

Goldenfields Water County Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"Committed to provide regional economic opportunity and lifestyle choices through provision of a quality water supply by innovative leadership showing environmental responsibility in cooperation with the community, constituent councils and governments"



Goldenfields Water County Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

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

84 Parkes Street
TEMORA NSW 2666

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.gwcc.nsw.gov.au.

Goldenfields Water County 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 23 August 2018.



Dennis Palmer
Chairman
23 August 2018



David McCann
Deputy Chairman
23 August 2018



Darryl Hancock
General Manager
23 August 2018



Ian Graham
Responsible Accounting Officer
23 August 2018

Goldenfields Water County Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
4,812	Rates and annual charges	3a	4,968	4,772
14,214	User charges and fees	3b	16,129	13,769
1,460	Interest and investment revenue	3c	1,500	1,379
92	Other revenues	3d	119	144
198	Grants and contributions provided for operating purposes	3e,f	218	116
985	Grants and contributions provided for capital purposes	3e,f	2,009	876
Other income:				
–	Net gains from the disposal of assets	5	–	89
21,761	Total income from continuing operations		24,943	21,145
Expenses from continuing operations				
5,940	Employee benefits and on-costs	4a	7,028	6,343
2,135	Materials and contracts	4b	2,425	1,741
4,996	Depreciation and amortisation	4c	6,783	5,758
3,477	Other expenses	4d	4,716	3,462
–	Net losses from the disposal of assets	5	244	–
16,548	Total expenses from continuing operations		21,196	17,304
5,213	Operating result from continuing operations		3,747	3,841
5,213	Net operating result for the year		3,747	3,841
5,213	Net operating result attributable to Council		<u>3,747</u>	<u>3,841</u>
4,228	Net operating result for the year before grants and contributions provided for capital purposes		1,738	2,965

Goldenfields Water County Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		3,747	3,841
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	5,023	40,404
Total items which will not be reclassified subsequently to the operating result		5,023	40,404
Total other comprehensive income for the year		5,023	40,404
Total comprehensive income for the year		8,770	44,245
Total comprehensive income attributable to Council		8,770	44,245

Goldenfields Water County Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,151	6,129
Investments	6b	12,000	27,000
Receivables	7	6,538	5,867
Inventories	8	540	637
Other	8	40	116
Total current assets		20,269	39,749
Non-current assets			
Investments	6b	36,000	14,000
Infrastructure, property, plant and equipment	9	259,936	253,898
Total non-current assets		295,936	267,898
TOTAL ASSETS		316,205	307,647
LIABILITIES			
Current liabilities			
Payables	10	1,113	919
Income received in advance	10	158	777
Borrowings	10	13	–
Provisions	11	1,801	1,605
Total current liabilities		3,085	3,301
Non-current liabilities			
Payables	10	2	2
Provisions	11	23	19
Total non-current liabilities		25	21
TOTAL LIABILITIES		3,110	3,322
Net assets		313,095	304,325
EQUITY			
Accumulated surplus	12	91,357	87,610
Revaluation reserves	12	221,738	216,715
Total equity		313,095	304,325

Goldenfields Water County Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		87,610	216,715	304,325	83,769	176,311	260,080
Net operating result for the year prior to correction of errors and changes in accounting policies		3,747	–	3,747	3,841	–	3,841
Net operating result for the year		3,747	–	3,747	3,841	–	3,841
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	5,023	5,023	–	40,404	40,404
Other comprehensive income		–	5,023	5,023	–	40,404	40,404
Total comprehensive income (c&d)		3,747	5,023	8,770	3,841	40,404	44,245
Equity – balance at end of the reporting period		91,357	221,738	313,095	87,610	216,715	304,325

Goldenfields Water County Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
4,812	Annual charges		5,036	4,624
14,304	User charges and fees		15,080	13,345
1,460	Investment and interest revenue received		1,404	1,337
1,283	Grants and contributions		2,222	1,053
	Bonds, deposits and retention amounts received		20	–
92	Other		1,335	159
Payments:				
(5,940)	Employee benefits and on-costs		(6,682)	(5,943)
(2,275)	Materials and contracts		(3,146)	(2,311)
–	Borrowing costs		–	–
–	Bonds, deposits and retention amounts refunded		–	(7)
(3,517)	Other		(5,218)	(3,146)
10,219	Net cash provided (or used in) operating activities	13b	10,051	9,111
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		22,000	–
690	Sale of infrastructure, property, plant and equipment		781	1,621
Payments:				
(2,000)	Purchase of investment securities		(29,000)	(3,000)
(8,764)	Purchase of infrastructure, property, plant and equipment		(8,823)	(5,038)
(10,074)	Net cash provided (or used in) investing activities		(15,042)	(6,417)
Cash flows from financing activities				
Receipts:				
Nil				
145	Net increase/(decrease) in cash and cash equivalents		(4,991)	2,694
4,129	Plus: cash and cash equivalents – beginning of year	13a	6,129	3,435
4,274	Cash and cash equivalents – end of the year	13a	1,138	6,129
Additional Information:				
	plus: Investments on hand – end of year	6b	48,000	41,000
	Total cash, cash equivalents and investments		49,138	47,129

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Goldenfields Water County 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 23/08/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 19 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 17 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

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

Significant judgements in applying the Council's accounting policies

- (iii) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations (Water Services)

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 does has not yet determined if any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

Goldenfields Water County 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.

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.

- AASB 16 *Leases*

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

If Council engages in leasing in future a liability will need to be included in the Statement of Financial Position once the standard comes into effect.

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Water supplies	24,943	21,145	21,196	17,304	3,747	3,841	144	94	316,135	307,647
Total functions and activities	24,943	21,145	21,196	17,304	3,747	3,841	144	94	316,205	307,647

Goldenfields Water County 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:

Water supplies

Council is responsible for water supply functions within the Local Government areas of Bland, Coolamon, Cootamundra (rural only), Junee, Temora and part of Narrandera.

Council also supplies bulk water to Cootamundra (town) and Hilltops Shire Council.

Council does not undertake any other functions.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Annual charges		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Water availability charges		
– Residential	1,488	1,433
– Non-residential	908	874
– Rural	1,359	1,319
– Bulk supplies to councils	1,366	1,318
Less: pensioner rebates (mandatory)	(153)	(172)
Total annual charges	4,968	4,772
<u>TOTAL ANNUAL CHARGES</u>	<u>4,968</u>	<u>4,772</u>
Accounting policy for annual charges		
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 annual charges is obtained when the account is raised as it is an enforceable debt linked to the property.		
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Residential	4,735	4,212
Non residential	2,281	2,093
Rural	3,901	3,237
Bulk supplies to councils	4,502	3,953
Total specific user charges	15,419	13,495
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Connection application fees	45	40
Disconnection fees	70	4
Inspection services	14	–
Private works	296	18
Section 603 certificates	48	44
Tapping fees	153	108
Total fees and charges – statutory/regulatory	626	214

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles	84	60
Total fees and charges – other	84	60
TOTAL USER CHARGES AND FEES	16,129	13,769
Accounting policy for user charges and fees		
User charges and fees are recognised as revenue when the service has been provided.		
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	47	52
– Cash and investments	1,453	1,327
TOTAL INTEREST AND INVESTMENT REVENUE	1,500	1,379
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	47	52
General Council cash and investments	1,453	1,327
Total interest and investment revenue recognised	1,500	1,379
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	64	62
Diesel rebate	6	5
New data networks	17	10
Sale of old materials	3	30
Statecover insurance rebates	21	20
Statewide insurance rebates	6	9
Other	2	8
TOTAL OTHER REVENUE	119	144

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

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.

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

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

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
Specific purpose				
Pensioners' rates subsidies:				
– Water	84	94	–	–
Smarter Communities	60	–	–	–
Total specific purpose	144	94	–	–
Total grants	144	94	–	–
Grant revenue is attributable to:				
– State funding	144	94	–	–
	144	94	–	–

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions				
Cash contributions				
LSL contributions from other councils	74	22	–	–
Water supplies – headworks contributions	–	–	2,009	876
Total other contributions – cash	74	22	2,009	876
Total other contributions	74	22	2,009	876
Total contributions	74	22	2,009	876
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>218</u>	<u>116</u>	<u>2,009</u>	<u>876</u>

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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	4,595	4,039
Employee termination costs (where material – other than vested leave paid)	11	62
Travel expenses	341	341
Employee leave entitlements (ELE)	753	599
ELE on-costs	66	64
Superannuation	851	748
Workers' compensation insurance	102	98
Fringe benefit tax (FBT)	119	95
Payroll tax	283	268
Training costs (other than salaries and wages)	174	197
Protective clothing	43	35
Recruitment costs	96	69
Other	157	136
Total employee costs	7,591	6,751
Less: capitalised costs	(563)	(408)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>7,028</u>	<u>6,343</u>
Number of 'full-time equivalent' employees (FTE) at year end	57	53

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 15 for more information.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(b) Materials and contracts		
Raw materials and consumables	7,825	6,018
Contractor and consultancy costs	93	–
– Local Land Services (GWCC Wildlife Corridor Management)	36	153
– Open Spatial (managed services)	54	80
– Planet Footprint (electricity monitoring)	25	25
– Taggle Systems (data fees)	84	42
– Asset Revaluation	61	15
– Web site Corporate document	60	–
– Business Continuity Plan	33	–
– I P & R	24	–
– Temporary staff costs	104	–
Auditors remuneration ⁽¹⁾	54	37
Legal expenses:		
– Legal expenses: debt recovery	63	–
– Legal expenses: other	69	36
Purchase of water	80	72
Total materials and contracts	8,665	6,478
Less: capitalised costs	(6,240)	(4,737)
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>2,425</u>	<u>1,741</u>

Goldenfields Water County Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(b) Materials and contracts (continued)		
(1) Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	28	27
Remuneration for audit and other assurance services	28	27
Total Auditor-General remuneration	28	27
Non NSW Auditor-General audit firms:		
(ii) Audit and other assurance services		
Audit and review of financial statements	–	10
Internal Audit costs	17	–
Other audit and assurance services	9	–
Remuneration for audit and other assurance services	26	10
Total remuneration of non NSW Auditor-General audit firms	26	10
Total Auditor remuneration	54	37

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(c) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		687	645
Office equipment		91	42
Furniture and fittings		11	6
Infrastructure:			
– Buildings – non-specialised		94	121
– Water mains		3,354	3,253
– Reservoirs		1,394	639
– Pumping stations		521	626
– Treatment plants		561	371
– Bores		70	55
Total depreciation and amortisation costs		6,783	5,758
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		6,783	5,758

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

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

Impairment of non-financial assets

Assets that have an indefinite 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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Other expenses		
Advertising	92	25
Bad and doubtful debts	1	–
Bank charges	11	14
Cleaning	49	48
Collection agencies	71	61
Computer software charges	160	68
Members expenses – chairperson’s fee	17	15
Members expenses – members fees	78	72
Members expenses (incl. chairperson) – other (excluding fees above)	19	15
Donations, contributions and assistance to other organisations (Section 356)	278	355
Electricity and heating	3,231	2,089
Insurance	236	234
Postage	57	30
Printing and stationery	61	46
Subscriptions and publications	91	93
Telephone and communications	201	242
Council land rates	38	26
Other	25	29
Total other expenses	4,716	3,462
<u>TOTAL OTHER EXPENSES</u>	<u>4,716</u>	<u>3,462</u>

Accounting policy for other expenses

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		117	998
Less: carrying amount of property assets sold/written off		(93)	(892)
Net gain/(loss) on disposal		24	106
Plant and equipment	9		
Proceeds from disposal – plant and equipment		664	623
Less: carrying amount of plant and equipment assets sold/written off		(763)	(640)
Net gain/(loss) on disposal		(99)	(17)
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(169)	–
Net gain/(loss) on disposal		(169)	–
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		22,000	17,700
Less: carrying amount of financial assets sold/redeemed/matured		(22,000)	(17,700)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(244)</u>	<u>89</u>

Accounting policy for disposal of assets

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents

Cash on hand and at bank	1	979
Cash-equivalent assets		
– Deposits at call	1,150	5,150
Total cash and cash equivalents	1,151	6,129

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'Held to maturity'	12,000	36,000	27,000	14,000
Total investments	12,000	36,000	27,000	14,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	13,151	36,000	33,129	14,000
Held to maturity investments				
Long term deposits	12,000	36,000	27,000	14,000
Total	12,000	36,000	27,000	14,000

Accounting policy for investments

Classification

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

(a) 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.

Goldenfields Water County 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		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	13,151	36,000	33,129	14,000
attributable to:				
External restrictions (refer below)	–	–	–	–
Internal restrictions (refer below)	8,831	36,000	22,574	14,000
Unrestricted	4,320	–	10,555	–
	13,151	36,000	33,129	14,000

\$ '000	2018		2017	
Details of restrictions				
Internal restrictions				
Plant and vehicle replacement		1,005		1,200
Infrastructure replacement		37,064		31,880
Employees leave entitlement		1,608		1,485
Carry over works		3,125		–
Deposits, retentions and bonds		29		9
Sales fluctuation reserve		2,000		2,000
Total internal restrictions		44,831		36,574
TOTAL RESTRICTIONS		44,831		36,574

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Availability (access) charges	1,311	–	1,373	–
Interest and extra charges	77	–	89	–
User charges and fees	3,797	–	3,304	–
Accrued revenues				
– Interest on investments	647	–	539	–
Deferred developer contributions	504	–	482	–
Government grants and subsidies	99	–	94	–
Net GST receivable	115	–	–	–
Other debtors	4	–	9	–
Total	6,554	–	5,890	–
Less: provision for impairment				
User charges and fees	(16)	–	(23)	–
Total provision for impairment – receivables	(16)	–	(23)	–
TOTAL NET RECEIVABLES	6,538	–	5,867	–

There are no restrictions applicable to the above assets.

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	23	25
+ new provisions recognised during the year	14	–
– amounts already provided for and written off this year	(21)	(2)
Balance at the end of the year	16	23

Accounting policy for receivables**Recognition and measurement**

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 included in (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables are generally due for settlement within 30 days.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	540	–	637	–
Total inventories at cost	540	–	637	–
TOTAL INVENTORIES	540	–	637	–
(b) Other assets				
Prepayments	40	–	116	–
TOTAL OTHER ASSETS	40	–	116	–

Externally restricted assets

There are no restrictions applicable to the above assets.

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.

Goldenfields Water County Council

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

Note 9. 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	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000											
Capital work in progress	–	–	–	1,213	3,680	–	–	–	4,893	–	4,893
Plant and equipment	8,481	2,462	6,019	1,335	–	(763)	(687)	–	8,884	2,980	5,904
Office equipment	495	158	337	215	–	–	(91)	–	710	249	461
Furniture and fittings	140	47	93	–	–	–	(11)	–	140	58	82
Land:											
– Operational land	2,409	–	2,409	95	–	(29)	–	262	2,737	–	2,737
Infrastructure:											
– Buildings – non-specialised	5,690	1,391	4,299	–	659	(64)	(94)	(178)	6,574	1,952	4,622
– Water mains	280,354	131,760	148,594	270	279	–	(3,354)	3,830	286,837	137,218	149,619
– Reservoirs	81,158	22,382	58,776	234	–	–	(1,394)	1,011	82,862	24,235	58,627
– Pumping stations	21,476	7,086	14,390	416	–	(107)	(521)	47	21,927	7,702	14,225
– Treatment plants	22,200	5,418	16,782	290	–	–	(561)	62	22,666	6,093	16,573
– Bores	2,759	560	2,199	137	–	(62)	(70)	(11)	2,817	624	2,193
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	425,162	171,264	253,898	4,205	4,618	(1,025)	(6,783)	5,023	441,047	181,111	259,936

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

Water 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	Buildings	Years
Office equipment	5 to 10	Buildings: masonry	50 to 100
Office furniture	10 to 20	Buildings: other	20 to 40
Computer equipment	4		
Vehicles	5 to 8		
Heavy plant/road making equipment	5 to 8		
Other plant and equipment	5 to 15		
Water assets			
Dams and reservoirs	80 to 100		
Bores	20 to 40		
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		

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.

Goldenfields Water County Council

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

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	698	–	636	–
Accrued expenses:				
– Salaries and wages	248	–	12	–
– Employee expense on-costs	124	2	136	2
– Other expenditure accruals	14	–	126	–
Security bonds, deposits and retentions	29	–	9	–
Total payables	1,113	2	919	2
Income received in advance				
Payments received in advance	158	–	777	–
Total income received in advance	158	–	777	–
Borrowings				
Bank overdraft	13	–	–	–
Total borrowings	13	–	–	–
TOTAL PAYABLES AND BORROWINGS	1,284	2	1,696	2
Internally restricted assets				
Security bonds, deposits and retentions	8	–	9	–
Payables and borrowings relating to internally restricted assets	8	–	9	–
Total payables and borrowings relating to restricted assets	8	–	9	–
Total payables and borrowings relating to unrestricted assets	1,276	2	1,687	2
TOTAL PAYABLES AND BORROWINGS	1,284	2	1,696	2

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ⁽¹⁾	500	500
Credit cards/purchase cards	80	89
Total financing arrangements	580	589
Drawn facilities as at balance date:		
– Credit cards/purchase cards	–	15
Total drawn financing arrangements	–	15
Undrawn facilities as at balance date:		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	80	74
Total undrawn financing arrangements	580	574

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

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.

Goldenfields Water County Council

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

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	511	–	577	–
Long service leave	1,077	22	889	18
Accrued leave	55	–	–	–
ELE on-costs	158	1	139	1
<u>TOTAL PROVISIONS</u>	<u>1,801</u>	<u>23</u>	<u>1,605</u>	<u>19</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Internally restricted assets				
Employee benefits	1,643	22	1,466	18
Provisions relating to internally restricted assets	1,643	22	1,466	18
Total provisions relating to restricted assets	1,643	22	1,466	18
Total provisions relating to unrestricted assets	158	1	139	1
TOTAL PROVISIONS	<u>1,801</u>	<u>23</u>	<u>1,605</u>	<u>19</u>

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

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,271	1,184
	<u>1,271</u>	<u>1,184</u>

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	577	–	907	140	–	1,624	
Additional provisions	316	–	281	19	55	671	
Amounts used (payments)	(382)	–	(89)	–	–	(471)	
Total ELE provisions at end of year	511	–	1,099	159	55	1,824	

2017	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	471	–	891	103	–	1,465	
Additional provisions	325	–	133	74	–	532	
Amounts used (payments)	(219)	–	(117)	(37)	–	(373)	
Total ELE provisions at end of year	577	–	907	140	–	1,624	

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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual 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 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.

Employee Leave Entitlement On-cost

Obligations for payment of superannuation contributions, in the future relating to the accrued leave, has been included as Employee Leave Entitlements On-costs.

Obligations relating to Workers Compensation and Payroll Tax arising from these future payments have been recognised and shown in note 10 payables and Borrowings as Employee Expense Oncosts

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

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,151	6,129
Less bank overdraft	10	(13)	–
Balance as per the Statement of Cash Flows		1,138	6,129
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,747	3,841
Adjust for non-cash items:			
Depreciation and amortisation		6,783	5,758
Net losses/(gains) on disposal of assets		244	(89)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(664)	(602)
Increase/(decrease) in provision for doubtful debts		(7)	–
Decrease/(increase) in inventories		97	(20)
Decrease/(increase) in other assets		76	37
Increase/(decrease) in payables		62	(43)
Increase/(decrease) in other accrued expenses payable		124	(14)
Increase/(decrease) in other liabilities		(611)	84
Increase/(decrease) in employee leave entitlements		200	159
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,051	9,111

Goldenfields Water County Council

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

Note 14. Commitments for expenditure

\$ '000	2018	2017
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	50	381
Design & Construct Reservoirs	945	–
Total commitments	995	381
These expenditures are payable as follows:		
Within the next year	525	381
Later than one year and not later than 5 years	470	–
Total payable	995	381
Sources for funding of capital commitments:		
Unrestricted general funds	945	–
Internally restricted reserves	50	381
Total sources of funding	995	381
Details of capital commitments		
Tender no 11/2017		
Tender no 10/2017		
Tender no 01/2018		

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. 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 That is a multi-employer plan.

(a) Funding arrangements, including methodology to determine rate of contributions and any minimum funding arrangements

Pooled Employers are required to pay standard employer contributions and lump sum contributions to the Fund. The standard employer contributions were determined using the new entrant rate method under which a contribution The current standard employer contribution rates are:

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

The additional lump sum contributions for each Pooled Employer is a share of the total additional contributions of \$40.0 Million per annum 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. The additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

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

(b) Extent to which Council may be liable to plan the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

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 for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan where 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

(c) Description of any agreed allocation of a deficit or surplus on:

i. Wind-up of the plan

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

ii. entity's withdrawal from the plan

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan

i. the fact the plan is a defined benefit plan

Council confirms that the plan is a defined benefit plan.

ii. why sufficient information is not available to enable Council to account for the plan as a defined benefit plan.

1. Assets are not segregated within the sub-group according to the employees of each sponsoring employer
 2. The contribution rates have been the same for all sponsoring employers and have not varied for each employer according to the experience relating to the employees of that employer;
 3. Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
 4. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer
- Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by the members). As such we do not believe that there is 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 be for a single employer sponsored defined benefit plan

iii. the expected contribution to the plan for the next annual reporting period

The expected contributions by Council to the Fund for the next annual reporting period are \$106,380.00

iv. information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity

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

Employer Reserves only*	\$M	Asset Coverage
Assets	1817.8	
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 (plus promotional increases)	3.5% per annum
Increase in CPI	2.5% per annum

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.

v. an indication of the level of Council's participation in the plan compared with other participating entities

Council's participation in the Scheme compared with other entities is about 0.31% based on the Council's current level of annual additional contributions against total contributions. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

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.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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.

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	1,151	6,129	1,151	6,129
Investments				
– 'Held to maturity'	48,000	41,000	48,000	41,000
Receivables	6,538	5,867	6,538	5,866
Total financial assets	55,689	52,996	55,689	52,995
Financial liabilities				
Bank overdraft	13	–	13	–
Payables	1,115	921	1,115	921
Total financial liabilities	1,128	921	1,128	921

Fair value is determined as follows:

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	500	500	500	500
2017				
Possible impact of a 1% movement in interest rates	471	471	(471)	(471)

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) 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 consumers to pay their bills by the due date through incentives.

Credit risk on annual charges and consumption is minimised by the ability 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 annual charges and user 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 quarterly 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)	71%	64%	68%	71%
Overdue	29%	36%	32%	29%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	1,079	1,126
< 1 year overdue	132	137
1 – 2 years overdue	39	110
2 – 5 years overdue	61	–
	<u>1,311</u>	<u>1,373</u>

Other receivables

Current	4,224	3,523
0 – 30 days overdue	656	678
31 – 60 days overdue	–	316
> 91 days overdue	363	–
	<u>5,243</u>	<u>4,517</u>

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
			1 – 5 Years	> 5 Years		
2018						
Bank overdraft	13	-	-	-	13	13
Trade/other payables	29	1,112	-	-	1,141	1,115
Total financial liabilities	42	1,112	-	-	1,154	1,128
2017						
Trade/other payables	9	912	-	-	921	921
Total financial liabilities	9	912	-	-	921	921

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. 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	4,812	4,968	156	3%	F
User charges and fees	14,214	16,129	1,915	13%	F
Water consumption revenue was up \$1.924M due to demand and fee increases from prior year.					
Interest and investment revenue	1,460	1,500	40	3%	F
Other revenues	92	119	27	29%	F
Insurance rebate under estimated by \$14K, Data network fees not estimated \$17K					
Operating grants and contributions	198	218	20	10%	F
Contributions from other Councils for LSL was under estimated by \$67K Smart Cities & Suburbs grant is staged grant but total included in estimate overstated by \$40K					
Capital grants and contributions	985	2,009	1,024	104%	F
Developer contributions greater than original estimate due to Manadmah development stage 1 \$936K					

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	5,940	7,028	(1,088)	(18%) U
Accrued wages for \$219K, recognition of accrued leave \$55K, Increased superannuation \$100K, under estimate due internal eliminations \$528K, new positions during year approx \$200K, payroll tax \$40K higher than original estimate.				
Materials and contracts	2,135	2,425	(290)	(14%) U
Additional private works \$22K, Temp staff costs \$104K				
Depreciation and amortisation	4,996	6,783	(1,787)	(36%) U
Due to revaluation in 16/17 effecting actual depreciation charges for 17/18				
Other expenses	3,477	4,716	(1,239)	(36%) U
Electricity costs increased during the year relating to higher demand usage and a new supply contract price				
Net losses from disposal of assets	–	244	(244)	0% U
Original estimate did not include any estimates for disposal of assets.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	10,219	10,051	(168)	(1.6%) U
Cash flows from investing activities	(10,074)	(15,042)	(4,968)	49.3% U
Transfer of \$5m to long term investments.				

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date 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	various	–	–	5,904	5,904
Office Equipment	various	–	–	461	461
Furniture and Fittings	various	–	–	82	82
Operational Land	30/06/18	–	2,737	–	2,737
Buildings - Non Specialised	30/06/18	–	4,622	–	4,622
Water Mains	30/06/17	–	–	149,619	149,619
Reservoirs	30/06/17	–	–	58,627	58,627
Pumping Stations	30/06/17	–	–	14,225	14,225
Treatment Plants	30/06/17	–	–	16,573	16,573
Bores	30/06/17	–	–	2,193	2,193
	n/a	–	–	–	–
Total infrastructure, property, plant and equipment		–	7,359	247,684	255,043
2017					
Infrastructure, property, plant and equipment					
Plant and Equipment	Various	–	–	6,019	6,019
Office Equipment	Various	–	–	337	337
Furniture and Fittings	Various	–	–	93	93
Operational Land	30/06/08	–	2,409	–	2,409
Buildings - Non Specialised	30/06/12	–	4,299	–	4,299
Water Mains	30/06/17	–	–	148,594	148,594
Reservoirs	30/06/17	–	–	58,776	58,776
Pumping Stations	30/06/17	–	–	14,390	14,390
Treatment Plants	30/06/17	–	–	16,782	16,782
Bores	30/06/17	–	–	2,199	2,199
Total infrastructure, property, plant and equipment		–	6,708	247,190	253,898

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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

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

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

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

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

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at depreciated historical cost.

The carrying amount of these assets approximates fair value due to the nature of the items. Council values Plant & Equipment, Office Equipment and Furniture & Fittings using unobservable Level 3 inputs including gross historical cost, estimated useful life of the asset and residual value.

Land - Operational

This asset class comprises of all of Council's land classified as Operational Land under the NSW Local Government Act 1993.

Land was revalued as at 30 June 2018 by Asset Val Pty Ltd

Where direct comparable sales evidence is used to value a parcel of land it is classed as a Level 2 input.

Buildings - Non Specialised

Buildings were valued at 30 June 2018 by Asset Val Pty Ltd.

Where direct comparable sales evidence is available the building is valued using observable Level 2 inputs.

Water Infrastructure

This asset class comprises of water mains, reservoirs, pumping stations, treatment plants & bores.

These asset classes were valued by Australis Pty Ltd as at 30 June 2017 using data unobservable in the market.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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

	IPP&E	Total
Opening balance – 1/7/16	208,924	208,924
Purchases (GBV)	4,136	4,136
Disposals (WDV)	(639)	(639)
Depreciation and impairment	(5,635)	(5,635)
FV gains – other comprehensive income	40,404	40,404
Closing balance – 30/6/17	247,190	247,190
Purchases (GBV)	3,176	3,176
Disposals (WDV)	(932)	(932)
Depreciation and impairment	(6,689)	(6,689)
FV gains – other comprehensive income	4,939	4,939
Closing balance – 30/6/18	247,684	247,684

(5). Highest and best use

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

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	689	555
Post-employment benefits	73	59
Other long-term benefits	166	10
Termination benefits	46	5
Total	974	629

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	(incl. loans and commitments) Actual \$		Actual \$	Actual \$
2018						
Supply and Service of Council vehicles	1	709,000	-	28-day terms on invoices	-	-
2017						
Supply and Service of Council Vehicles	1	683,000	53,000	28-day terms on invoices	-	-

- 1 Council purchased vehicles during the year from a company which has a member of Council's KMP as a director. The contract of supply of Council vehicles was awarded through a competitive tender process. Amounts were due payable under normal payment terms following procurement processes.

Goldenfields Water County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,982</u>	8.64%	14.25%	26.77%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>22,934</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>22,716</u>	91.07%	95.29%	93.58%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>24,943</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>20,269</u>	11.09x	18.78x	4.67x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>1,827</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>8,765</u>	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>–</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>1,388</u>	21.43%	23.84%	22.55%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>6,477</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>49,151</u>	39.20			
Payments from cash flow of operating and financing activities	<u>1,254</u>	mths	49.6 mths	49.4 mths	> 3 mths

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 10 and 11.

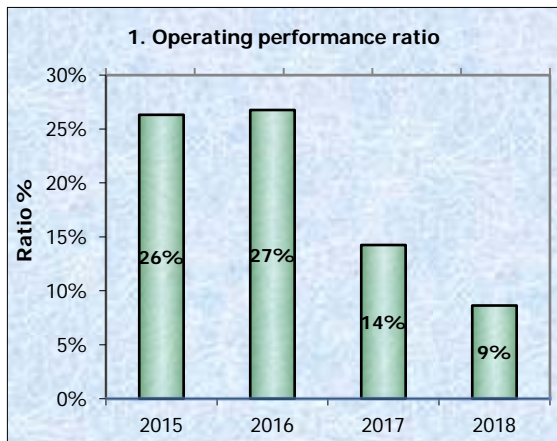
⁽⁴⁾ Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Goldenfields Water County Council

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

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



Purpose of operating performance ratio

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

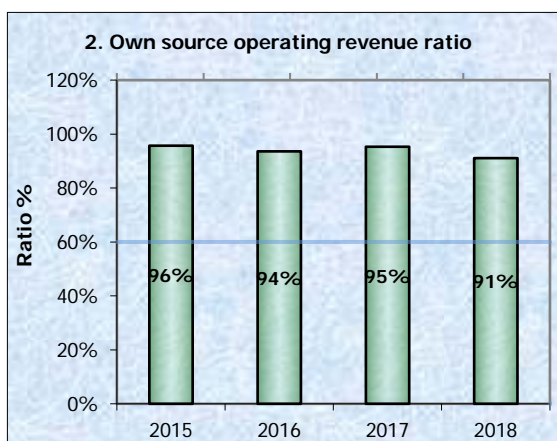
Commentary on 2017/18 result

2017/18 ratio 8.64%

The 2 major contributors to the deterioration of the ratio relates to an increase in electricity costs of > 100% and a significant increase in depreciation costs relating to the revaluation of assets in 16/17.

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.

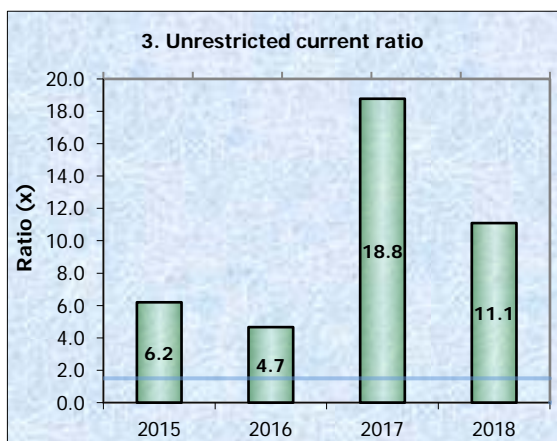
Commentary on 2017/18 result

2017/18 ratio 91.07%

The majority of revenue received is from customers with very little grants and developer contributions received.

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 11.09x

This ratio has been impacted by the decision to place invested money on long term investments and reduced short term investments to achieve a better return on investments.

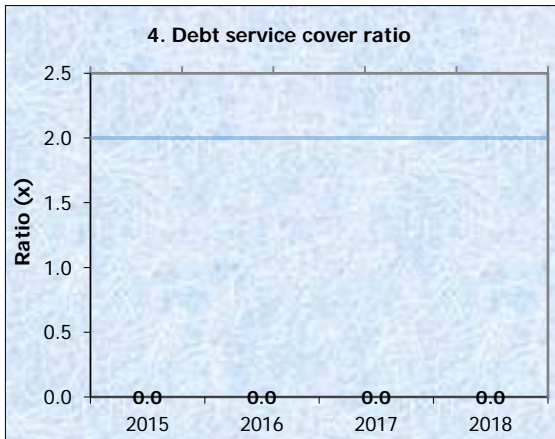
Benchmark: Minimum >=1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Goldenfields Water County Council

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

Note 20(b). 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

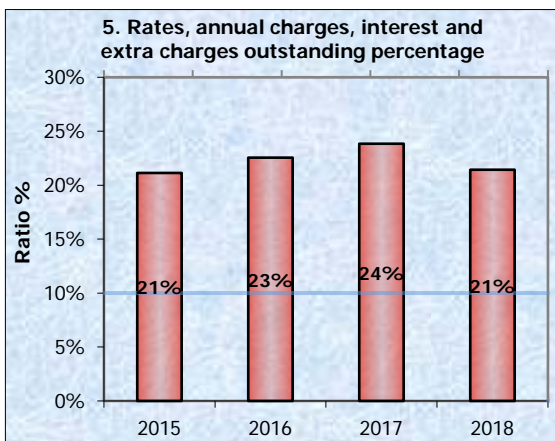
2017/18 ratio 0.00x

No loan borrowings

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

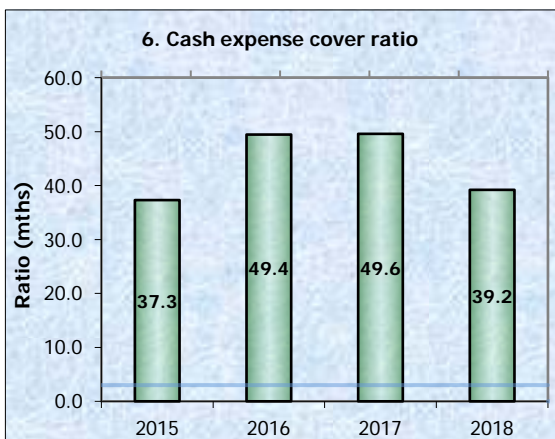
2017/18 ratio 21.43%

As the final quarterly billing is not carried out until 30 June there is usually around one quarter of debt outstanding as it is not due to be paid until the next financial year.

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 39.20 mths

There are significant funds being held in order to replace infrastructure when required.

Benchmark: ——— Minimum ≥ 3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Goldenfields Water County Council

To the Councillors of the Goldenfields Water County Council

Opinion

I have audited the accompanying financial report of the Goldenfields Water County 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.

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.

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 17 Material budget variations
- 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 'Yu Jiang'.

Reiky Jiang
Director, Financial Audit Services

11 October 2018
SYDNEY

Cr Dennis Palmer
Chairperson
Goldenfields Water County Council
PO Box 220
TEMORA NSW 2666

Contact: Reiky Jiang
Phone no: 02 9275 7100
Our ref: D1824581/1819

11 October 2018

Dear Cr Palmer

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Goldenfields Water County Council**






I have audited the general purpose financial statements of the Goldenfields Water County 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

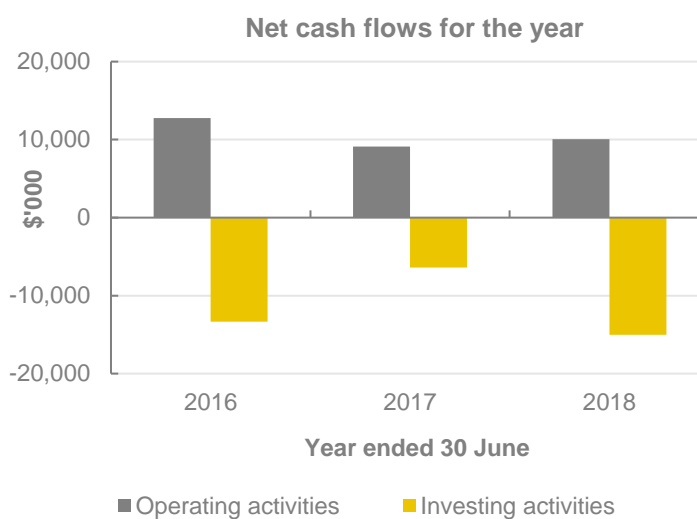
	2018 \$'000	2017 \$'000	Variance %
Rates and annual charges revenue	4,968	4,772	 4.1
User Charges and fees	16,129	13,769	 17.1
Grants and contributions revenue	2,227	992	 124.5
Operating result for the year	3,747	3,841	 2.4
Net operating result before capital amounts	1,738	2,965	 41.4

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

- The Council's operating result for the year was a surplus of \$3.75 million (\$3.84 million for the year ended 30 June 2017). The Council budgeted for a surplus of \$5.21 million.
- The Council's net operating result before capital grants and contributions was a surplus of \$1.74 million (\$2.97 million for the year ended 30 June 2017). The decrease of \$1.23 million from the 2016–17 result was mainly due to an increase in expenses from continuing operations.
- User charges and fees increased by \$2.36 million (17.1%) to \$16.13 million. The increase can be attributed to the dry and hot weather over the summer period which resulted in higher water sales (specific actual use charges) and bulk water sales to Councils compared to the previous year.
- Rates and annual charges revenue increased by \$196 thousand (4.1%) to \$4.97 million.
- Grants and contributions revenue increased by \$1.24 million (124.5%) to \$2.23 million due to higher than anticipated water supplies - augmentation contributions largely from the Manadamah development stage 1.
- Council's depreciation and amortisation expense increased by \$1.03 million to \$6.78 million (\$5.75 million for the year ended 30 June 2017). The increase can be attributed to the revaluation of infrastructure assets in the 2016–17 financial year.

STATEMENT OF CASH FLOWS

- Council recorded a net decrease in cash and cash equivalents of \$4.99 million at 30 June 2018 (net increase of \$2.69 million at 30 June 2017).
- Net cash provided by operating activities amounted to \$10.05 million. Council recorded cash receipts from rates and annual charges of \$5.04 million and user fees and charge of \$15.08 million. Council recorded \$6.68 million of cash payments for employee benefits and on-costs and \$3.15 million for materials and contracts.
- Net cash used in investing activities amounted to \$15.04 million. This is largely due to the net cash outflow of \$8.82 million for the purchase of infrastructure, property, plant and equipment and the net purchase of investment securities of \$7 million during the year.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	-	-	<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. The movement in the internally restricted cash balance is predominantly due to an increase in infrastructure replacement restrictions and carry over works. • Unrestricted cash has decreased due to the increase in internal restrictions from the prior year explained above.
Internal restrictions	44,831	36,574	
Unrestricted	4,329	10,555	
Cash and investments	49,151	47,129	

Debt

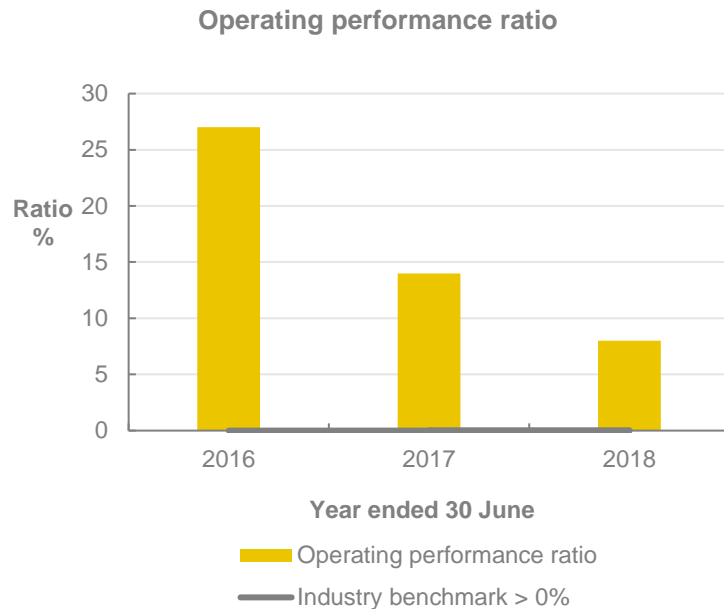
Council maintains a bank overdraft facility of \$0.5 million. As at 30 June 2018, Council has reported a bank overdraft of \$13 thousand at 30 June 2018 (2016: \$nil).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 20 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.

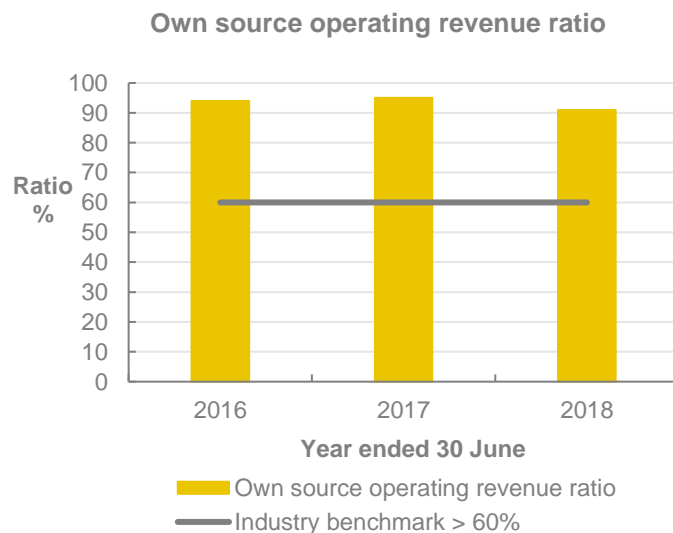
Operating performance ratio

- 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 8.64% is above the industry benchmark of greater than 0%.
- The operating performance ratio decreased to 8.64% (2017: 14.25%) predominately due to an increase in electricity expenses and an increase in depreciation from the 2017 valuation of infrastructure assets.



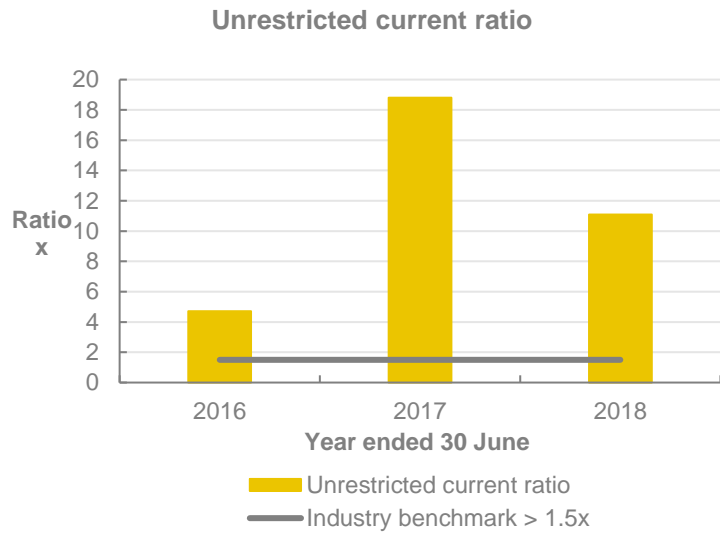
Own source operating revenue ratio

- 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 91.07% is above the industry benchmark of 60 per cent.
- The own source operating revenue ratio decreased to 91.07% (2017: 95.29%) due to the relative increase in grants and contributions during 2017-18.
- Council has met this benchmark as its main source of income is from water sales, rather than reliance on operating grants and contributions.



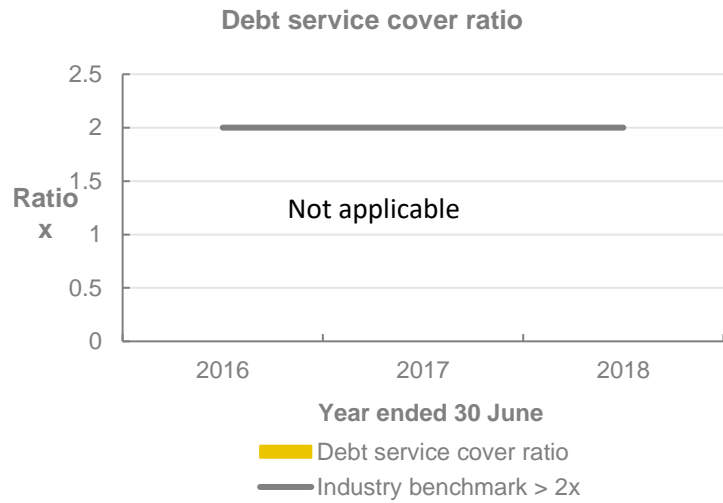
Unrestricted current ratio

- 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 11.09 times is greater than the industry benchmark set by OLG.
- The decrease in the ratio compared with prior year is due to a decrease in cash holdings impacted by a decision to place cash with longer term investments to achieve a better return.
- Overall, this ratio indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.



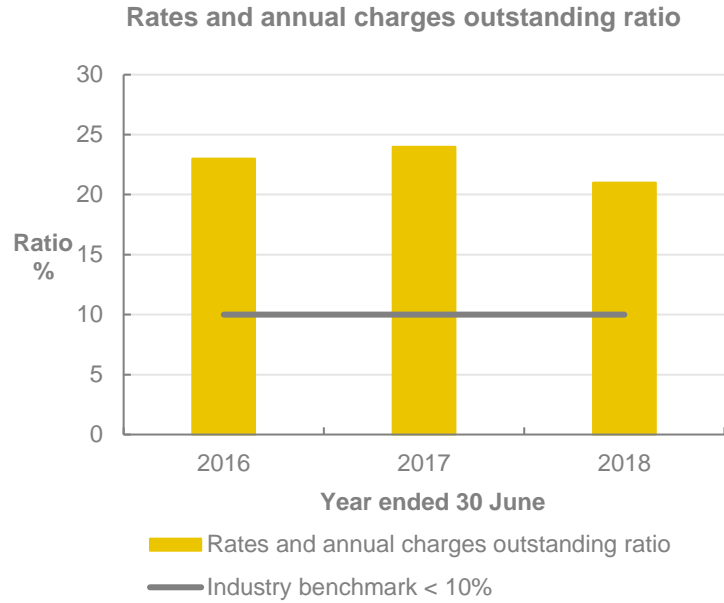
Debt service cover ratio

- 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.
- Council has a bank overdraft of \$13 thousand at 30 June 2018.



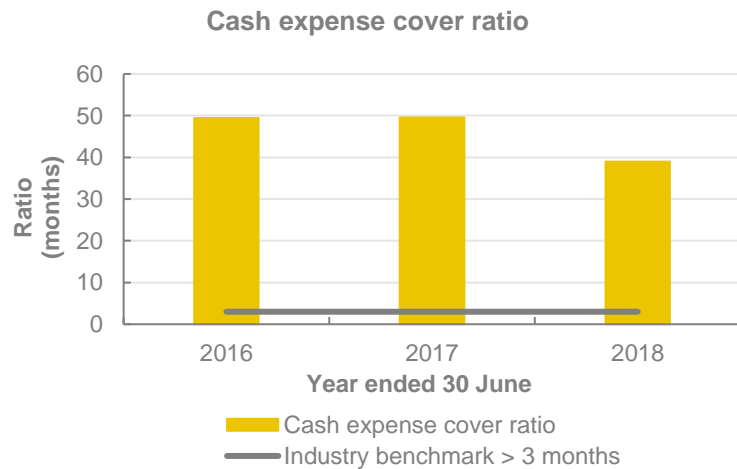
Rates and annual charges outstanding ratio

- 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 21.43% is outside the industry benchmark of less than 10 per cent for rural councils.
- Council continues to remain outside this benchmark and the result remains consistent with the prior periods due to rolling quarterly billing arrangements.
- The billing cycle of water county councils needs to be considered when assessing this ratio against other Councils.



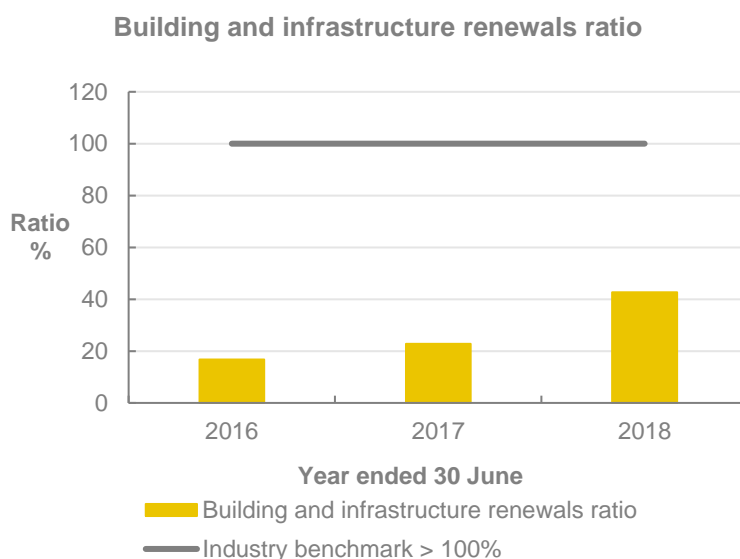
Cash expense cover ratio

- This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- Council has performed comfortably above the benchmark in both the current and prior periods, indicating a strong liquidity position.



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 per cent.
- Council has remained below the industry benchmark in the current and prior periods.
- This ratio is sourced from information contained in Council's Special Schedule 7 which has not been audited.



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 1.

AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 116 & 136

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

This Standard amends AASB 116 and 136 to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities. Instead it is accepted that the recoverable amount of non-cash-generating specialised assets is expected to be materially the same as fair value.

Council's disclosure of the changes in their assets arising from amendments in the standard is disclosed in Note 1.

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.



Reiky Jiang
Director, Financial Audit Services

11 October 2018
SYDNEY

cc: Mr Daryl Hancock, General Manager
Mr Peter McLean, Chair of Audit, Risk and Improvement Committee
Mr Ian Graham, Corporate Services Manager