions relating to restricted assets

Restricted cash of \$1,915,000 was set aside for Employees leave entitlement

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(b) Description of and movements in provisions (cont'd)

	Other provisions	
	Asset remediation	Total
2018		
At beginning of year	993	993
Total other provisions at end of year	1,140	1,140
2017		
At beginning of year	992	992
Changes to provision:		
Additional provisions	3	3
Remeasurement effects	(3)	(3)
Total other provisions at end of year	992	992

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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

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

Restoration

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

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

Federation 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

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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

 \$ '000

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

Income from water and sewer were understated because billing for period 1 April to 30 June 2017 was recognised in 2017/18 financial year.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
Receivables	4,739	2,422	7,161
Total assets	503,517	2,422	505,939
Total liabilities	11,097	–	11,097
Accumulated surplus	491,160	2,422	493,582
Total equity	492,420	2,422	494,842

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000

(b) Correction of errors relating to a previous reporting period (continued)

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Income Statement			
Rates and annual charges	11,983	1,409	13,392
User charges and fees	7,422	1,013	8,435
Total income from continuing operations	54,091	2,422	56,513
Total expenses from continuing operations	38,181	–	38,181
Operating result from continuing operations	15,910	2,422	18,332
Assets and liabilities transferred from former councils	475,250		475,250
Net result for the year	491,160	2,422	493,582

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000

(b) Correction of errors relating to a previous reporting period (continued)

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Comprehensive Income			
Net result for the year	491,160	2,422	493,582
Other comprehensive income	1,260	–	1,260
Total comprehensive income for the year	492,420	2,422	494,842

Federation 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	3,651	2,014
Balance as per the Statement of Cash Flows		3,651	2,014
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,548	18,332
Adjust for non-cash items:			
Depreciation and amortisation		10,520	9,575
Net losses/(gains) on disposal of assets		(327)	(40)
Non-cash capital grants and contributions		–	(50)
Impairment losses recognition – IPP&E		–	2,270
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		3,453	3
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(723)	324
Decrease/(increase) in inventories		7	(267)
Decrease/(increase) in other assets		(48)	(13)
Increase/(decrease) in payables		2,967	(1,390)
Increase/(decrease) in accrued interest payable		–	(117)
Increase/(decrease) in other accrued expenses payable		74	246
Increase/(decrease) in other liabilities		236	(524)
Increase/(decrease) in employee leave entitlements		(47)	(3)
Increase/(decrease) in other provisions		240	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		18,900	28,346
(c) Non-cash investing and financing activities			
Other dedications		–	50
Total non-cash investing and financing activities		–	50

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Infrastructure, property, plant and equipment		
Buildings	75	15
Plant and equipment	–	73
Roads	106	52
Sewer	20	113
Structures	–	13
Caravan Park	546	–
Water	31	–
Tip	12	–
Other	32	–
Total commitments	822	266
These expenditures are payable as follows:		
Within the next year	822	266
Total payable	822	266
Sources for funding of capital commitments:		
Unrestricted general funds	203	80
Future grants and contributions	9	–
Externally restricted reserves	52	113
Internally restricted reserves	558	73
Total sources of funding	822	266

Details of capital commitments

Majority of the capital commitment consists of the purchase of 20 cabins from the previous operator of Ball Park Caravan Park.

(b) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	10	13
Later than one year and not later than 5 years	–	10
Total non-cancellable operating lease commitments	10	23

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

Photocopier machines

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

Conditions relating to operating leases:

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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 its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future 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.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

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

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

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

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

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

The amount of 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 \$257,270.12.

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 \$ 233,185.72.

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

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

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

Council's additional lump sum contribution is around 0.28% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iv) Wind-up Yuluma-Cullivel Bus Committee

The previous Urana Council resolved to place funds and interest earned into a Trust for use in association with Urana Township, in particular the Urana Aquatic Centre area. As at 30 June 2018 the amount of interest & contribution was \$261,000 and appears as an external restriction within Note 6 (c).

(v) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	435	435	(435)	(435)
13/5/16 to 30/6/17				
Possible impact of a 1% movement in interest rates	385	385	(385)	(385)

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	63%	67%	40%	85%
Overdue	37%	33%	60%	15%
	100%	100%	100%	100%
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			766	293
< 1 year overdue			214	144
1 – 2 years overdue			64	54
2 – 5 years overdue			36	60
> 5 years overdue			135	177
			1,215	728
Other receivables				
Current			5,385	5,939
0 – 30 days overdue			155	363
31 – 60 days overdue			632	52
61 – 90 days overdue			37	42
> 91 days overdue			575	162
			6,784	6,558

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	573	5,660	-	-	6,233	6,233
Loans and advances	7.03%	-	102	627	3,240	3,969	3,969
Total financial liabilities		573	5,762	627	3,240	10,202	10,202
2017							
Trade/other payables	0.00%	527	2,616	-	-	3,143	3,143
Loans and advances	7.03%	-	95	452	3,517	4,064	4,064
Total financial liabilities		527	2,711	452	3,517	7,207	7,207

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 29 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	13,276	13,272	(4)	(0%)	U
User charges and fees	7,948	8,383	435	5%	F
Interest and investment revenue	927	1,176	249	27%	F
Significant gain from unspent amalgamation funds that were invested.					
Other revenues	492	588	96	20%	F
Insurance claim recovered was not budgeted for.					
Operating grants and contributions	10,946	11,768	822	8%	F
Capital grants and contributions	1,475	4,320	2,845	193%	F
Unbudgeted State government capital grant including flood restoration and Stronger Country Communities					
Net gains from disposal of assets	50	327	277	554%	F
Sale of 5 lots of industrial land					

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	11,317	10,990	327	3%	F
Borrowing costs	435	209	226	52%	F
Budgeted loan for industrial land subdivision and swimming pool were not taken up					
Materials and contracts	10,158	8,633	1,525	15%	F
Increase in capital projects have resulted to the increase of cost being capitalised					
Depreciation and amortisation	8,916	10,520	(1,604)	(18%)	U
Change in methodology to standardise depreciation approach as an amalgamated entity					
Other expenses	3,214	3,481	(267)	(8%)	U

Budget variations relating to Council's Statement of Cash Flows include:

Cash flows from operating activities	9,940	18,900	8,960	90.1%	F
Unbudgeted State government capital grant including flood restoration and Stronger Country Communities Increase in capital projects have resulted to the increase of cost being capitalised					
Cash flows from investing activities	(24,141)	(17,168)	6,973	(28.9%)	F
Delay in capital works, namely subdivision of industrial land and construction of swimming pool					
Cash flows from financing activities	1,264	(95)	(1,359)	(107.5%)	U
Budgeted loan for industrial land subdivision and swimming pool were not taken up					

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	8,852	–	8,852
Office equipment	30/06/18	–	–	1,031	1,031
Furniture and fittings	30/06/18	–	–	181	181
Land - operational land	30/06/18	–	11,088	–	11,088
Land - community land	30/06/18	–	–	11,383	11,383
Land - land under roads (post 30/6/08)	30/06/13	–	–	100	100
Land improvements – depreciable	30/06/18	–	–	2,288	2,288
Buildings - non-specialised	30/06/18	–	17,309	–	17,309
Buildings - specialised	30/06/18	–	–	35,336	35,336
Other structures	30/06/18	–	–	708	708
Roads	30/06/18	–	–	180,673	180,673
Bridges	30/06/18	–	–	15,914	15,914
Footpaths	30/06/18	–	–	9,900	9,900
Bulk earthworks (non-depreciable)	30/06/18	–	–	70,409	70,409
Stormwater drainange	30/06/18	–	–	44,307	44,307
Water supply network	30/06/18	–	–	41,498	41,498
Sewerage network	30/06/18	–	–	52,294	52,294
Swimming pools	30/06/18	–	–	2,923	2,923
Other open space/recreational assets	30/06/18	–	–	1,035	1,035
Quarry assets	12/05/11	–	–	117	117
Total infrastructure, property, plant and equipment		–	37,249	470,097	507,346

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	6,601	–	6,601
Office equipment	30/06/13	–	–	258	258
Furniture and fittings	30/06/13	–	–	158	158
Land - operational land	30/06/13	–	9,764	–	9,764
Land - community land	30/06/13	–	–	5,407	5,407
Land - land under roads (post 30/6/08)	30/06/13	–	–	100	100
Land improvements – depreciable	30/06/13	–	–	2,577	2,577
Buildings - non-specialised	30/06/13	–	12,423	–	12,423
Buildings - specialised	30/06/15	–	–	17,565	17,565
Other structures	30/06/15	–	–	1,166	1,166
Roads	30/06/15	–	–	172,453	172,453
Bridges	30/06/15	–	–	14,375	14,375
Footpaths	30/06/15	–	–	6,529	6,529
Bulk earthworks (non-depreciable)	30/06/15	–	–	68,960	68,960
Stormwater drainange	30/06/15	–	–	47,521	47,521
Water supply network	30/06/12	–	–	40,176	40,176
Sewerage network	30/06/12	–	–	42,029	42,029
Swimming pools	30/06/13	–	–	1,848	1,848
Other open space/recreational assets	30/06/12	–	–	612	612
Quarry assets	30/06/11	–	–	124	124
Total infrastructure, property, plant and equipment		–	28,788	421,858	450,646

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

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

(b) 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 and equipment (IPP&E)

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets

Plant & Equipment, Office Equipment, Furniture & Fittings and Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to their nature. Longer life assets may, at times, require indexing of the asset value to be representative.

Following are the example of assets in their respective class:

- Plant and Equipment
- Office Equipment
- Furniture and Fittings
- Other Assets

There has been no change to the valuation process during the reporting period, other than normal useful life and rate considerations

Land and Buildings

Operational & Community Land

Operational & Community Land values are based on the Land Values provided by the Valuer-General, 30/6/2016. Where rates were not available for Community land, adjacent land rates were adopted, based on 2016 land values. Land Value was based on the valuer's opinion of estimated market value of arm's length transaction between buyer and seller, both willing and knowledgeable parties.

Buildings - Non-Specialised & Specialised

Buildings were externally valued by Scott Fullarton Valuations Pty Ltd for 30/6/2017. Specialised and Non-specialised buildings were both valued by the external valuer.

Buildings were valued at fair value in accordance with the compiled Accounting Standard AASB116 Property, Plant and Equipment; guidance is contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines. Fair value' is the best estimate of the price reasonably obtained 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'.

The valuer may use market observable data to start with and then make adjustments to localise the fair value for the Land and/or buildings. Land and Building to be classified as Level 3 input

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

Other Structures

Balldale water system is classified as Other Structures in the notes. The water system is a non portable water supply and the depreciated cost approach has been adopted. The replacement cost was estimated for the asset because no market based evidence (Level 2) could be use as reference, except for the bore that was replaced.

There has been no change to the valuation process during the reporting period other than review and adjustment of unit rates and consideration of useful life

Roads, Bridges and Footpaths

Age based depreciated replacement cost method applied to determine asset valuation

Condition based assessment was undertaken where initial installation dates where unknown.

Valuations of Roads, Bridges and Footpaths were undertaken in-house based on actual cost and assumptions

Bridge and major culverts were extensively revised and unit rates for other assets were reconsidered. Revaluation scheduled for 2018/19, consistent with the revaluation schedule.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacts significantly on the final determination of fair value.

As such, this asset class is taken as Level 3 input. Condition based value was applied where initial construction dates were unavailable

Stormwater Drainage

Age based nonlinear depreciated replacement cost method applied for asset valuation with no residual.

Unit rates adopted were benchmarked against adjacent council rates and NSW Reference manual suitably indexed

The carrying value was determined using a non-linear curve to more closely determine the assets value.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class is taken as Level 3 input.

Water Supply Network

This asset class comprises of water mains and equipment such as reticulations mains, bores and dam/reservoirs.

Age based nonlinear depreciated replacement cost method applied for asset valuation with no residual

The assets are valued using age-based methodology and indexed using the NSW Reference manual (2014)

Rates are adjusted using the NSW Water Supply & Sewerage construction cost indices.

Replacement cost is determined based on using current equivalent materials and methods.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

As such, this asset class is taken as Level 3 input.

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

Sewerage Network

Pump stations, sewerage mains and treatment plants are among assets in Sewerage Network.

Age based non-linear depreciated replacement cost method applied to determine asset valuation with residual Replacement cost is determined from the 2014 NSW Reference Rates Manual, "Valuation of water supply, sewerage and stormwater assets" 2014 Network rates are adjusted using the NSW Water Supply & Sewerage construction cost indices.

Key inputs such as estimated pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is taken as Level 3 input.

Non-current assets classified as 'held for sale'

Land and Buildings

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

	Office equipment	Furniture and fittings	Land excluding operational land	Buildings specialised	Total
Opening balance – 13/5/16	216	186	7,622	18,770	26,794
Transfers from/(to) another asset class	–	–	119	–	119
Purchases (GBV)	116	–	452	145	713
Disposals (WDV)	–	–	(8)	(154)	(162)
Depreciation and impairment	(74)	(28)	(101)	(1,196)	(1,399)
Closing balance – 30/6/17	258	158	8,084	17,565	26,065
Transfers from/(to) another asset class	289	–	21	–	310
Purchases (GBV)	203	–	72	–	275
Depreciation and impairment	(159)	(25)	(116)	(2,116)	(2,416)
FV gains – Income Statement ¹	–	–	5,976	–	5,976
Revaluation increments to equity (AAR)	418	48	–	19,848	20,314
Closing balance – 30/6/18	1,009	181	14,037	35,297	50,524

	Other structure	Roads	Bridges	Footpaths	Total
Opening balance – 13/5/16	1,275	169,079	14,513	5,791	190,658
Transfers from/(to) another asset class	14	1,251	–	–	1,265
Purchases (GBV)	–	7,826	–	852	8,678
Depreciation and impairment	(123)	(3,433)	(138)	(114)	(3,808)
FV gains – Income Statement ¹	–	(2,270)	–	–	(2,270)
Closing balance – 30/6/17	1,166	172,453	14,375	6,529	194,523
Transfers from/(to) another asset class	–	630	–	–	630
Purchases (GBV)	–	7,823	–	60	7,883
Depreciation and impairment	(28)	(3,504)	(208)	(353)	(4,093)
Revaluation increments to equity (AAR)	–	1,352	1,747	3,664	6,763
Revaluation decrements to equity (AAR)	–	–	–	–	–
Reinstatement costs for impaired assets	–	1,919	–	–	1,919
Closing balance – 30/6/18	1,138	180,673	15,914	9,900	207,625

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

(c). 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)

	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
Opening balance – 13/5/16	68,960	47,024	38,005	41,388	195,377
Transfers from/(to) another asset class	–	149	1,225	362	1,736
Purchases (GBV)	–	679	1,445	649	2,773
Depreciation and impairment	–	(331)	(1,103)	(1,026)	(2,460)
Revaluation increment	–	–	604	656	1,260
Closing balance – 30/6/17	68,960	47,521	40,176	42,029	198,686
Transfers from/(to) another asset class	–	–	71	164	235
Purchases (GBV)	–	57	414	1,089	1,560
Depreciation and impairment	–	(590)	(1,074)	(1,123)	(2,787)
Revaluation increments to equity (AAR)	1,449	–	1,911	10,135	13,495
Revaluation decrements to equity (AAR)	–	–	–	–	–
Closing balance – 30/6/18	70,409	46,988	41,498	52,294	211,189

	Swimming pools	Other open space	Quarry assets	Total
Opening balance – 13/5/16	1,996	664	129	2,789
Purchases (GBV)	–	7	–	7
Depreciation and impairment	(148)	(59)	(2)	(209)
Revaluation decrement	–	–	(3)	(3)
Closing balance – 30/6/17	1,848	612	124	2,584
Transfers from/(to) another asset class	–	5	–	5
Purchases (GBV)	–	379	–	379
Depreciation and impairment	(122)	(52)	(7)	(181)
Revaluation increments to equity (AAR)	1,197	91	–	1,288
Closing balance – 30/6/18	2,923	1,035	117	4,075

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

c. The valuation process for level 3 fair value measurements

Council's fair value is done based on the amount for which an asset could be exchange or a liability settled between knowledgeable, willing parties in an arm's length transaction. Council's valuation will be recorded at the depreciated replacement cost (i.e written-down value) using the fair value approach to arrive at the fair value.

The "Replacement Cost" method will typically be used as this is the most common method for non-commercial Council infrastructure assets where a market value is not available to determine the value of the asset. Determination of the replacement cost at times will require componentisation to allow for different useful lives, unit rates and consumption to be considered, so that a reasonable value can be determined for the total and fair value of the asset.

An assets can be determined based on the assets condition, expected remaining life and unit costs to arrive at the current fair value of the asset. Asset services undertake the valuation exercise in consultation with the Engineering department. There are instances that external in the valuation process.

Asset revaluations will cycles occur at a maximum of every 5 years. During the annual valuation cycle the unit rates will be adjusted, where required, to limit materiality issues. Where a material financial difference in the asset classes value is likley to be greater than 10%, then a review and adjustment of the unit rates will be required. Indications of changes in value will be first considered with relevant Building Price Index changes (BPI) changes.

(d). Highest and best use

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Office Equipment	1,009	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Furniture & Fittings	181	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Land - excluding operational land	14,037	Valued using valuer-based methodology	Value of land is determined by valuer, in between valuation, the value of land will be maintained
Buildings - specialised	35,297	Valued using valuer-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Other Structures	1,138	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Roads	180,673	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bridges	15,914	Valued using condition-based methodology	Construction of new bridges and repair of existing bridges occurs relatively infrequently, so collecting benchmark information on unit rates, useful life and degradation is difficult

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Footpaths	9,900	Valued using condition-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Bulk Eathworks (non-depreciable)	70,409	Internal valuation	Significant movement in cost for replacement would considerably impact the fair value measurement
Stormwater Drainage	46,988	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Water Supply Network	41,498	Internal valuation	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Sewerage Network	52,294	Valued using age-based methodology	Replacement cost, pattern of consumption, remaining useful life, residual value and asset conditions
Swimming Pools	2,923	Depreciated historical cost	Replacement cost, remaining useful life and residual value
Other Open Space/Recreational Assets	1,035	Valued using age-based methodology	Replacement cost, remaining useful life and residual value
Quarry Assets	117	Internal valuation	Estimated cost

Federation Council

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

Note 20. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018
Short-term benefits	936
Post-employment benefits	75
Other long-term benefits	22
Termination benefits	308
Total	1,341

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Actual \$	Actual \$		Actual \$	Actual \$
2018					
Civil works	324,689	-	30 days creditor	-	-
Consultation fee prior to employment	81,705	-	7 days creditor	-	-
Employee expenses relating to family member of KMP	40,476	-	Council staff award	-	-
Refund of bonds	2,400	-	7 days creditor	-	-
User fee and charges	13,390	-	30 days debtor	-	-

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. 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					
Drainage	115	38	–	–	–	–	153	–
Roads	156	34	–	–	–	–	190	–
Open space	85	5	–	–	–	–	90	–
Community facilities	106	38	–	–	–	–	144	–
S7.11 contributions – under a plan	462	115	–	–	–	–	577	–
Total S7.11 and S7.12 revenue under plans	462	115	–	–	–	–	577	–
S64 contributions	438	167	–	–	–	–	605	–
Total contributions	900	282	–	–	–	–	1,182	–

Federation Council

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

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (former Corowa)

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					
Drainage	115	38	–	–	–	–	153	
Roads	156	34	–	–	–	–	190	
Open space	85	5	–	–	–	–	90	
Community facilities	106	38	–	–	–	–	144	
Total	462	115	–	–	–	–	577	–

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund				
\$ '000	2018	2018	2018	2018
Continuing operations	Waste	Water	Sewer	General¹
Income from continuing operations				
Rates and annual charges	1,887	684	3,724	6,977
User charges and fees	–	3,816	572	3,995
Interest and investment revenue	14	291	194	677
Other revenues	–	36	18	534
Grants and contributions provided for operating purposes	76	65	68	11,559
Grants and contributions provided for capital purposes	–	54	113	4,153
Other income				
Net gains from disposal of assets	–	–	–	327
Total income from continuing operations	1,977	4,946	4,689	28,222
Expenses from continuing operations				
Employee benefits and on-costs	195	1,701	1,600	7,494
Borrowing costs	–	–	193	16
Materials and contracts	1,782	814	1,007	5,030
Depreciation and amortisation	–	1,086	1,123	8,311
Other expenses	–	315	199	2,967
Total expenses from continuing operations	1,977	3,916	4,122	27,271
Operating result from continuing operations	–	1,030	567	951
Net operating result for the year	–	1,030	567	951
Net result attributable to each council fund	–	1,030	567	951
Net operating result for the year before grants and contributions provided for capital purposes	–	976	454	(3,202)

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

* Waste represents Domestic Waste

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

Federation Council

Notes to the Financial Statements

as at 30 June 2018

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

Statement of Financial Position by fund				
\$ '000	2018	2018	2018	2018
ASSETS	Waste	Water	Sewer	General¹
Current assets				
Cash and cash equivalents	132	264	410	2,845
Investments	–	8,497	4,718	26,988
Receivables	167	1,950	2,888	2,869
Inventories	–	–	–	1,357
Other	–	–	–	93
Total current assets	299	10,711	8,016	34,152
Non-current assets				
Receivables	–	–	–	60
Inventories	–	–	–	234
Infrastructure, property, plant and equipment	–	45,083	54,395	412,733
Intangible assets	–	–	–	317
Total non-current assets	–	45,083	54,395	413,344
TOTAL ASSETS	299	55,794	62,411	447,496
LIABILITIES				
Current liabilities				
Payables	–	288	–	5,945
Income received in advance	–	–	–	596
Borrowings	–	–	62	40
Provisions	–	–	–	2,869
Total current liabilities	–	288	62	9,450
Non-current liabilities				
Borrowings	–	–	2,500	1,367
Provisions	–	–	–	805
Total non-current liabilities	–	–	2,500	2,172
TOTAL LIABILITIES	–	288	2,562	11,622
Net assets	299	55,506	59,849	435,874
EQUITY				
Accumulated surplus	299	51,896	49,030	394,905
Revaluation reserves	–	3,610	10,819	40,969
Total equity	299	55,506	59,849	435,874

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

* Waste represents Domestic Waste

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Restated Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,354</u>	3.85%	11.58%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	35,187			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>23,419</u>	59.28%	42.58%	> 60.00%
Total continuing operating revenue ⁽¹⁾	39,507			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>17,834</u>	1.89x	3.12x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	9,450			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>12,083</u>	39.75x	32.42x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	304			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>1,378</u>	9.70%	5.04%	< 10% regional & rural
Rates, annual and extra charges collectible	14,202			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>43,854</u>	24.57 mths	18.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,785			

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).

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators Restated		Sewer indicators Restated		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	0.07%	9.81%	18.68%	19.02%	9.20%	14.93%	> 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	47.15%	29.52%	97.59%	95.35%	96.14%	99.31%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	1.89x	3.12x	36.27x	No liabilities	123.82x	129.41x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

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

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

Federation Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators Restated		Sewer indicators Restated		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	75.19x	41.68x	0.00x	0.00x	9.00x	9.28x	> 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	-8.31%	4.35%	44.44%	2.39%	50.70%	7.36%	< 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	24.19	13.22	0.00	7,739.00	0.00	2,465.00	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

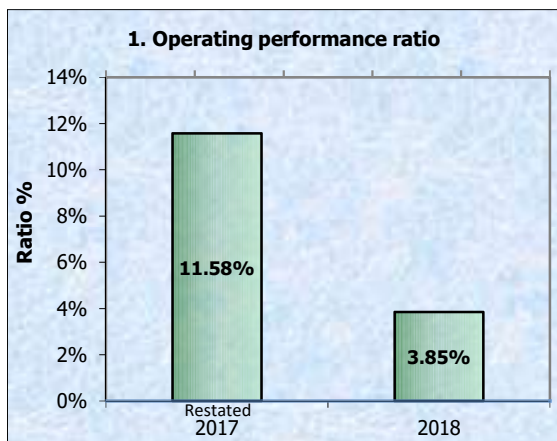
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Federation Council

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

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



Purpose of operating performance ratio

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

Commentary on 2017/18 result

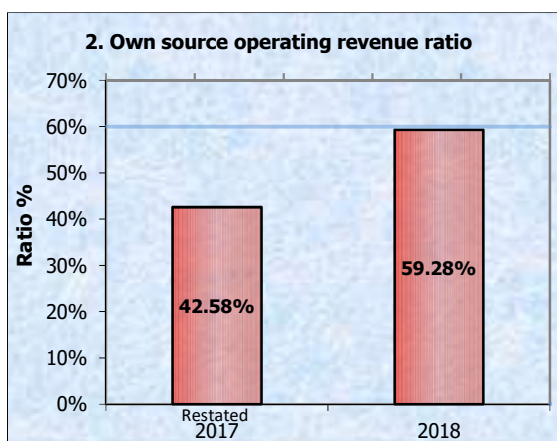
2017/18 ratio 3.85%

Council have performed above the benchmark

Benchmark: ——— Minimum >=0.00%

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2017/18 result

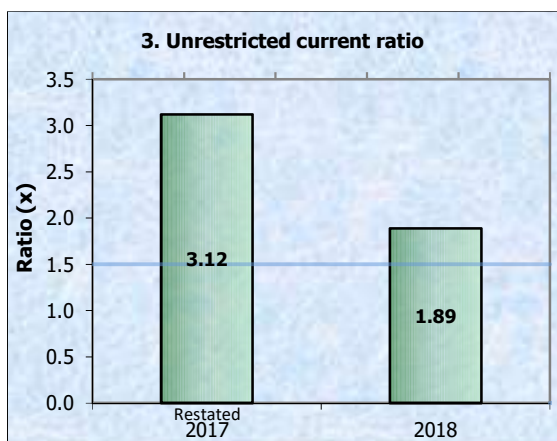
2017/18 ratio 59.28%

Council has improved from prior period, and only just fallen short of the 60% benchmark

Benchmark: ——— Minimum >=60.00%

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2017/18 result

2017/18 ratio 1.89x

Council have performed above the benchmark

Benchmark: ——— Minimum >=1.50

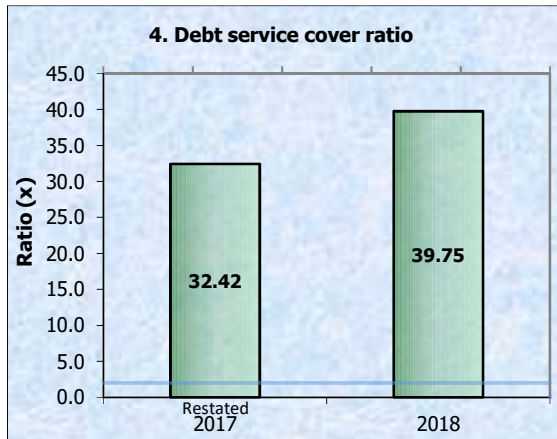
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Federation Council

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

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



Purpose of debt service cover ratio

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

Commentary on 2017/18 result

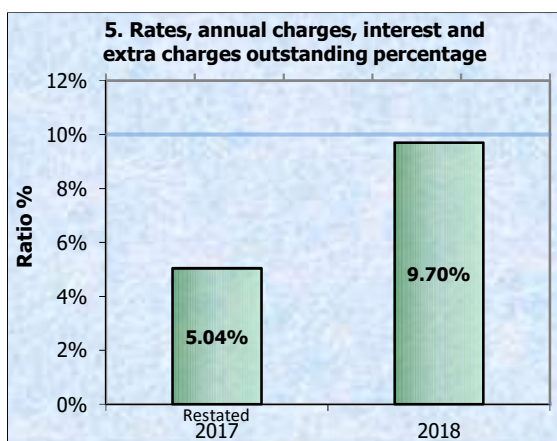
2017/18 ratio 39.75x

Council have performed above the benchmark

Benchmark: Minimum ≥ 2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result

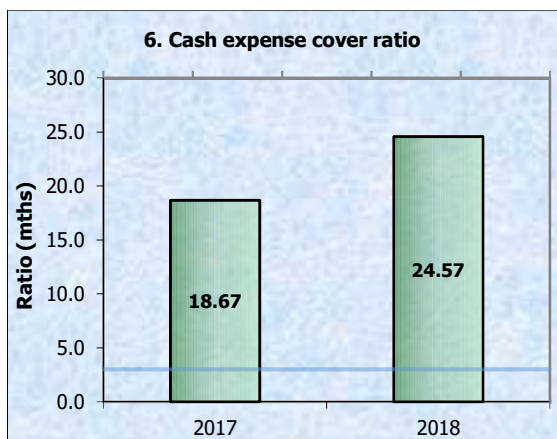
2017/18 ratio 9.70%

Council have implemented strategies to improve this ratio and projected better outcome for the coming years

Benchmark: Maximum $< 10.00\%$

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 24.57 mths

Council have performed above the benchmark

Benchmark: Minimum ≥ 3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

Federation Council

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

Note 24. Council information and contact details

Principal place of business:

100 Edward Street
COROWA NSW 2646

Contact details

Mailing address:

PPO Box 77
COROWA NSW 2646

Opening hours:

8:30 am to 5:00 pm

Telephone: 02 6033 8999

Facsimile: 02 6033 3317

Internet: www.federationcouncil.nsw.gov.au

Email: council@federationcouncil.nsw.gov.au

Officers

GENERAL MANAGER

Adrian Butler

RESPONSIBLE ACCOUNTING OFFICER

Shane Norman

PUBLIC OFFICER

Kim Parker

AUDITORS

Audit Office of NSW
GPO Box 12
SYDNEY NSW 2001

Elected members

MAYOR

Patrick Bourke

COUNCILLORS

Shaun Whitechurch
Fred Longmire
Gail Law
Paul Miegel
Andrew Kennedy
Bronwyn Thomas
David Longley
Norm Wales

Other information

ABN: 30 762 048 084



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Federation Council

To the Councillors of the Federation Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', written in a cursive style.

Lawrissa Chan
Director

30 October 2018
SYDNEY

Cr Patrick Bourke
Mayor
Federation Council
PO Box 77
COROWA NSW 2646

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: D1825380/1724

30 October 2018

Dear Patrick

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

I have audited the general purpose financial statements of the Federation Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018	2017*	Variance
	\$m	\$m	%
Rates and annual charges revenue	13.3	13.4	0.9
User charges and fees	8.4	8.4	0.6
Grants and contributions revenue	16.1	32.4	50.4
Operating result for the year	2.5	18.3	86.1
Net operating result before capital amounts	(1.8)	5.0	135.2

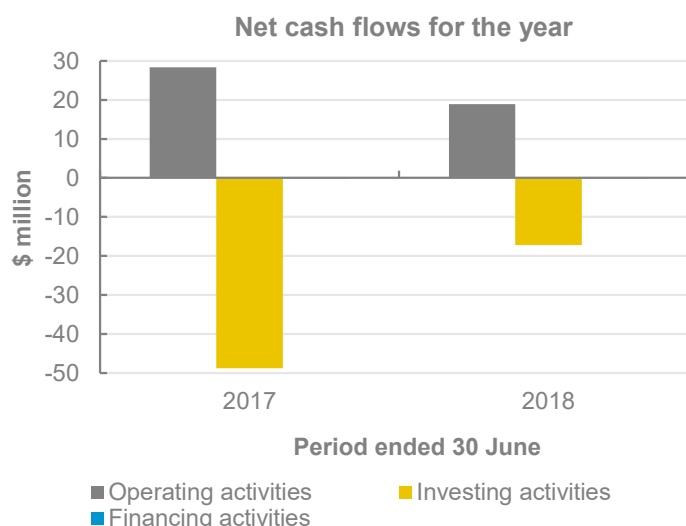
* The initial reporting period of Council was from 13 May 2016 to 30 June 2017.

The following comments are made in respect of Council’s operating result for the year:

- Council’s operating result for the year was a surplus of \$2.5 million (\$18.3 million surplus for the period ended 30 June 2017). This is attributed to the newly amalgamated Council receiving \$10 million in Stronger Communities Funding in the previous financial year. The Council budgeted for a surplus of \$1.1 million.
- The Council’s net operating result before capital grants and contributions was a deficit of \$1.8 million (\$5.0 million surplus for the period ended 30 June 2017). The movement was mainly due to the decrease in operational grants received during the year.
- Rates and annual charges revenue was \$13.3 million (\$13.4 million for the year ended 30 June 2017). The decrease is due to the Council having a longer reporting period in FY17 from 13 May 2016 to 30 June 2017. Otherwise, there was a permissible rate increase of 1.5 per cent granted by the Minister for Local Government.
- Grants and contributions revenue was \$16.1 million (\$32.4 million for the year ended 30 June 2017). The movement is mainly due to merger funding provided in the prior year as a result of the amalgamation of the former Councils. This includes the Stronger Communities (\$10 million) and New Council implementation funding (\$5 million). There was also a reduction in financial assistance grants of \$3 million.

STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents was \$3.7 million (\$2.0 million for the year ended 30 June 2017). There was a net increase in cash and cash equivalents of \$1.7 million at 30 June 2018.
- Net cash provided by operating activities has decreased by \$9.4 million. This is mainly due to the decrease in cash receipts from grants and contributions of \$15.4 million, which is offset by the reduction in cash payments for materials and contracts of \$6.6 million.
- Net cash used in investing activities decreased by \$31.6 million. This is mainly due to the decrease in the purchases of investment securities of \$17.5 million. There was also an increase in the sale of investment securities of \$17.1 million.
- Net cash provided in financing activities of \$0.1 million has remained relatively consistent from the previous year (2017: \$0.1 million).



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	31,287	31,309	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements.
Internal restrictions	11,368	11,108	
Unrestricted	1,199	1,149	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Unrestricted cash and investments was \$1.2 million which is available to provide liquidity for day-to-day operations of the Council. There were minimal movements within the externally restricted, internally restricted and unrestricted cash balance.
Cash and investments	43,854	43,566	

Debt

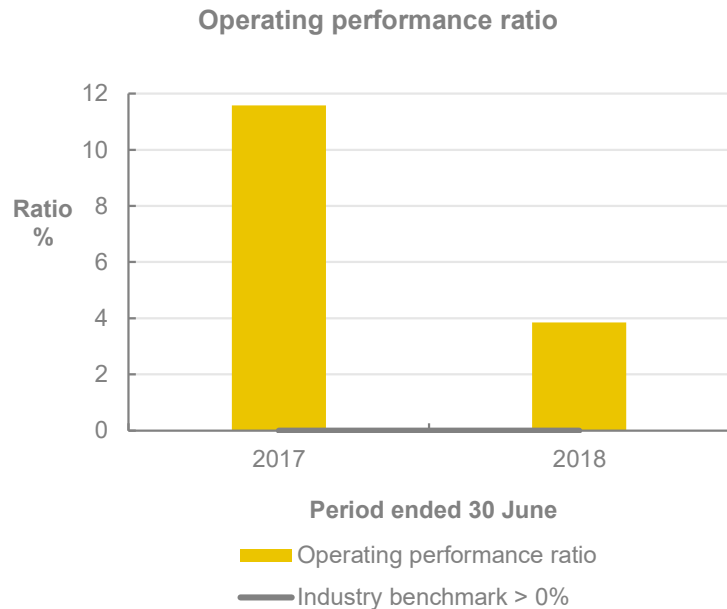
- Council has \$4.0 million of borrowings as at 30 June 2018 (2017: \$4.1 million).
- Council have an overdraft facility of \$0.4 million which was undrawn as at 30 June 2018 (2017: \$0.4 million)

PERFORMANCE RATIOS

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

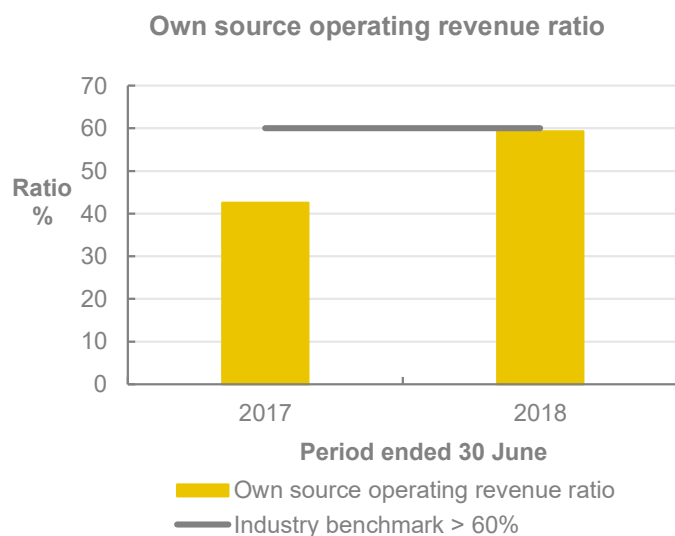
Operating performance ratio

- The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than 0%.
- The operating performance ratio of 3.9% is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditure within operating revenue.
- The operating performance ratio decreased to 3.9% due to the reduction in the operational grant income in the current financial year. In the prior year, \$5 million was received for the new council implementation fund and there was a reduction in Financial Assistance Grants of \$3 million.



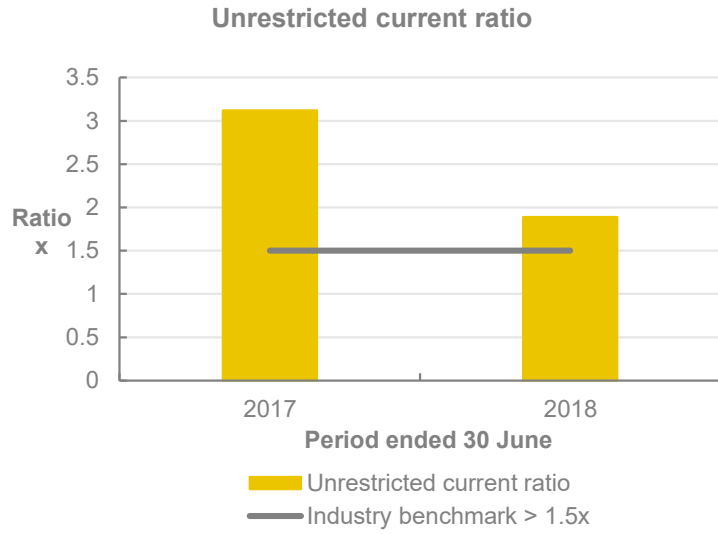
Own source operating revenue ratio

- 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%.
- The Council's own source operating revenue ratio of 59.3% is just below the industry benchmark of 60%. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio increased to 59.3% (2017: 42.6%) as there was less funding from grants and contributions in the current year. The 2017 result was impacted by one-off funding provided to amalgamated councils.



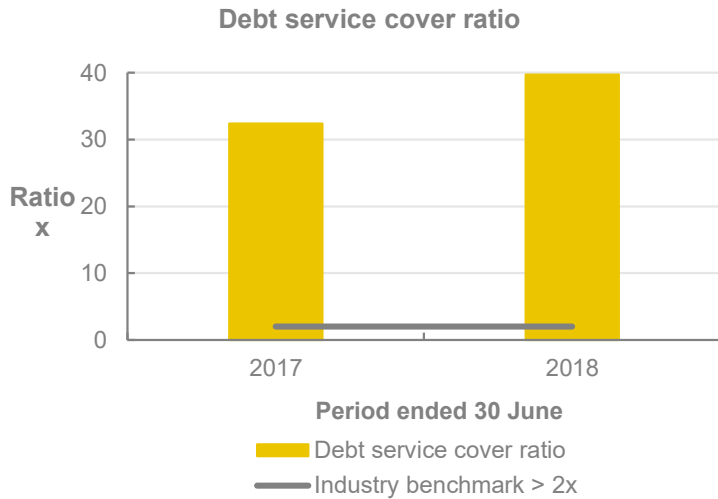
Unrestricted current ratio

- 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.
- The Council's liquidity ratio of 1.9 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio of 1.9 times (2017: 3.1 times) has decreased due to the increase in current payables in the current financial year



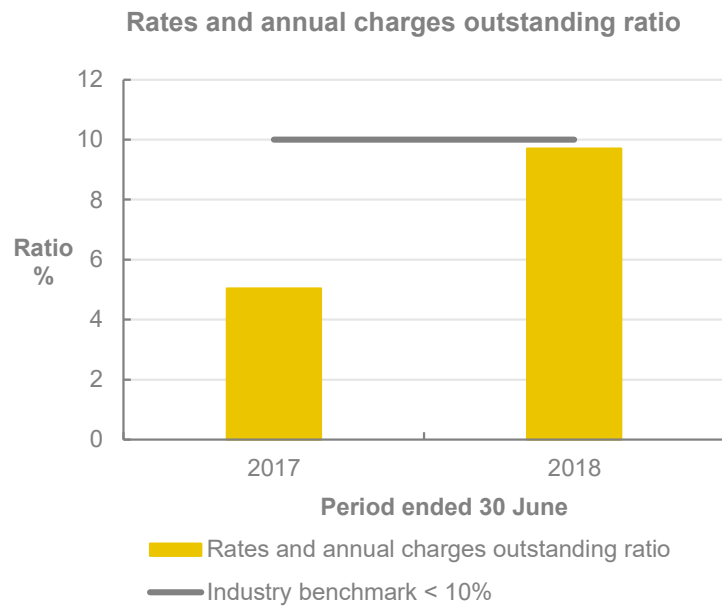
Debt service cover ratio

- 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.
- The Council's debt service cover ratio of 39.8 times is greater than the industry benchmark of greater than 2 times. The ratio indicates that the Council has adequate operating cash to fund its debt obligations
- The Council's debt service cover ratio of 39.8 times (2017: 32.4 times) has increased due to the decrease in principal repayments and the reduction in borrowing costs during the year.



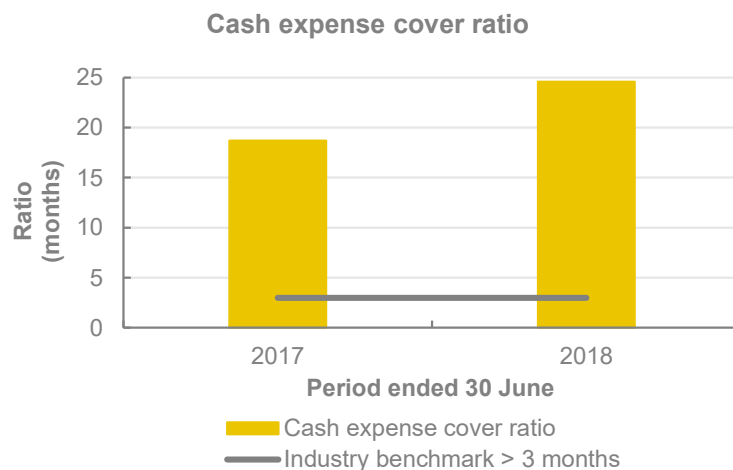
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10% for regional and rural Councils.
- The Council's rates and annual charges outstanding ratio of 9.7% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges ratio has increased to 9.7% (2017: 5.0%) indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.



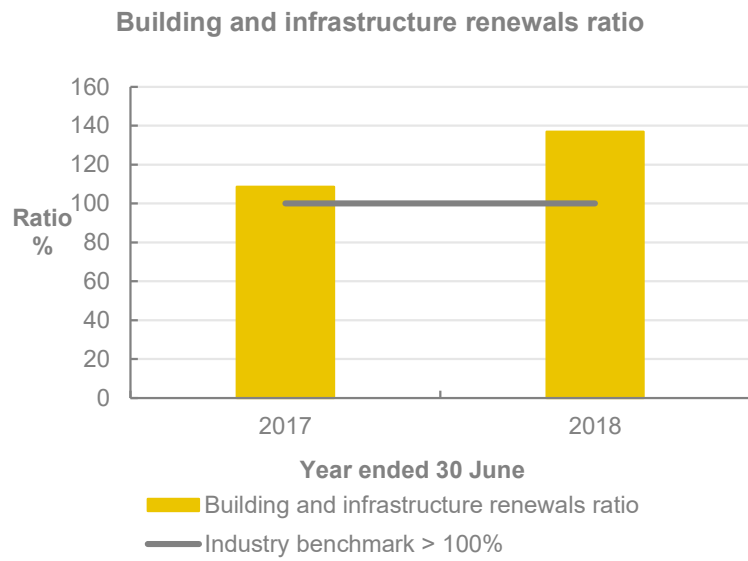
Cash expense cover ratio

- The cash expense cover ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 24.6 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 24.6 months of operating cash expenditure without additional cash inflows at 30 June 2018.
- The cash expense cover ratio increased to 24.6 months (2017: 18.7 months) due to positive cash flows in 2018 of \$2.0 million.



Building and infrastructure renewals ratio (unaudited)

- 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%.
- This ratio is sourced from Council's Special Schedule 7 which has not been audited.
- The Council's building and infrastructure renewals ratio of 137.0% is above the industry benchmark of greater than 100%.
- The Council's building and infrastructure renewals ratio increased to 137.0% (2017: 108.5%) due to increased levels of asset renewals.



OTHER MATTERS

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(b).

AASB 124 Related Party Disclosures'

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

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

- compensation paid to their key management personnel
- nature of their related party relationships,
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

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.



Lawrissa Chan
Director, Financial Audit Services

cc: Adrian Butler, General Manager
Linda Macrae, Chair of the Audit, Risk and Improvement Committee
Tim Hurst, Chief Executive of the Office of Local Government

Federation Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Creating Opportunity, Celebrating
Community



Federation Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor’s Report	

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).
-

Federation 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 16 October 2018.



Patrick Bourke
Mayor



Shaun Whitechurch
Councillor



Adrian Butler
General manager



Shane Norman
Responsible accounting officer

Federation Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	Restated 13/5/16 to 30/6/17
Income from continuing operations		
Access charges	684	762
User charges	3,767	4,220
Fees	49	49
Interest	291	284
Grants and contributions provided for non-capital purposes	65	35
Other income	36	77
Total income from continuing operations	4,892	5,427
Expenses from continuing operations		
Employee benefits and on-costs	1,701	1,770
Materials and contracts	814	1,149
Depreciation, amortisation and impairment	1,086	1,106
Calculated taxation equivalents	62	65
Other expenses	315	304
Total expenses from continuing operations	3,978	4,394
Surplus (deficit) from continuing operations before capital amounts	914	1,033
Grants and contributions provided for capital purposes	54	227
Surplus (deficit) from continuing operations after capital amounts	968	1,260
Surplus (deficit) from all operations before tax	968	1,260
Less: corporate taxation equivalent (30%) [based on result before capital]	(274)	(310)
SURPLUS (DEFICIT) AFTER TAX	694	950
Plus opening retained profits	50,866	49,541
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	62	65
– Corporate taxation equivalent	274	310
Closing retained profits	51,896	50,866
Return on capital %	2.0%	2.4%
Subsidy from Council	272	1,033
Calculation of dividend payable:		
Surplus (deficit) after tax	694	950
Less: capital grants and contributions (excluding developer contributions)	(54)	(227)
Surplus for dividend calculation purposes	640	723
Potential dividend calculated from surplus	320	362

Federation Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	Restated 13/5/16 to 30/6/17
Income from continuing operations		
Access charges	3,724	4,196
User charges	514	772
Liquid trade waste charges	58	31
Interest	194	203
Grants and contributions provided for non-capital purposes	68	10
Other income	18	–
Total income from continuing operations	4,576	5,212
Expenses from continuing operations		
Employee benefits and on-costs	1,600	1,667
Borrowing costs	193	218
Materials and contracts	1,007	1,244
Depreciation, amortisation and impairment	1,123	1,027
Calculated taxation equivalents	33	52
Other expenses	199	226
Total expenses from continuing operations	4,155	4,434
Surplus (deficit) from continuing operations before capital amounts	421	778
Grants and contributions provided for capital purposes	113	26
Surplus (deficit) from continuing operations after capital amounts	534	804
Surplus (deficit) from all operations before tax	534	804
Less: corporate taxation equivalent (30%) [based on result before capital]	(126)	(233)
SURPLUS (DEFICIT) AFTER TAX	408	571
Plus opening retained profits	48,462	47,606
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	33	52
– Corporate taxation equivalent	126	233
Closing retained profits	49,029	48,462
Return on capital %	1.1%	2.3%
Subsidy from Council	817	1,413
Calculation of dividend payable:		
Surplus (deficit) after tax	408	571
Less: capital grants and contributions (excluding developer contributions)	(113)	(26)
Surplus for dividend calculation purposes	295	545
Potential dividend calculated from surplus	147	272

Federation Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

Domestic Waste

Category 2

\$ '000	13/5/16	
	2018	to 30/6/17
Income from continuing operations		
Access charges	1,887	1,546
Interest	14	14
Grants and contributions provided for non-capital purposes	76	72
Total income from continuing operations	1,977	1,632
Expenses from continuing operations		
Employee benefits and on-costs	195	206
Materials and contracts	1,782	1,667
Depreciation, amortisation and impairment	–	4
Total expenses from continuing operations	1,977	1,877
Surplus (deficit) from continuing operations before capital amounts	–	(245)
Surplus (deficit) from continuing operations after capital amounts	–	(245)
Surplus (deficit) from all operations before tax	–	(245)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	–	(245)
Plus opening retained profits	299	544
Closing retained profits	299	299
Return on capital %	n/a	n/a
Subsidy from Council	–	245

Federation Council

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

\$ '000	2018	Restated 2017
ASSETS		
Current assets		
Cash and cash equivalents	264	7,738
Investments	8,497	–
Receivables	1,950	1,521
Total current assets	10,711	9,259
Non-current assets		
Infrastructure, property, plant and equipment	45,083	42,210
Total non-current assets	45,083	42,210
TOTAL ASSETS	55,794	51,469
LIABILITIES		
Current liabilities		
Payables	288	–
Total current liabilities	288	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	288	–
NET ASSETS	55,506	51,469
EQUITY		
Accumulated surplus	51,896	50,865
Revaluation reserves	3,610	604
TOTAL EQUITY	55,506	51,469

Federation Council

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

\$ '000	2018	Restated 2017
ASSETS		
Current assets		
Cash and cash equivalents	410	4,929
Investments	4,718	780
Receivables	2,888	2,022
Total current Assets	8,016	7,731
Non-current assets		
Infrastructure, property, plant and equipment	54,395	44,007
Total non-current assets	54,395	44,007
TOTAL ASSETS	62,411	51,738
LIABILITIES		
Current liabilities		
Borrowings	62	58
Total current liabilities	62	58
Non-current liabilities		
Borrowings	2,500	2,562
Total non-current liabilities	2,500	2,562
TOTAL LIABILITIES	2,562	2,620
NET ASSETS	59,849	49,118
EQUITY		
Accumulated surplus	49,030	48,462
Revaluation reserves	10,819	656
TOTAL EQUITY	59,849	49,118

Federation Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Domestic Waste	
	Category 2	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	132	142
Receivables	167	157
Total Current Assets	299	299
Total non-current assets	-	-
TOTAL ASSETS	299	299
LIABILITIES		
TOTAL LIABILITIES	-	-
NET ASSETS	299	299
EQUITY		
Accumulated surplus	299	299
TOTAL EQUITY	299	299

Federation Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

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

Federation Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Former Corowa Shire Council Water Supplies

Supply of Water to the towns of Corowa, Howlong and Mulwala

b. Former Corowa and Urana Shire Council Sewerage Services

Service of Sewerage reticulation and treatment system to the towns of Corowa, Howlong, Mulwala, Oaklands & Urana.

Federation Council

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

Note 1. Significant accounting policies (continued)

Category 2

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

a. Former Corowa Shire Council Domestic Waste Services

Collection of Domestic Waste from the towns of Corowa, Howlong, Mulwala, Balldale, Oaklands & Urana.

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.

Federation 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 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'.

Federation 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

Federation 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	62,000
(ii)	Number of assessments multiplied by \$3/assessment	18,918
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	18,918
(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]	319,900
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	170,262
(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 12 May 2016	1,362,900

2018 Surplus	639,800	2017 Surplus	723,100	2016 Surplus	
		2017 Dividend	–	2016 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	170,262
(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]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	
(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

Federation Council

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,655
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)]	%	78.42%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	45,083
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,669
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	–
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)]	%	2.00%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. 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

Federation Council

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	33,000
(ii)	Number of assessments multiplied by \$3/assessment	17,031
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	17,031
(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]	147,350
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	153,279
(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 12 May 2016	839,300

2018 Surplus	294,700	2017 Surplus	544,600	2016 Surplus	
		2017 Dividend	-	2016 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	147,350
(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

Federation 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	4,495
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	54,395
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	2,660
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
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)]	%	1.31%
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	9,150
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.45%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	–
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)]	%	1.62%
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%

Federation Council

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

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-10.50%
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	1,597
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	133

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. 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
Federation Council

To the Councillors of the Federation Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Federation 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
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', written in a cursive style.

Lawrissa Chan
Director, Financial Audit Services

30 October 2018
SYDNEY

Federation Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

Creating Opportunity, Celebrating
Community



Federation Council

Special Schedules

for the year ended 30 June 2018

Contents

Page

Special Schedules ¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	6
Special Schedule 3	Water Supply Operations – incl. Income Statement	8
Special Schedule 4	Water Supply – Statement of Financial Position	11
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	12
Special Schedule 6	Sewerage Service – Statement of Financial Position	15
Notes to Special Schedules 3 and 5		16
Special Schedule 7	Report on Infrastructure Assets	17

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.

Federation 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	2,085	1	107	(1,977)
Administration	6,282	360	45	(5,877)
Public order and safety				
Fire service levy, fire protection, emergency services	606	196	21	(389)
Beach control	–	–	–	–
Enforcement of local government regulations	51	14	–	(37)
Animal control	82	23	–	(59)
Other	–	–	–	–
Total public order and safety	739	233	21	(485)
Health	234	26	–	(208)
Environment				
Noxious plants and insect/vermin control	328	72	–	(256)
Other environmental protection	15	5	–	(10)
Solid waste management	2,343	2,320	–	(23)
Street cleaning	–	–	–	–
Drainage	683	–	57	(626)
Stormwater management	–	–	–	–
Total environment	3,369	2,397	57	(915)
Community services and education				
Administration and education	532	216	–	(316)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	7	–	–	(7)
Children's services	51	49	–	(2)
Total community services and education	590	265	–	(325)
Housing and community amenities				
Public cemeteries	125	135	–	10
Public conveniences	153	–	–	(153)
Street lighting	274	45	–	(229)
Town planning	280	278	–	(2)
Other community amenities	–	–	–	–
Total housing and community amenities	832	458	–	(374)
Water supplies	3,797	4,783	54	1,040
Sewerage services	3,998	4,462	113	577

Federation 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	491	74	–	(417)
Museums	21	7	–	(14)
Art galleries	–	–	–	–
Community centres and halls	28	14	–	(14)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	364	8	–	(356)
Swimming pools	311	22	–	(289)
Parks and gardens (lakes)	1,185	16	197	(972)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,400	141	197	(2,062)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	3,185	303	41	(2,841)
Other mining, manufacturing and construction	126	199	–	73
Total mining, manufacturing and const.	3,311	502	41	(2,768)
Transport and communication				
Urban roads (UR) – local	1,806	612	251	(943)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,369	2,461	1,967	2,059
Sealed rural roads (SRR) – regional	512	1,610	1,115	2,213
Unsealed rural roads (URR) – local	2,361	–	–	(2,361)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	24	–	–	(24)
Footpaths	451	–	122	(329)
Aerodromes	56	43	–	(13)
Other transport and communication	577	904	–	327
Total transport and communication	8,156	5,630	3,455	929
Economic affairs				
Camping areas and caravan parks	113	203	33	123
Other economic affairs	1,380	1,374	197	191
Total economic affairs	1,493	1,577	230	314
Totals – functions	37,286	20,835	4,320	(12,131)
General purpose revenues ⁽¹⁾		14,679		14,679
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	37,286	35,514	4,320	2,548

(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

Federation Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		2018/19	2018/19	2018/19	2017/18	2017/18
		Former Corowa Shire Council	Former Urana Shire Council	Federation Council	Former Urana Shire Council	Federation Council
Notional general income calculation ⁽¹⁾						
Last year notional general income yield	a	5,903	1,676	7,579	1,649	7,166
Plus or minus adjustments ⁽²⁾	b	21	–	21	–	–
Notional general income	c = (a + b)	5,924	1,676	7,600	1,649	7,166
Permissible income calculation						
Special variation percentage ⁽³⁾	d	0.00%	0.00%		0.00%	
Or rate peg percentage	e	2.30%	2.30%		1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%		0.00%	
Less expiring special variation amount	g	–	–	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–	–	386
Or plus rate peg amount	i = c x e	136	39	175	25	25
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–
Sub-total	k = (c + g + h + i + j)	6,060	1,715	7,775	1,674	7,577
Plus (or minus) last year's carry forward total	l	–	–	–	2	2
Less valuation objections claimed in the previous year	m	–	–	–	–	–
Sub-total	n = (l + m)	–	–	–	2	2
Total permissible income	o = k + n	6,060	1,715	7,775	1,676	7,579
Less notional general income yield	p	6,059	1,714	7,773	1,676	7,579
Catch-up or (excess) result	q = o – p	1	1	2	–	–
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–	–	–
Less unused catch-up ⁽⁵⁾	s	–	–	–	–	–
Carry forward to next year	t = q + r – s	1	1	2	–	–

Federation Council

Special Schedule 2 – Permissible income for general rates (continued) for the year ended 30 June 2019

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 return (FDR) to administer this process.
- (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

Federation Council

To the Councillors of Federation Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Federation 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.

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.



Lawrissa Chan
Director

30 October 2018
SYDNEY

Federation 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	Restated 13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	826	727
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	78	145
d. Maintenance expenses	361	347
– Reservoirs		
e. Operation expenses	51	46
f. Maintenance expenses	16	31
– Pumping stations		
g. Operation expenses (excluding energy costs)	32	82
h. Energy costs	162	9
i. Maintenance expenses	18	198
– Treatment		
j. Operation expenses (excluding chemical costs)	583	557
k. Chemical costs	100	123
l. Maintenance expenses	258	488
– Other		
m. Operation expenses	169	27
n. Maintenance expenses	15	309
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	1,086	1,106
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	161	133
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
5. Total expenses	3,916	4,328

Federation 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	Restated 13/5/16 to 30/6/17
Income		
6. Residential charges		
a. Access (including rates)	684	762
b. Usage charges	2,485	2,535
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	1,236	1,680
8. Extra charges	–	34
9. Interest income	291	250
10. Other income	131	170
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	213
b. Grants for pensioner rebates	65	35
c. Other grants	–	–
12. Contributions		
a. Developer charges	54	15
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	4,946	5,694
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	1,030	1,366
15a. Operating result (less grants for acquisition of assets)	1,030	1,153

Federation 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	Restated 13/5/16 to 30/6/17
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	–	1,626
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	<u>–</u>	<u>1,626</u>
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	5,652	5,069
b. Residential (unoccupied, ie. vacant lot)	119	166
c. Non-residential (occupied)	475	502
d. Non-residential (unoccupied, ie. vacant lot)	60	41
23. Number of ETs for which developer charges were received	33 ET	17 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 119,042	\$ 116,883

Federation 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	264	–	264
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,498	–	8,498
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	304	–	304
c. User charges	1,645	–	1,645
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	45,083	45,083
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	<u>10,711</u>	<u>45,083</u>	<u>55,794</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	288	–	288
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>288</u>	<u>–</u>	<u>288</u>
36. NET ASSETS COMMITTED	<u>10,423</u>	<u>45,083</u>	<u>55,506</u>
EQUITY			
37. Accumulated surplus			51,896
38. Asset revaluation reserve			3,610
39. Other reserves			–
40. TOTAL EQUITY			<u>55,506</u>
Note to system assets:			
41. Current replacement cost of system assets			70,127
42. Accumulated current cost depreciation of system assets			(25,044)
43. Written down current cost of system assets			<u>45,083</u>

Federation 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	Restated 13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	715	597
b. Engineering and supervision	–	46
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	37	122
b. Maintenance expenses	259	329
– Pumping stations		
c. Operation expenses (excluding energy costs)	209	260
d. Energy costs	114	60
e. Maintenance expenses	196	276
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	461	477
g. Chemical costs	119	139
h. Energy costs	139	40
i. Effluent management	–	–
j. Biosolids management	81	94
k. Maintenance expenses	219	376
– Other		
l. Operation expenses	87	26
m. Maintenance expenses	24	240
3. Depreciation expenses		
a. System assets	1,123	1,026
b. Plant and equipment	–	1
4. Miscellaneous expenses		
a. Interest expenses	193	218
b. Revaluation decrements	–	–
c. Other expenses	146	(37)
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	4,122	4,290

Federation 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	Restated 13/5/16 to 30/6/17
Income		
6. Residential charges (including rates)	3,678	4,053
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	560	775
8. Trade waste charges		
a. Annual fees	15	14
b. Usage charges	43	48
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	194	203
11. Other income	18	17
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	68	10
c. Other grants	–	–
13. Contributions		
a. Developer charges	113	26
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>4,689</u>	<u>5,146</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>567</u>	<u>856</u>
16a. Operating result (less grants for acquisition of assets)	567	856

Federation 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	Restated 13/5/16 to 30/6/17
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	–	435
d. Plant and equipment	–	346
18. Repayment of debt	–	–
19. Totals	<u>–</u>	<u>781</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	4,992	5,070
b. Residential (unoccupied, ie. vacant lot)	160	152
c. Non-residential (occupied)	466	431
d. Non-residential (unoccupied, ie. vacant lot)	59	66
24. Number of ETs for which developer charges were received	33 ET	17 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 124,059	\$ 122,993

Federation 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	339	–	339
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,569	–	5,569
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	1,888	–	1,888
c. User charges	220	–	220
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	54,395	54,395
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	8,016	54,395	62,411
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	62	2,500	2,562
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	62	2,500	2,562
37. NET ASSETS COMMITTED	7,954	51,895	59,849
EQUITY			
38. Accumulated surplus			49,030
39. Asset revaluation reserve			10,819
40. Other reserves			–
41. TOTAL EQUITY			59,849
Note to system assets:			
42. Current replacement cost of system assets			80,187
43. Accumulated current cost depreciation of system assets			(25,792)
44. Written down current cost of system assets			54,395

Federation 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.

Federation 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 – non-specialised	163	40	35	45	11,058	16,273	0%	91%	0%	8%	1%	
	Buildings – specialised	334	307	107	95	20,577	33,444	11%	81%	2%	5%	1%	
	Garbage depots	5	5	20	7	263	470	0%	82%	17%	1%	0%	
	Councils works depot	–	–	60	85	758	1,389	14%	78%	5%	3%	0%	
	Council community halls	–	–	110	17	8,932	23,352	0%	4%	81%	15%	0%	
	Health centres	–	–	15	18	305	724	0%	0%	100%	0%	0%	
	Museum	–	–	20	3	912	2,072	0%	71%	0%	29%	0%	
	Pre schools	–	–	10	10	711	1,918	0%	0%	82%	18%	0%	
	Rural fire service building	–	–	3	3	1,302	1,668	33%	66%	0%	1%	0%	
	Saleyards	36	33	30	12	1,839	3,263	11%	7%	81%	0%	1%	
	Other	150	125	40	44	5,988	6,251	19%	42%	31%	6%	2%	
	Sub-total	688	510	450	339	52,645	90,824	6.6%	54.8%	29.3%	8.7%	0.7%	
Other structures													
	Other structures					–							
	Balldale water supply	46	28	5	13	708	1,526	51%	41%	5%	0%	3%	
	Sub-total	46	28	5	13	708	1,526	51.0%	41.0%	5.0%	0.0%	3.0%	

Federation 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
Roads	Sealed roads	9,656	7,656	1,855	1,072	148,423	184,953	59%	22%	15%	3%	1%
	Unsealed roads	710	710	1,620	1,033	29,573	37,433	69%	19%	10%	1%	1%
	Bridges	90	90	34	25	15,914	23,980	56%	38%	6%	0%	0%
	Footpaths	–	–	37	67	8,996	11,880	71%	28%	1%	0%	0%
	Bulk earthworks	–	–	–	–	70,409	70,409	100%	0%	0%	0%	0%
	Bikepath	–	–	15	10	904	1,018	85%	15%	0%	0%	0%
	Kerb and gutter	350	29	20	32	13,835	17,684	85%	11%	1%	1%	2%
	Car parks	246	246	30	24	1,098	1,768	84%	13%	0%	1%	2%
	Sub-total	11,052	8,731	3,611	2,263	289,152	349,125	70.1%	17.9%	9.5%	1.8%	0.7%
Water supply network	Water supply network											
	Mains	2,345	2,345	355	207	27,227	41,052	57%	37%	4%	1%	1%
	Reservoirs	36	36	20	8	4,071	6,477	2%	79%	19%	0%	0%
	Pumping stations	1,052	550	40	13	685	2,696	14%	9%	72%	4%	1%
	Treatment plants	832	500	140	244	9,347	15,662	27%	45%	7%	20%	1%
	Sub-total	4,265	3,431	555	472	41,498	66,117	42.6%	42.1%	8.9%	5.5%	0.9%

Federation 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
Sewerage network	Sewerage network	40	40	94	76	7,054	8,692	0%	100%	0%	0%	0%
	Mains	350	340	115	180	25,528	39,260	65%	33%	0%	2%	0%
	Pumping stations	423	423	60	162	1,539	2,817	45%	42%	10%	3%	0%
	Treatment	1,375	1,375	140	124	13,835	20,777	64%	13%	13%	10%	0%
	Manholes	450	350	15	16	4,338	6,324	57%	37%	6%	0%	0%
	Sub-total	2,638	2,528	424	558	52,294	77,870	56.1%	35.8%	4.3%	3.8%	0.0%
Stormwater	Stormwater drainage	58	58	168	142	30,472	36,394	94%	6%	0%	0%	0%
	Sub-total	58	58	168	142	30,472	36,394	94.0%	6.0%	0.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	2,636	1,576	76	38	2,923	5,492	6%	6%	30%	10%	48%
	Boat ramps	15	15	15	10	171	336	20%	20%	55%	5%	0%
	Playground equipment	110	80	36	17	864	1,097	0%	45%	30%	15%	10%
	Sub-total	2,761	1,671	127	65	3,958	6,925	5.7%	12.9%	31.2%	10.5%	39.7%
TOTAL – ALL ASSETS		21,508	16,957	5,340	3,852	470,727	628,781	56.9%	27.3%	11.3%	3.4%	1.1%

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

Federation 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⁾	<u>10,004</u>				
Depreciation, amortisation and impairment	<u>12,424</u>	80.52%	108.51%		>= 100%
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>21,508</u>				
Net carrying amount of infrastructure assets	<u>474,594</u>	4.53%	5.81%		< 2.00%
3. Asset maintenance ratio					
Actual asset maintenance	<u>3,852</u>				
Required asset maintenance	<u>5,340</u>	72.13%	95.79%		> 100%
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>16,957</u>				
Gross replacement cost	<u>628,781</u>	2.70%	3.73%		

Notes

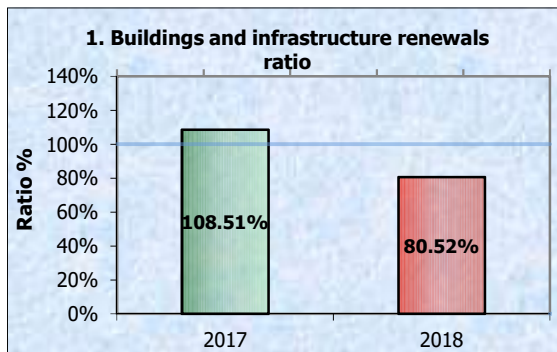
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽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.

Federation Council

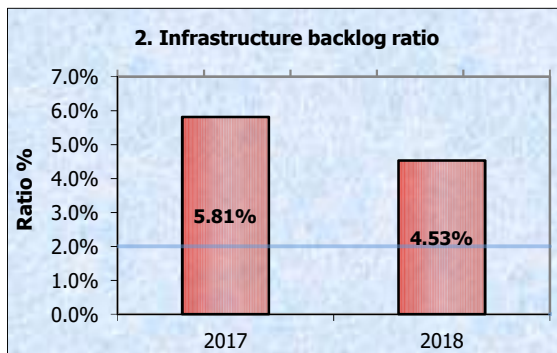
Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Commentary on 2017/18 result	
2017/18 Ratio	80.52%
<p>The 2018 ratio has been distorted by the revaluation of this asset class. If that revaluation is excluded the performance would be above benchmark.</p>	

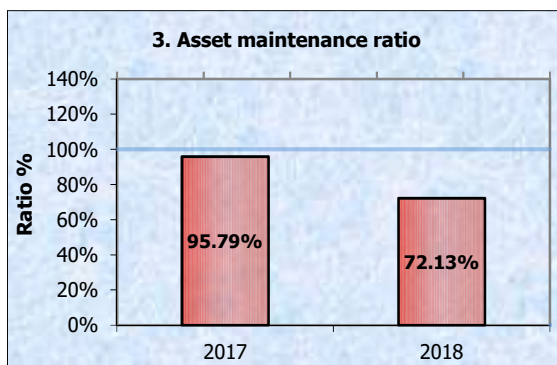
■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Commentary on 2017/18 result	
2017/18 Ratio	4.53%
<p>This ratio though decrease from 2017 to 2018 is still a concern for Council.</p>	

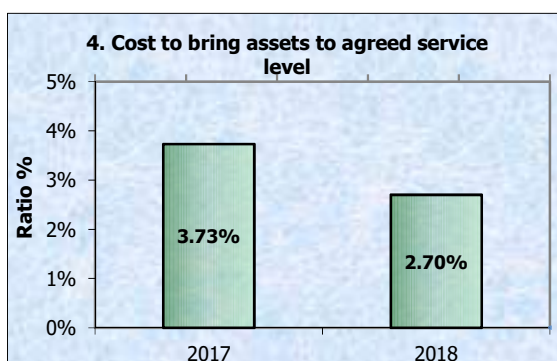
■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: ——— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Commentary on 2017/18 result	
2017/18 Ratio	72.13%
<p>In 2018, Council redirected funds to capital rehabilitation in lieu of maintenance and the flow on improvement in this ratio should be reflected in future years.</p>	

■ Ratio achieves benchmark
■ Ratio is outside benchmark



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

Commentary on 2017/18 result	
2017/18 Ratio	2.70%
<p>Council plans to consult with the Federation community to discuss service level expectation and technical asset conditions.</p>	

Federation 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⁾	97.82%	110.85%	0.00%	132.69%	0.00%	63.26%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	3.84%	5.01%	10.28%	10.62%	5.04%	6.45%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	64.71%	98.61%	85.05%	69.19%	131.60%	101.42%	> 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	2.27%	3.18%	5.19%	6.80%	3.25%	4.55%	
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.