

Bland Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

Bland Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	76
On the Financial Statements (Sect 417 [3])	79

Overview

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

6-10 Shire Street
West Wyalong NSW 2671

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.blandshire.nsw.gov.au

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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 statements:

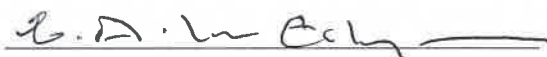
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 22 October 2019.



Brian Monaghan
Mayor
22 October 2019



Liz McGlynn
Councillor
22 October 2019



Raymond Smith
General Manager
22 October 2019



Leesa Bryant
Responsible Accounting Officer
22 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
8,903	Rates and annual charges	3a	9,052	8,671
1,551	User charges and fees	3b	3,102	1,440
348	Interest and investment revenue	3c	886	704
353	Other revenues	3d	536	412
9,291	Grants and contributions provided for operating purposes	3e,3f	12,623	12,070
3,095	Grants and contributions provided for capital purposes	3e,3f	8,237	1,664
<u>Other income:</u>				
—	Net gains from the disposal of assets	5	—	143
23,541	Total income from continuing operations		34,436	25,104
Expenses from continuing operations				
6,882	Employee benefits and on-costs	4a	6,750	6,573
55	Borrowing costs	4b	296	293
5,297	Materials and contracts	4c	6,377	5,954
7,761	Depreciation and amortisation	4d	8,836	8,507
2,210	Other expenses	4e	2,201	2,214
—	Net losses from the disposal of assets	5	656	—
22,205	Total expenses from continuing operations		25,116	23,541
1,336	Operating result from continuing operations		9,320	1,563
1,336	Net operating result for the year		9,320	1,563
1,336	Net operating result attributable to council		9,320	1,563
(1,759)	Net operating result for the year before grants and contributions provided for capital purposes		1,083	(101)

⁽¹⁾ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		9,320	1,563
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	22	(16,609)
Impairment (loss) reversal relating to IPP&E	9(a)	(13,921)	1,134
Total items which will not be reclassified subsequently to the operating result		(13,899)	(15,475)
Total other comprehensive income for the year		(13,899)	(15,475)
Total comprehensive income for the year		(4,579)	(13,912)
 Total comprehensive income attributable to Council		 (4,579)	 (13,912)

⁽¹⁾ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	6,352	3,551
Investments	6(b)	28,700	24,700
Receivables	7	1,384	1,387
Inventories	8a	854	704
Other	8b	—	102
Total current assets		37,290	30,444
Non-current assets			
Investments	6(b)	2,000	3,036
Receivables	7	189	108
Infrastructure, property, plant and equipment	9(a)	320,293	330,911
Investment property	10a	366	—
Other	8b	198	198
Total non-current assets		323,046	334,253
TOTAL ASSETS		360,336	364,697
LIABILITIES			
Current liabilities			
Payables	11	608	714
Income received in advance	11	413	303
Borrowings	11	93	147
Provisions	12	3,083	2,923
Total current liabilities		4,197	4,087
Non-current liabilities			
Payables	11	39	39
Borrowings	11	1,000	1,100
Provisions	12	4,703	4,495
Total non-current liabilities		5,742	5,634
TOTAL LIABILITIES		9,939	9,721
Net assets		350,397	354,976
EQUITY			
Accumulated surplus	13a	143,872	134,552
Revaluation reserves	13a	206,525	220,424
Council equity interest		350,397	354,976
Total equity		350,397	354,976

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		134,552	220,424	354,976	132,989	235,899	368,888
Net operating result for the year		9,320	–	9,320	1,563	–	1,563
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	22	22	–	(16,609)	(16,609)
– Impairment (loss) reversal relating to IPP&E	9(a)	–	(13,921)	(13,921)	–	1,134	1,134
Other comprehensive income		–	(13,899)	(13,899)	–	(15,475)	(15,475)
Total comprehensive income		9,320	(13,899)	(4,579)	1,563	(15,475)	(13,912)
Equity – balance at end of the reporting period		143,872	206,525	350,397	134,552	220,424	354,976

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
8,903	Rates and annual charges		8,921	8,613
1,551	User charges and fees		3,406	1,681
348	Investment and interest revenue received		790	592
12,386	Grants and contributions		20,860	13,801
353	Other		491	338
	<u>Payments</u>			
(6,882)	Employee benefits and on-costs		(6,705)	(6,533)
(5,625)	Materials and contracts		(6,623)	(5,591)
(55)	Borrowing costs		(296)	(80)
(2,380)	Other		(1,859)	(2,157)
8,599	Net cash provided (or used in) operating activities	14b	18,985	10,664
Cash flows from investing activities				
	<u>Receipts</u>			
100	Sale of real estate assets		75	39
349	Sale of infrastructure, property, plant and equipment		647	571
	<u>Payments</u>			
–	Purchase of investment securities		(2,973)	(9,500)
–	Purchase of investment property		(366)	–
–	Purchase of infrastructure, property, plant and equipment		(13,486)	(6,546)
–	Purchase of real estate assets		73	(10)
449	Net cash provided (or used in) investing activities		(16,030)	(15,446)
Cash flows from financing activities				
	<u>Payments</u>			
–	Repayment of borrowings and advances		(154)	(234)
–	Net cash flow provided (used in) financing activities		(154)	(234)
9,048	Net increase/(decrease) in cash and cash equivalents		2,801	(5,016)
–	Plus: cash and cash equivalents – beginning of year	14a	3,551	8,567
9,048	Cash and cash equivalents – end of the year	14a	6,352	3,551
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	30,700	27,736
9,048	Total cash, cash equivalents and investments		37,052	31,287

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	16
3	Income from continuing operations	17
4	Expenses from continuing operations	23
5	Gains or losses from the disposal, replacement and de-recognition of assets	27
6(a)	Cash and cash equivalent assets	27
6(b)	Investments	28
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	31
8	Inventories and other assets	33
9(a)	Infrastructure, property, plant and equipment	35
9(b)	Infrastructure, property, plant and equipment – current year impairments	38
10	Investment property	39
11	Payables and borrowings	40
12	Provisions	43
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	46
14	Statement of cash flows – additional information	47
15	Commitments	48
16	Contingencies and other assets/liabilities not recognised	49
17	Financial risk management	52
18	Material budget variations	56
19	Fair Value Measurement	58
20	Related Party Transactions	66
21	Events occurring after the reporting date	67
22	Statement of developer contributions	67
23	Financial result and financial position by fund	69
24(a)	Statement of performance measures – consolidated results	71
24(b)	Statement of performance measures – by fund	72
Additional Council disclosures (unaudited)		
24(c)	Statement of performance measures – consolidated results (graphs)	73
25	Council information and contact details	75

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 19/11/2019. 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.

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.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2018. The adoption of AASB 9 has impacted the following areas:

Classification and measurement of financial assets

AASB 9 allows for three classification categories for financial assets - amortised cost, fair value through other comprehensive income and fair value through profit or loss. Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of Council have remained at amortised cost, with the exception of the equity instruments. These equity instruments have transitioned from being held at cost (as an 'available-for-sale') under AASB 139, to fair value for profit or loss.

Council holds 2 \$1 shares (1 ordinary preference share and 1 redeemable preference share) in Southern Phone Company Limited. Council have assessed the fair value of these shares, and determined that the fair value of these shares is not materially different from the current recorded cost. This materiality assessment has been made in the context of Council's overall investment holding. As such, there was no transitional adjustment requirement as at 1 July 2018.

Impairment of financial assets

Council's financial assets carried at amortised cost are now subject to AASB 9's new three-stage expected credit loss model, from an incurred loss model. This means earlier recognition of expected credit losses.

Council has reviewed its receivables and does not anticipate losses greater than the current provision for impairment. Rates and charges are secured against the property. As such, there was no transitional adjustment requirement as at 1 July 2018.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) employee benefit provisions – refer Note 12
- (iii) estimated tip remediation provisions - refer Note 12.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations
- Sewerage service

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they could potentially have a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils has assessed each revenue stream particularly the impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council often auspices grants on on behalf of community groups and should those funds remain unspent in the financial year, under AASB15 the amounts would be held as a liability and recorded as income when spent.

AASB15 will have no impact on rates and charges paid in advance as Council has always accounted for these as a liability and recorded as income when spent.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The majority of capital grants are paid in arrears based on actual expenditure and therefore council will have met all obligations prior to receiving the grant payment.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Our People	1,814	2,120	2,581	2,372	(767)	(252)	2,089	1,787	–	–
Our Places	16,255	10,940	17,846	16,414	(1,591)	(5,474)	12,127	6,065	320,132	312,108
Our Leadership	16,118	11,799	3,505	3,475	12,613	8,324	4,636	4,537	–	–
Our Prosperity	249	245	1,184	1,280	(935)	(1,035)	72	84	40,044	33,779
Other	–	–	–	–	–	–	–	(67)	160	18,810
Total functions and activities	34,436	25,104	25,116	23,541	9,320	1,563	18,924	12,406	360,336	364,697

Notes to the Financial Statements

for the year ended 30 June 2019

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

Our People

Ensure health and support services address the needs of the community. Partner with organisations to strengthen community health and safety. Nurture a strong sense of community and enrich the cultural life of the residents. Ensure services are accessible for all residents.

Our Places

Work in partnership with key stakeholders to provide equitable access to Council's road infrastructure, services and facilities. Manage waste and recycling to improve the utilisation of existing resources, including exploring new technologies. Manage water and sewerage resources. Ensure that public places and facilities are well maintained and easily accessible. Develop, implement and monitor appropriate programs, plans and budgets for the effective and efficient management of Council's assets and infrastructure.

Our Leadership

To provide quality leadership, governance and management to develop strong community partnerships. Provide opportunities for all stakeholders to contribute to Council's decision making. Lead the community. Develop and maintain a framework of plans and policies that ensures open and transparent Council information.

Our Prosperity

Work with our communities and businesses to use our resources in a sustainable way for the future of the Bland Shire. Promote the Shire as a place to do business. Visitors and tourists are welcomed.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	1,123	1,063
Farmland	3,927	3,842
Mining	910	913
Business	479	465
Other	36	—
Rates levied to ratepayers	6,475	6,283
Pensioner rate subsidies received	41	41
Total ordinary rates	6,516	6,324
Special rates		
Sewerage services	1,480	1,394
Rates levied to ratepayers	1,480	1,394
Total special rates	1,480	1,394
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	761	696
Waste management services (non-domestic)	249	231
Annual charges levied	1,010	927
Pensioner subsidies received:		
– Sewerage	20	—
– Domestic waste management	26	26
Total annual charges	1,056	953
TOTAL RATES AND ANNUAL CHARGES	9,052	8,671

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	252	170
Sewerage services	42	15
Waste management services (non-domestic)	38	15
Total specific user charges	332	200
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	158	125
Private works – section 67	1,652	241
Section 603 certificates	14	16
Other	–	1
Total fees and charges – statutory/regulatory	1,824	383
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	1	2
Aged care	29	28
Cemeteries	108	98
Child care	217	206
Lease rentals	376	303
Leaseback fees – Council vehicles	49	45
RMS (formerly RTA) charges (state roads not controlled by Council)	22	14
Saleyards	39	47
Community amenities	80	78
Community development	5	7
Drainage diagrams	3	4
Libraries	4	5
Parks and gardens	–	4
Public health	13	16
Total fees and charges – other	946	857
TOTAL USER CHARGES AND FEES	3,102	1,440

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	41	42
– Cash and investments	845	657
Dividend income (other)	–	5
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>886</u>	<u>704</u>

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

Overdue rates and annual charges (general fund)	41	42
General Council cash and investments	833	650

Restricted investments/funds – external:

Sewerage fund operations	12	12
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Total interest and investment revenue	<u>886</u>	<u>704</u>
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Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Other revenues

Rental income – other council properties	45	55
Fines	2	2
Diesel rebate	112	92
Insurance claims recoveries	64	40
Sales – general	146	70
Donations	19	4
Paid parental leave	19	28
Staff contributions	4	13
WHS incentive	44	41
Other	81	67
<u>TOTAL OTHER REVENUE</u>	<u>536</u>	<u>412</u>

Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	4,636	4,490	–	–
Financial assistance – local roads component	3,006	2,911	–	–
Total general purpose	7,642	7,401	–	–
Specific purpose				
Aged care	87	60	–	–
Bushfire and emergency services	18	51	–	–
Community centres	201	248	–	–
Economic development	–	10	–	–
Employment and training programs	–	6	–	–
Heritage and cultural	12	12	–	–
Library	32	36	–	–
Library – special projects	–	–	–	200
Noxious weeds	60	62	–	–
Recreation and culture	–	–	810	201
Storm/flood damage	37	–	–	–
Street lighting	31	31	–	–
Transport (roads to recovery)	1,917	2,604	–	–
Transport (other roads and bridges funding)	–	272	6,340	–
Childrens services	1,086	993	–	–
Community services	651	70	–	149
Total specific purpose	4,132	4,455	7,150	550
Total grants	11,774	11,856	7,150	550
Grant revenue is attributable to:				
– Commonwealth funding	9,559	10,073	–	–
– State funding	2,215	1,783	7,150	550
	11,774	11,856	7,150	550

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	14	14
S 64 – sewerage service contributions		–	–	–	68
Total developer contributions – cash		–	–	14	82
Total developer contributions	22	–	–	14	82
Other contributions:					
Cash contributions					
Community services		–	13	–	–
Recreation and culture		10	10	5	(17)
RMS contributions (regional roads, block grant)		733	183	1,068	1,049
Other		106	8	–	–
Total other contributions – cash		849	214	1,073	1,032
Total other contributions		849	214	1,073	1,032
Total contributions		849	214	1,087	1,114
TOTAL GRANTS AND CONTRIBUTIONS		12,623	12,070	8,237	1,664

Accounting policy for grants and 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 below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	1,796	1,856
Add: operating grants recognised in the current period but not yet spent	302	609
Less: operating grants recognised in a previous reporting period now spent	(85)	(669)
Unexpended and held as restricted assets (operating grants)	2,013	1,796
Capital grants		
Unexpended at the close of the previous reporting period	1,132	1,132
Add: capital grants recognised in the current period but not yet spent	390	–
Less: capital grants recognised in a previous reporting period now spent	(703)	–
Unexpended and held as restricted assets (capital grants)	819	1,132
Contributions		
Unexpended at the close of the previous reporting period	207	–
Add: contributions recognised in the current period but not yet spent	14	207
Unexpended and held as restricted assets (contributions)	221	207

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	4,326	4,191
Travel expenses	21	12
Employee leave entitlements (ELE)	1,106	1,050
Superannuation	874	826
Workers' compensation insurance	234	312
Fringe benefit tax (FBT)	65	56
Training costs (other than salaries and wages)	106	107
Other	18	19
Total employee costs	6,750	6,573
TOTAL EMPLOYEE COSTS EXPENSED	6,750	6,573
Number of 'full-time equivalent' employees (FTE) at year end	116	115

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, 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.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		56	65
Total interest bearing liability costs expensed		56	65
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	240	228
Total other borrowing costs		240	228
TOTAL BORROWING COSTS EXPENSED		296	293

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	5,595	5,074
Contractor and consultancy costs	448	511
Auditors remuneration ²	81	46
Legal expenses:		
– Legal expenses: other	3	59
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	86	67
Printing and stationery	63	99
Water	88	98
Other	13	–
Total materials and contracts	6,377	5,954
TOTAL MATERIALS AND CONTRACTS	6,377	5,954

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	72	56
Photocopiers	14	11
	86	67

2. Auditor remuneration

During the year, the following fees were incurred 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	53	46
Remuneration for audit and other assurance services	53	46
Total Auditor-General remuneration	53	46

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

Audit and review of financial statements	28	–
Remuneration for audit and other assurance services	28	–
Total remuneration of non NSW Auditor-General audit firms	28	–
Total Auditor remuneration	81	46

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	1,032	1,150
Office equipment	128	99
Furniture and fittings	1	4
Land improvements (depreciable)	52	51
Infrastructure:		
– Buildings – non-specialised	814	788
– Other structures	104	104
– Roads	4,338	4,305
– Bridges	330	266
– Footpaths	171	90
– Stormwater drainage	327	168
– Sewerage network	282	395
– Swimming pools	104	65
– Other open space/recreational assets	718	717
– Other infrastructure	311	182
Other assets:		
– Library books	25	26
Reinstatement, rehabilitation and restoration assets:		
- Gravel Pits	99	97
Total depreciation and amortisation costs	8,836	8,507
Impairment / revaluation decrement of IPP&E		
Infrastructure:		
– Roads	13,921	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)	13,921	–
Amounts taken through revaluation reserve	(13,921)	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement	–	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	8,836	8,507

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

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

Impairment of non-financial assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	51	114
Bad and doubtful debts	10	17
Bank charges	18	14
Child care – parent fees	397	253
Computer software charges	–	4
Contributions/levies to other levels of government	347	456
Councillor expenses – mayoral fee	25	14
Councillor expenses – councillors' fees	103	112
Councillors' expenses (incl. mayor) – other (excluding fees above)	38	23
Donations, contributions and assistance to other organisations (Section 356)	51	77
Electricity and heating	219	206
Fire control expenses	69	75
Insurance	433	399
Street lighting	176	149
Subscriptions and publications	116	68
Telephone and communications	128	129
Other	20	104
Total other expenses	2,201	2,214
<u>TOTAL OTHER EXPENSES</u>	<u>2,201</u>	<u>2,214</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Less: carrying amount of property assets sold/written off		(1)	—
Net gain/(loss) on disposal		(1)	—
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		647	571
Less: carrying amount of plant and equipment assets sold/written off		(548)	(442)
Net gain/(loss) on disposal		99	129
Infrastructure	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(820)	—
Net gain/(loss) on disposal		(820)	—
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		75	39
Less: carrying amount of real estate assets sold/written off		—	(25)
Net gain/(loss) on disposal		75	14
Investments	6(b)		
Less: carrying amount of investments sold/redeemed/matured		(9)	—
Net gain/(loss) on disposal		(9)	—
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(656)	143

Accounting policy for disposal of assets

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

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 de-recognised.

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,641	1,374
Cash-equivalent assets		
– Deposits at call	4,711	2,177
Total cash and cash equivalents	6,352	3,551

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	28,700	2,000	24,700	3,036
Total Investments	28,700	2,000	24,700	3,036
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	35,052	2,000	28,251	3,036
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	28,700	2,000	24,700	3,036
Total	28,700	2,000	24,700	3,036

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

Loans and receivables

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

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

Recognition and de-recognition

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

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

Impairment of 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	35,052	2,000	28,251	3,036
attributable to:				
External restrictions	1,493	2,000	601	3,036
Internal restrictions	14,543	–	13,936	–
Unrestricted	19,016	–	13,714	–
	35,052	2,000	28,251	3,036

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	126	112
Developer contributions – sewer fund	95	95
Specific purpose unexpended grants	2,832	2,928
Sewerage services	440	502

External restrictions – other**Total external restrictions****Internal restrictions**

Plant and vehicle replacement	1,140	933
Infrastructure replacement	11,523	10,391
Employees leave entitlement	1,513	1,513
Carry over works	28	672
Land development	339	427

Total internal restrictions**TOTAL RESTRICTIONS**

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	538	189	501	108
Interest and extra charges	106	–	101	–
User charges and fees	328	–	537	–
Accrued revenues				
– Interest on investments	279	–	188	–
Net GST receivable	195	–	154	–
Other debtors	10	–	6	–
Total	1,456	189	1,487	108
Less: provision of impairment				
Rates and annual charges	(57)	–	(70)	–
User charges and fees	(15)	–	(30)	–
Total provision for impairment – receivables	(72)	–	(100)	–
TOTAL NET RECEIVABLES	1,384	189	1,387	108

Externally restricted receivables

Sewerage services

– Other	190	–	131	–
Total external restrictions	190	–	131	–
Unrestricted receivables	1,194	189	1,256	108
TOTAL NET RECEIVABLES	1,384	189	1,387	108

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	72	100
Balance at the end of the period	72	100

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	256	—	329	—
Stores and materials	598	—	375	—
Total inventories at cost	854	—	704	—
<u>TOTAL INVENTORIES</u>	<u>854</u>	<u>—</u>	<u>704</u>	<u>—</u>
(b) Other assets				
Prepayments	—	—	102	—
Other	—	198	—	198
<u>TOTAL OTHER ASSETS</u>	<u>—</u>	<u>198</u>	<u>102</u>	<u>198</u>
\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	—	—	—	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	854	198	806	198
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>854</u>	<u>198</u>	<u>806</u>	<u>198</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		30	–	29	–
Industrial/commercial		226	–	300	–
Total real estate for resale		256	–	329	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		64	–	29	–
Development costs		192	–	300	–
Total costs		256	–	329	–
Total real estate for resale		256	–	329	–
Movements:					
Real estate assets at beginning of the year		329	–	344	–
– Purchases and other costs		(73)	–	10	–
– WDV of sales (expense)	5	–	–	(25)	–
Total real estate for resale		256	–	329	–

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

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

\$ '000	2019	2018
Real estate for resale	51	270
	51	270

Accounting policy for inventories and other assets

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 the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period										as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment loss (recognised in equity)	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000																
Capital work in progress	1,181	—	1,181	—	361	—	—	—	—	—	(1,095)	—	—	447	—	447
Plant and equipment	19,899	(9,999)	9,900	—	1,480	—	(548)	(1,032)	—	—	(1)	—	—	20,045	(10,246)	9,799
Office equipment	1,675	(1,062)	613	—	224	—	—	(128)	—	—	—	—	—	1,899	(1,190)	709
Furniture and fittings	152	(130)	22	—	—	—	—	(1)	—	—	1	—	—	152	(130)	22
Land:																
– Operational land	1,708	—	1,708	—	—	—	—	—	—	—	—	—	—	1,708	—	1,708
– Community land	2,631	—	2,631	—	—	—	—	—	—	—	—	—	—	2,631	—	2,631
Land improvements – non-depreciable	1,013	—	1,013	—	—	—	—	—	—	—	—	—	—	1,013	—	1,013
Land improvements – depreciable	1,576	(808)	768	—	—	—	—	(52)	—	—	—	—	—	1,576	(860)	716
Infrastructure:																
– Buildings – non-specialised	39,928	(12,702)	27,226	3	456	—	(1)	(814)	—	—	2	(212)	—	40,021	(13,516)	26,505
– Other structures	5,586	(2,148)	3,438	—	5	—	—	(104)	—	—	—	—	—	5,591	(2,252)	3,339
– Roads	177,025	(60,593)	116,432	2,524	—	7,553	(808)	(4,338)	—	(13,921)	1,033	—	—	179,376	(70,901)	108,475
– Bridges	18,429	(3,690)	14,739	—	—	—	—	(330)	—	—	—	—	—	18,429	(4,020)	14,409
– Footpaths	9,201	(3,663)	5,538	—	—	—	(12)	(171)	—	—	—	—	—	9,180	(3,825)	5,355
– Bulk earthworks (non-depreciable)	76,626	—	76,626	—	—	—	—	—	—	—	—	—	—	76,626	—	76,626
– Stormwater drainage	32,124	(9,182)	22,942	—	—	—	—	(327)	—	—	1	—	—	32,124	(9,508)	22,616
– Sewerage network	23,085	(8,204)	14,881	—	—	—	—	(282)	—	—	—	—	234	23,454	(8,621)	14,833
– Swimming pools	5,085	(1,399)	3,686	267	—	—	—	(104)	—	—	26	—	—	5,378	(1,503)	3,875
– Other open space/recreational assets	31,068	(12,790)	18,278	—	918	—	—	(718)	—	—	34	—	—	31,819	(13,509)	18,310
– Other infrastructure	16,542	(8,121)	8,421	—	54	—	—	(311)	—	—	—	—	—	16,596	(8,432)	8,164
Other assets:																
– Library books	517	(385)	132	—	—	—	—	(25)	—	—	(1)	—	—	517	(411)	106
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
– Tip assets	3	(1)	2	—	—	—	—	—	(2)	—	—	—	—	—	—	—
– Gravel pits	2,030	(1,353)	677	—	—	—	—	(97)	—	—	—	—	—	2,030	(1,450)	580
– Sewer treatment facilities	107	(50)	57	—	—	—	—	(2)	—	—	—	—	—	107	(52)	55
Total Infrastructure, property, plant and equipment	467,191	(136,280)	330,911	2,794	3,498	7,553	(1,369)	(8,836)	(2)	(13,921)	—	(212)	234	470,719	(150,426)	320,293

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
\$ '000	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	618	—	618	—	1,181	—	—	—	(618)	—	—	1,181	—	1,181
Plant and equipment	12,649	(6,646)	6,003	—	1,969	(443)	(1,150)	—	—	—	3,521	19,899	(9,999)	9,900
Office equipment	1,663	(963)	700	—	12	—	(99)	—	—	—	—	1,675	(1,062)	613
Furniture and fittings	152	(126)	26	—	—	—	(4)	—	—	—	—	152	(130)	22
Land:														
– Operational land	1,708	—	1,708	—	—	—	—	—	—	—	—	1,708	—	1,708
– Community land	3,256	—	3,256	—	—	—	—	—	—	(625)	—	2,631	—	2,631
Land improvements – non-depreciable	1,013	—	1,013	—	—	—	—	—	—	—	—	1,013	—	1,013
Land improvements – depreciable	1,473	(589)	884	—	—	—	(51)	—	—	(65)	—	1,576	(808)	768
Infrastructure:														
– Buildings – non-specialised	33,556	(8,190)	25,366	—	78	—	(788)	—	—	—	2,570	39,928	(12,702)	27,226
– Other structures	1,923	(658)	1,265	—	—	—	(104)	—	—	—	2,277	5,586	(2,148)	3,438
– Roads	217,649	(66,294)	151,355	3,915	—	—	(4,305)	1,134	—	(35,667)	—	177,025	(60,593)	116,432
– Bridges	16,890	(1,707)	15,183	—	—	—	(266)	—	—	(178)	—	18,429	(3,690)	14,739
– Footpaths	4,669	(1,323)	3,346	—	—	—	(90)	—	—	—	2,282	9,201	(3,663)	5,538
– Bulk earthworks (non-depreciable)	78,933	—	78,933	—	—	—	—	—	—	(2,307)	—	76,626	—	76,626
– Stormwater drainage	21,875	(2,864)	19,011	—	—	—	(168)	—	—	—	4,099	32,124	(9,182)	22,942
– Sewerage network	23,085	(7,809)	15,276	—	—	—	(395)	—	—	—	—	23,085	(8,204)	14,881
– Swimming pools	2,561	(621)	1,940	—	—	—	(65)	—	—	—	1,811	5,085	(1,399)	3,686
– Other open space/recreational assets	19,563	(2,381)	17,182	—	13	—	(717)	—	—	—	1,800	31,068	(12,790)	18,278
– Other infrastructure	11,080	(6,350)	4,730	—	—	—	(182)	—	—	—	3,873	16,542	(8,121)	8,421
Other assets:														
– Library books	517	(359)	158	—	—	—	(26)	—	—	—	—	517	(385)	132
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	3	(1)	2	—	—	—	—	—	—	—	—	3	(1)	2
– Gravel pits	2,031	(1,257)	774	—	—	—	(97)	—	—	—	—	2,030	(1,353)	677
– Sewer treatment facilities	106	(46)	60	—	—	—	—	—	—	—	—	107	(50)	57
Total Infrastructure, property, plant and equipment	456,973	(108,184)	348,789	3,915	3,253	(443)	(8,507)	1,134	(618)	(38,842)	22,233	467,191	(136,280)	330,911

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 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.

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Crown reserves

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise rural fire service assets including land, buildings, plant and vehicles.

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

\$ '000	Notes	2019	2018
Reversals of impairment losses previously recognised direct to equity (ARR):			
– Impairment of road assets due to flood damage		(6,368)	1,134
Total impairment reversals		(6,368)	1,134
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>		<u>(6,368)</u>	<u>1,134</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	366	—
Reconciliation of annual movement:		
– Acquisitions	366	—
CLOSING BALANCE – INVESTMENT PROPERTY	366	—

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

As the property was purchased in this financial year, the purchase price is the basis of valuation.

(c) Leasing arrangements – Council as lessor

The investment properties are leased to tenants for a period of 12 months from 28/02/2019 to 27/02/2020 with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	12	—
Total minimum lease payments receivable	12	—

Council have leased the property from 28/02/2019 to 27/02/2020 with rental payments made monthly.

(d) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	7	—
Direct operating expenses on investment property:		
– that generated rental income	(1)	—
Net revenue contribution from investment property	6	—
Total income attributable to investment property	6	—

Accounting policy for investment property

Council's sole investment property is held for 12 months and is not occupied by the Council.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	567	–	590	–
Accrued expenses:				
– Salaries and wages	–	–	83	–
Security bonds, deposits and retentions	5	–	5	–
Other	36	39	36	39
Total payables	608	39	714	39
Income received in advance				
Payments received in advance	413	–	303	–
Total income received in advance	413	–	303	–
Borrowings				
Loans – secured ¹	93	1,000	100	1,100
Chattel mortgage	–	–	47	–
Total borrowings	93	1,000	147	1,100
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,114</u>	<u>1,039</u>	<u>1,164</u>	<u>1,139</u>

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

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Sewer	–	7	–	–
Payables and borrowings relating to externally restricted assets	–	7	–	–
Total payables and borrowings relating to restricted assets	–	7	–	–
Total payables and borrowings relating to unrestricted assets	1,114	1,032	1,164	1,139
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,114</u>	<u>1,039</u>	<u>1,164</u>	<u>1,139</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	1,200	(107)	–	–	–	1,093
Other	47	(47)	–	–	–	–
TOTAL	1,247	(154)	–	–	–	1,093

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	1,325	(125)	–	–	–	1,200
Other	156	(109)	–	–	–	47
TOTAL	1,481	(234)	–	–	–	1,247

\$ '000	2019	2018
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(c) Financing arrangements

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

Bank overdraft facilities ¹	350	350
Credit cards/purchase cards	61	61
Total financing arrangements	411	411

Undrawn facilities as at balance date:

– Bank overdraft facilities	350	350
– Credit cards/purchase cards	61	61
Total undrawn financing arrangements	411	411

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

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

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

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

Finance leases

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	970	–	883	–
Long service leave	2,100	32	2,027	64
Other leave	13	–	13	–
Sub-total – aggregate employee benefits	3,083	32	2,923	64
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,671	–	4,431
Sub-total – asset remediation/restoration	–	4,671	–	4,431
<u>TOTAL PROVISIONS</u>	<u>3,083</u>	<u>4,703</u>	<u>2,923</u>	<u>4,495</u>

(a) Provisions relating to restricted assets

Externally restricted assets

Sewer	181	–	179	–
Provisions relating to externally restricted assets	181	–	179	–
Total provisions relating to restricted assets	181	–	179	–
Total provisions relating to unrestricted assets	2,902	4,703	2,744	4,495
<u>TOTAL PROVISIONS</u>	<u>3,083</u>	<u>4,703</u>	<u>2,923</u>	<u>4,495</u>

\$ '000	2019	2018
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,864	1,849
	<u>1,864</u>	<u>1,849</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	883	2,091	13	2,987
Unwinding of discount	87	41	—	128
Total ELE provisions at end of period	970	2,132	13	3,115
2018				
At beginning of year	816	2,051	14	2,881
Unwinding of discount	67	40	(1)	106
Total ELE provisions at end of period	883	2,091	13	2,987

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	4,431	4,431
Other	240	240
Total other provisions at end of period	4,671	4,671
2018		
At beginning of year	4,203	4,203
Unwinding of discount	228	228
Total other provisions at end of period	4,431	4,431

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

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

Restoration

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

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

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate. Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

Available for sale investments revaluation reserve (2018 only)

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	6,352	3,551
Balance as per the Statement of Cash Flows		6,352	3,551
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		9,320	1,563
Adjust for non-cash items:			
Depreciation and amortisation		8,836	8,507
Net losses/(gains) on disposal of assets		656	(143)
Unwinding of discount rates on reinstatement provisions		240	228
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(50)	(100)
Increase/(decrease) in provision for impairment of receivables		(28)	–
Decrease/(increase) in inventories		(223)	141
Decrease/(increase) in other current assets		102	18
Increase/(decrease) in payables		(23)	222
Increase/(decrease) in accrued interest payable		–	(15)
Increase/(decrease) in other accrued expenses payable		(83)	(66)
Increase/(decrease) in other liabilities		110	203
Increase/(decrease) in provision for employee benefits		128	106
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		18,985	10,664

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	90	64
Other infrastructure	401	358
Other	130	—
Total commitments	621	422

These expenditures are payable as follows:

Within the next year	621	422
Total payable	621	422

Sources for funding of capital commitments:

Unrestricted general funds	—	9
Externally restricted reserves	310	281
Internally restricted reserves	311	132
Total sources of funding	621	422

(b) Operating lease commitments (non-cancellable)

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

Later than one year and not later than 5 years	13	—
Total non-cancellable operating lease commitments	13	—

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

Council has leases on a number of photocopiers.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities 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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors 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 members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

Division B	1.9 times employee contributions for non - 180 Point Members; Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$169,476.94. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of additional contributions included in the total employer contribution advised above is \$55,000. Council's expected contribution to the plan for the next annual reporting period is \$159,843.88.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1.798.7	
Past Service Liabilities	1.784.2	100.8%
Vested Benefits	1.792.0	100.4%

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

Based on a Past Service Liabilities methodology, Council's share of the surplus that can be attributed is 0.25%

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	6,352	3,551	6,352	3,551
Receivables	1,573	1,495	1,573	1,495
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	30,700	27,736	30,700	27,736
Total financial assets	38,625	32,782	38,625	32,782
Financial liabilities				
Payables	647	753	647	598
Loans/advances	1,093	1,247	1,093	1,247
Total financial liabilities	1,740	2,000	1,740	1,845

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.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	371	371	(371)	(371)
2018				
Possible impact of a 1% movement in interest rates	290	290	290	290

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

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.

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	538	70	53	48	18	727
2018						
Gross carrying amount	350	117	50	43	49	609

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	614	257	(1)	7	41	918
Expected loss rate (%)	0.00%	0.00%	0.00%	11.86%	11.86%	0.62%
ECL provision	—	—	—	1	5	6
2018						
Gross carrying amount	764	2	10	69	141	986
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(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 through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	5	–	–	–	5	647
Loans and advances	3.80%	–	–	–	–	–	1,093
Total financial liabilities		5	–	–	–	5	1,740
2018							
Trade/other payables	0.00%	5	518	75	–	598	753
Loans and advances	4.20%	–	203	574	821	1,598	1,247
Total financial liabilities		5	721	649	821	2,196	2,000

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 19/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	8,903	9,052	149	2% F
User charges and fees	1,551	3,102	1,551	100% F
Council received additional private works jobs which were not budgeted for.				
Interest and investment revenue	348	886	538	155% F
Investment income was higher than the original budget due to the level of invested funds being greater throughout the year.				
Other revenues	353	536	183	52% F
Sale of computer equipment \$135,000 was not budgeted for and increases to the diesel fuel rebate along with insurance claim recoveries created the difference in other revenues.				
Operating grants and contributions	9,291	12,623	3,332	36% F
Council received \$1,000,000 under the drought communities program along with several other operating grants which weren't budgeted for.				
Capital grants and contributions	3,095	8,237	5,142	166% F
Council's flood damage claim was finalised in July 2018, resulting in no income being budgeted for. Council then received \$6,300,000 for flood damage in the 2018/19 financial year.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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EXPENSES

Employee benefits and on-costs	6,882	6,750	132	2%	F
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Borrowing costs	55	296	(241)	(438)%	U
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Borrowing costs were underestimated in the budget document and did not take into account remediation liabilities.

Materials and contracts	5,297	6,377	(1,080)	(20)%	U
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Council engaged contractors to carry out flood damage work to the value of \$7.4 million.

Material costs increased and contractors were also engaged to complete the works funded by the Drought Communities Program.

Depreciation and amortisation	7,761	8,836	(1,075)	(14)%	U
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Budget was not adjusted to factor in the revaluation of assets that occurred in 2017/18.

Other expenses	2,210	2,201	9	0%	F
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Net losses from disposal of assets	—	656	(656)	∞	U
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Segments of Bygoo Road were removed as part of the asset renewal treatment. These assets had not been fully depreciated and therefore the written down value is a loss on disposal.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	8,599	18,985	10,386	121%	F
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Council received the 19/20 Financial Assistance Grant of \$3,8million in this financial year.

Net cash provided from (used in) investing activities	449	(16,030)	(16,479)	(3,670)%	U
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Investment securities increased due to unbudgeted advance FAG payments, flood damage and drought communities grants.

Net cash provided from (used in) financing activities	—	(154)	(154)	∞	U
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No budget entered for loan repayments.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

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

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes. AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy			Total	
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs		Level 3 Significant unobserv-able inputs
Recurring fair value measurements						
Financial assets						
Investments – ‘Held to maturity’		30/06/2019	–	30,700	–	30,700
Total financial assets			–	30,700	–	30,700
Financial liabilities						
	11					
Loans/advances		30/06/2019	–	1,093	–	1,093
Payables		30/06/2019	–	647	–	647
Total financial liabilities			–	1,740	–	1,740
Infrastructure, property, plant and equipment						
	9(a)					
Plant and equipment		30/06/2018	–	9,812	–	9,812
Office equipment		30/06/2018	–	709	–	709
Furniture and fittings		30/06/2018	–	22	–	22
Operational land		30/06/2018	–	1,708	–	1,708
Community land		30/06/2018	–	2,631	–	2,631
Land improvement – non-depreciable		30/06/2018	–	–	1,013	1,013
Land improvement – depreciable		30/06/2018	–	–	716	716
Buildings		30/06/2018	–	–	26,505	26,505
Other structure		30/06/2018	–	–	3,339	3,339
Roads		30/06/2018	–	–	108,077	108,077
Bridges		30/06/2018	–	–	14,409	14,409
Footpath		30/06/2018	–	–	5,346	5,346
Road – formation		30/06/2018	–	–	76,626	76,626
Stormwater		30/06/2018	–	–	2,216	2,216
Sewer		30/06/2018	–	–	14,833	14,833
Library		30/06/2018	–	–	106	106
Work in progress		30/06/2018	–	–	447	447
Gravel restoration asset		30/06/2018	–	–	581	581
Sewer restoration asset		30/06/2018	–	–	54	54
Tip restoration asset		30/06/2018	–	–	–	–
Open Space/Recreational Assets		30/06/2018	–	–	18,513	18,513
Swimming Pools		30/06/2018	–	–	3,875	3,875
Other Infrastructure		30/06/2018	–	–	8,164	8,164
Total infrastructure, property, plant and equipment			–	14,882	284,820	299,702

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements						
Financial assets						
Investments – ‘Held to maturity’		30/06/18	–	27,736	–	27,736
Total financial assets			–	27,736	–	27,736
Financial liabilities						
	11					
Loans/advances		30/06/18	–	1,247	–	1,247
Payables		30/06/18	–	598	–	598
Total financial liabilities			–	1,845	–	1,845
Infrastructure, property, plant and equipment						
	9(a)					
Plant and equipment		30/06/18	–	9,900	–	9,900
Office equipment		30/06/18	–	613	–	613
Furniture and fittings		30/06/18	–	22	–	22
Operational land		30/06/18	–	1,708	–	1,708
Community land		30/06/18	–	2,631	–	2,631
Land improvement – non-depreciable		30/06/18	–	–	1,013	1,013
Land improvement – depreciable		30/06/18	–	–	768	768
Buildings		30/06/18	–	–	27,226	27,226
Other structure		30/06/18	–	–	3,438	3,438
Roads		30/06/18	–	–	116,432	116,432
Bridges		30/06/18	–	–	14,739	14,739
Footpath		30/06/18	–	–	5,538	5,538
Road – formation		30/06/18	–	–	76,626	76,626
Stormwater		30/06/18	–	–	14,444	14,444
Sewer		30/06/18	–	–	14,881	14,881
Library		30/06/18	–	–	132	132
Work in progress		30/06/18	–	–	1,181	1,181
Gravel restoration asset		30/06/18	–	–	677	677
Sewer restoration asset		30/06/18	–	–	57	57
Tip restoration asset		30/06/18	–	–	2	2
Open Space/Recreational Assets		30/06/18	–	–	18,278	18,278
Swimming Pools		30/06/18	–	–	3,686	3,686
Other Infrastructure		30/06/18	–	–	8,421	8,421
Total infrastructure, property, plant and equipment			–	14,874	316,037	330,911

Note that capital WIP is not included above since it is carried at cost.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

(2) 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

Level 2 valuation inputs were used to value this asset category.

This asset category includes:

Plant & Equipment - e.g. motor vehicles, trucks, mowers, earthmoving equipment

Office Equipment - e.g. computer equipment

Furniture & Fittings - e.g. chairs, desks, cabinets, display systems

Operational and Community Land

Level 2 valuation inputs were used to value land. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings (Residential Properties)

Residential properties fair value has been derived from sales prices of comparable properties after adjusting for property size. The most significant inputs into this valuation approach are price per square metre.

Land improvements- Depreciable and non depreciable

Land improvements are valued at current replacement cost. Since there are no active market and the factors cannot be observed these are classified as level 3 input categories. The input factors further discussed in note 23(4) b.

Buildings

Buildings are valued by external valuers based on level 3 input factors. The unit rates based on square meter supported from market evidence. However the significant inputs are unobservable such as estimated residual value, useful life, pattern of consumption and asset condition.

Other Structure

Other structures are valued by external valuers based on level 3 input factors. The significant inputs are unobservable such as useful life, pattern of consumption and asset condition.

Roads and Aerodrome (Surface and Pavements)

Roads and Aerodrome are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Other Traffic Facilities

Other Traffic Facilities are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Earthwork (Roads and Aerodrome -Formation)

Earthwork externally valued using Current Replacement cost approach. These were valued based on the cost to build the road at the time of valuation.

Stormwater Assets (Pipes, pits and Kerb and Gutter)

Stormwater assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Bridges

Bridges are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Footpaths

Footpaths are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Open Space/Recreational Assets

Open Space/Recreational Assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Swimming Pools

Swimming Pools are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Other Infrastructure

Other infrastructure are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Sewer

Sewer Network Assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation. These were revalued by an external valuer as per the OLG schedule for valuations.

Restoration Assets

Restoration Assets were based on the cost at the time of calculation and the discount rate, CPI at the year end to calculate the amortisation cost. So these become part of level 3 input factors.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Land improvement non- depreciable	Land improvement depreciable	Buildings	Other structure	Roads
2018					
Opening balance	1,013	884	19,376	1,264	190,289
Adoption of AASB 13	—	(41)	—	2,288	(77,114)
Transfers from/(to) another asset class	—	—	8,070	—	—
Purchases (GBV)	—	—	78	—	3,914
Depreciation and impairment	—	(75)	(298)	(114)	(5,239)
Impairment Reversal	—	—	—	—	1,134
Closing balance	1,013	768	27,226	3,438	112,984
2019					
Opening balance	1,013	768	27,226	3,438	112,984
Transfers from/(to) another asset class	—	—	1	—	—
Purchases (GBV)	—	—	93	5	3,557
Disposals (WDV)	—	—	(1)	—	(808)
Depreciation and impairment	—	(52)	(814)	(104)	(9,673)
Closing balance	1,013	716	26,505	3,339	106,060

\$ '000	Aerodrome	Bridges	Traffic facilities	Footpath	Road- formation (earthwork)
2018					
Opening balance	3,073	15,183	546	3,346	78,933
Adoption of AASB 13	408	(382)	—	2,282	(2,308)
Transfers from/(to) another asset class	—	(545)	—	—	—
Depreciation and impairment	(33)	(39)	(24)	(90)	—
Closing balance	3,448	14,217	522	5,538	76,625
2019					
Opening balance	3,448	14,217	522	5,538	76,625
Transfers from/(to) another asset class	—	—	—	—	1
Disposals (WDV)	—	—	—	(21)	—
Depreciation and impairment	—	—	—	(171)	—
Closing balance	3,448	14,217	522	5,346	76,626

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Stormwater pipes, pits and drain	Sewer	Library	WIP	Gravel restoration asset
2018					
Opening balance	19,011	15,276	158	618	774
Adoption of AASB 13	4,099	—	—	—	—
Transfers from/(to) another asset class	—	—	—	(618)	—
Purchases (GBV)	—	—	—	1,181	—
Depreciation and impairment	(168)	(395)	(26)	—	(97)
Closing balance	22,942	14,881	132	1,181	677
2019					
Opening balance	22,942	14,881	132	1,181	677
Transfers from/(to) another asset class	—	—	—	(1,181)	—
Purchases (GBV)	—	—	—	447	—
Depreciation and impairment	(326)	(48)	(26)	—	(96)
Closing balance	22,616	14,833	106	447	581

\$ '000	Sewer restoration asset	Tip restoration asset	Other infrastructure
2018			
Opening balance	60	2	1,657
Adoption of AASB 13	—	—	3,873
Transfers from/(to) another asset class	—	—	3,073
Depreciation and impairment	(3)	—	(182)
Closing balance	57	2	8,421
2019			
Opening balance	57	2	8,421
Purchases (GBV)	—	—	54
Depreciation and impairment	(3)	(2)	(311)
Closing balance	54	—	8,164

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Recreation asset	Swimming pool	Total
2018			
Opening balance	4,894	1,940	358,297
Adoption of AASB 13	13,562	1,811	(51,522)
Transfers from/(to) another asset class	–	–	9,980
Purchases (GBV)	–	–	5,173
Disposals (WDV)	13	–	13
Depreciation and impairment	(191)	(65)	(7,039)
Impairment Reversal	–	–	1,134
Closing balance	18,278	3,686	316,036
2019			
Opening balance	18,278	3,686	316,036
Transfers from/(to) another asset class	203	–	(976)
Purchases (GBV)	750	294	5,200
Disposals (WDV)	–	–	(830)
Depreciation and impairment	(718)	(105)	(12,449)
Closing balance	18,513	3,875	306,981

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

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Land improvement – depreciable	1,013	Written down current replacement cost	Gross replacement cost Asset condition
Buildings	26,505	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Other structure	3,339	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Roads	108,077	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Bridges	14,409	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Footpath	5,346	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Road – formation	76,626	Current replacement cost	Gross replacement cost
Stormwater	22,616	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Sewer	14,833	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Library	106	Written down current replacement cost	Gross replacement cost Useful life
Work in progress	447	Current replacement cost	Gross replacement cost
Gravel restoration asset	581	Written down current replacement cost	Restoration cost – historic Discount rate
Sewer restoration asset	54	Gross replacement cost	Restoration cost – historic Discount rate
Tip restoration asset	–	Written down current replacement cost	Restoration cost – historic Discount rate
Other Infrastructure	8,164	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Recreational Assets	18,513	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Swimming Pools	3,875	Written down current replacement cost	Gross replacement cost Asset condition Useful life

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

(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:

\$ '000	2019	2018
Compensation:		
Short-term benefits	697	669
Total	697	669

(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	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Employee expenses relating to close family of KMP	1	87	—	Council Staff award	—	—
2018						
Employee expenses relating to close family of KMP	1	83	—		—	—

1 Employee was employed by Council under the relevant pay award on an arms length basis

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date

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

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			Contributions received during the year	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
Drainage	3	—	—	—	—	—	—	3	—
Roads	3	—	—	—	—	—	—	3	—
Parking	7	—	—	—	—	—	—	7	—
Open space	1	—	—	—	—	—	—	1	—
Community facilities	95	14	—	—	—	—	—	109	—
Other	3	—	—	—	—	—	—	3	—
S7.11 contributions – under a plan	112	14	—	—	—	—	—	126	—
Total S7.11 and S7.12 revenue under plans	112	14	—	—	—	—	—	126	—
S64 contributions	95	—	—	—	—	—	—	95	—
Total contributions	207	14	—	—	—	—	—	221	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN								
Drainage	3	—	—	—	—	—	3	—
Roads	3	—	—	—	—	—	3	—
Parking	7	—	—	—	—	—	7	—
Open space	1	—	—	—	—	—	1	—
Community facilities	95	14	—	—	—	—	109	—
Other	3	—	—	—	—	—	3	—
Total	112	14	—	—	—	—	126	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Sewer 2019
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	7,554	1,498
User charges and fees	3,060	42
Interest and investment revenue	874	12
Other revenues	536	—
Grants and contributions provided for operating purposes	12,623	—
Grants and contributions provided for capital purposes	8,237	—
Total income from continuing operations	32,884	1,552
Expenses from continuing operations		
Employee benefits and on-costs	6,571	179
Borrowing costs	296	—
Materials and contracts	5,430	947
Depreciation and amortisation	8,521	315
Other expenses	2,201	—
Net losses from the disposal of assets	656	—
Total expenses from continuing operations	23,675	1,441
Operating result from continuing operations	9,209	111
Net operating result for the year	9,209	111
Net operating result attributable to each council fund	9,209	111
Net operating result for the year before grants and contributions provided for capital purposes	972	111

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Sewer 2019
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	2,715	3,637
Investments	27,392	1,308
Receivables	1,194	190
Inventories	854	—
Total current assets	32,155	5,135
Non-current assets		
Investments	2,000	—
Receivables	189	—
Infrastructure, property, plant and equipment	304,644	15,649
Investment property	366	—
Other	198	—
Total non-current assets	307,397	15,649
TOTAL ASSETS	339,552	20,784
LIABILITIES		
Current liabilities		
Payables	608	—
Income received in advance	413	—
Borrowings	93	—
Provisions	3,083	—
Total current liabilities	4,197	—
Non-current liabilities		
Payables	32	7
Borrowings	1,000	—
Provisions	4,522	181
Total non-current liabilities	5,554	188
TOTAL LIABILITIES	9,751	188
Net assets	329,801	20,596
EQUITY		
Accumulated surplus	129,694	14,178
Revaluation reserves	200,107	6,418
Council equity interest	329,801	20,596
Total equity	329,801	20,596

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,739	6.64%	(1.05)%	25.02%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	26,199				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	13,489	39.17%	44.71%	37.80%	>60.00%
Total continuing operating revenue ¹	34,436				
3. Unrestricted current ratio					
Current assets less all external restrictions	35,556	16.52x	14.30x	14.36x	>1.50x
Current liabilities less specific purpose liabilities	2,152				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,871	24.16x	16.24x	32.35x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	450				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	776	8.04%	6.93%	6.60%	<10.00%
Rates, annual and extra charges collectible	9,646				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	37,052	28.43 mths	25.72 mths	20.90 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,303				

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2019	2018	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	6.61%	(0.88)%	7.15%	(3.43)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹					
2. Own source operating revenue ratio					
Total continuing operating revenue excluding capital grants and contributions ¹	36.30%	41.20%	100.00%	100.00%	>60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	16.52x	14.30x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	23.21x	15.54x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	9.52%	8.02%	0.00%	0.79%	<10.00%
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	25.64	23.01	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	mths			mths

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

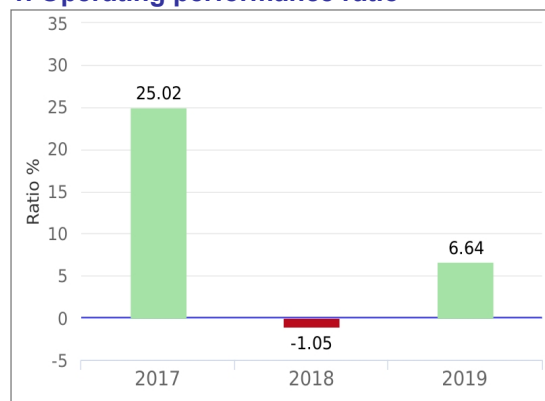
(3) General fund refers to all of Council's activities except for its sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 6.64%

Council has recovered from last year's result and has exceeded the benchmark.

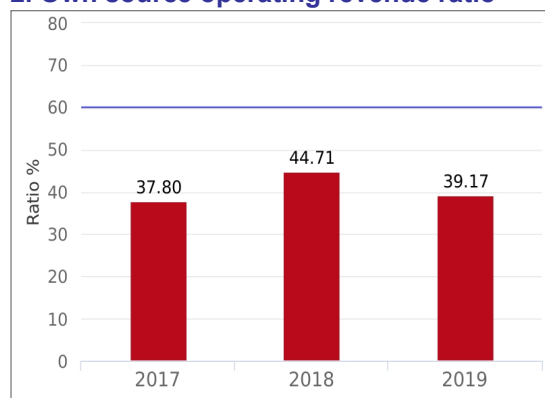
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



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 2018/19 result

2018/19 ratio 39.17%

Own source revenue is consistent with previous year's results. The majority of Council's revenue is grant based.

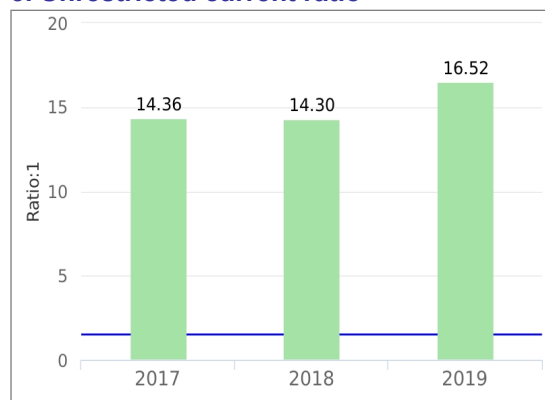
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



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 2018/19 result

2018/19 ratio 16.52x

Council has a very strong ratio with more than adequate funds to satisfy its short term obligations.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

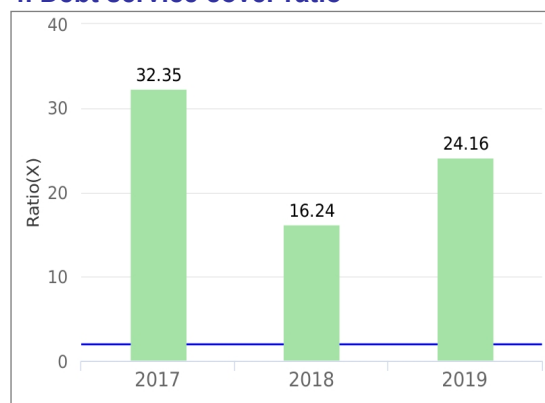
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



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 2018/19 result

2018/19 ratio 24.16x

Council is in a strong position to meet our obligations with loan and lease payments.

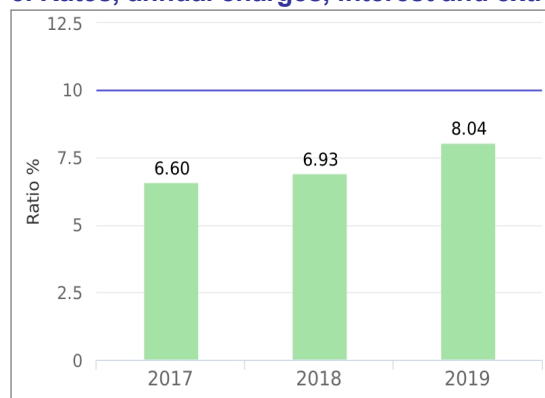
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 8.04%

Council's outstanding rates and charges has increased slightly during the year due to the drought however it is still well within the benchmark for rural councils.

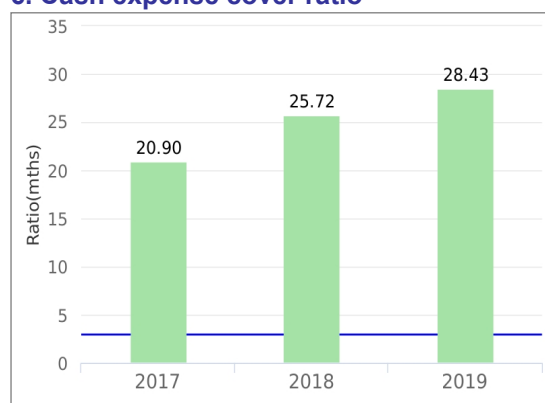
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



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 2018/19 result

2018/19 ratio 28.43 mths

Efficient financial management practices have enabled Council to operate efficiently in meeting its expense obligations.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Council information and contact details

Principal place of business:

6-10 Shire Street
West Wyalong NSW 2671

Contact details

Mailing Address:

PO Box 21
West Wyalong NSW 2671

Opening hours:

8:30am - 5:00pm
Monday to Friday

Telephone: (02) 6972 2266

Facsimile: (02) 6972 2145

Internet: www.blandshire.nsw.gov.au

Email: council@blandshire.nsw.gov.au

Officers

General Manager

Raymond Smith

Responsible Accounting Officer

Leesa Bryant

Auditors

NSW Audit Office
Level 15
Margaret Street
Sydney NSW 2001

GPO Box 12
Sydney NSW 2001

Elected members

Mayor

Brian Monaghan

Councillors

Liz McGlynn
Bruce Baker
Rodney Crowe
Penny English
Kerry Keatley
Tony Lord
Murray Thomas
Jan Wyse

Other information

ABN: 13 251 814 087



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bland Shire Council

To the Councillors of the Bland Shire Council

Opinion

I have audited the accompanying financial statements of Bland Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

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

In preparing the financial statements, the Councillors 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 Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY



Cr Brian Monaghan
Mayor
Bland Shire Council
PO Box 21
WEST WYALONG NSW 2671

Contact: Caroline Karakatsanis
Phone no: (02) 9275 7143
Our ref: D1924383/1694

25 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Bland Shire Council**

I have audited the general purpose financial statements (GPFS) of the Bland Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	9.1	8.7	4.6
Grants and contributions revenue	20.9	13.7	52.6
Operating result for the year	9.3	1.6	481
Net operating result before capital grants and contributions	1.1	(0.1)	1200

Council's operating result (a surplus of \$9.3 million including the effect of depreciation and amortisation expense of \$8.8 million) was \$7.7 million higher than the 2017–18 result. The net operating result before capital grants and contributions (a surplus \$1.1 *million*) was \$1.2 million higher than the 2017–18 result. These movements were mainly due to the increase in user charges and fees and capital grants and contributions received during the year.

Rates and annual charges revenue (\$9.1 million) increased by \$0.4 million (4.6 per cent) in 2018–19. The increase is consistent with an increase in ordinary rates in line with the 2.3 per cent rate peg and rise in the total number of rateable properties.

Grants and contributions revenue (\$20.9 million) increased by \$7.2 million (52.6 per cent) in 2018–19 was primarily due to increases in transport (other roads and bridges funding) grants of \$6.1 million, recreation and culture grants of \$0.6 million and community service grants of \$0.4.

STATEMENT OF CASH FLOWS

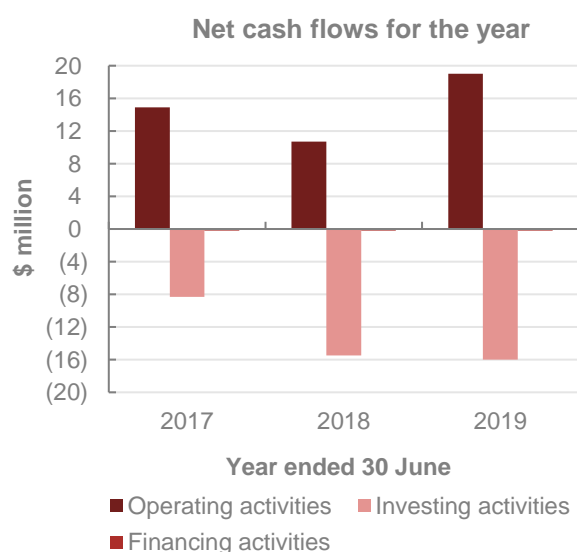
Council's cash and cash equivalents was \$6.4 million (\$3.6 million as at 30 June 2018).

There was a net increase in cash and cash equivalents of \$2.8 million at 30 June 2019.

Net cash provided by operating activities has increased by \$8.3 million. This is mainly due to the increase in receipts for user charges and fees and grants and contributions.

Net cash used in investing activities increased by \$0.5 million. This is mainly due to the increase in the purchase of infrastructure, property, plant and equipment, offset by a decrease in the purchase of investment securities.

Net cash used in financing activities has remained consistent with the prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	3.5	3.6	• Externally restricted cash and investments are restricted in their use by externally imposed requirements. External restrictions have remained consistent year on year.
Internal restrictions	14.5	13.9	
Unrestricted	19.0	13.7	
Cash and investments	37.0	31.2	<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 increase in the internal restrictions is primarily due to increases in the plant and vehicle and infrastructure replacement programs, as well as decreases in the carry over works and land development programs. Unrestricted cash and investments was \$19 million, which is available to provide liquidity for day-to-day operations of the Council. There was a \$5.3 million increase in the unrestricted cash and investments balance due to an increase in general purpose grants and contributions received during the year.

Debt

Council has \$1.1 million of borrowings as at 30 June 2019 (2018: \$1.2 million). The decrease in 2019 related to principal repayments made in accordance with the loan schedule.

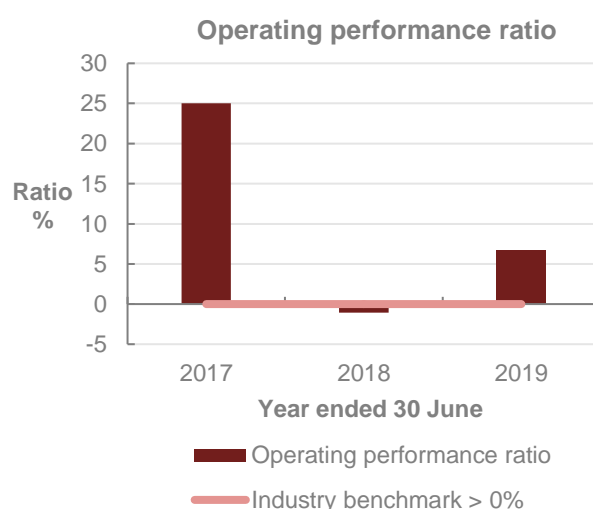
PERFORMANCE

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 former Office of Local Government (OLG) is greater than zero per cent.

The operating performance ratio of 6.64 per cent is above the industry benchmark of greater than zero per cent. This indicates the Council can contain operating expenditures within operating revenue.

The operating performance ratio increased to 6.64 percent (2018: (1.05) per cent) due to the increase in operating grants and contributions income.

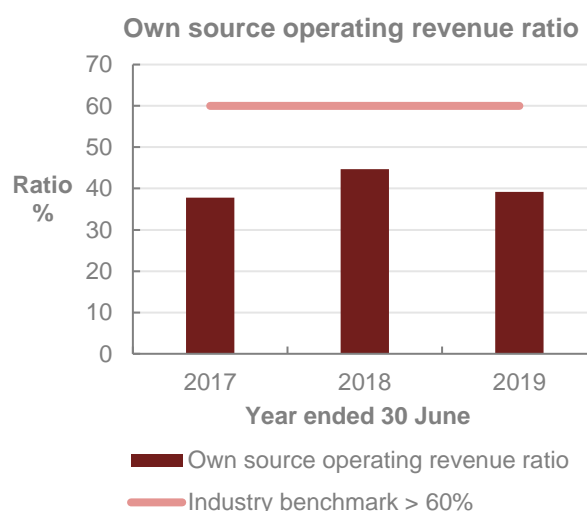


Own source operating revenue ratio

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 the former OLG is greater than 60 per cent.

The Council's own source operating revenue ratio of 39.17 per cent is below the industry benchmark of 60 per cent. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.

The own source operating revenue ratio has remained relatively consistent with the results of prior years.

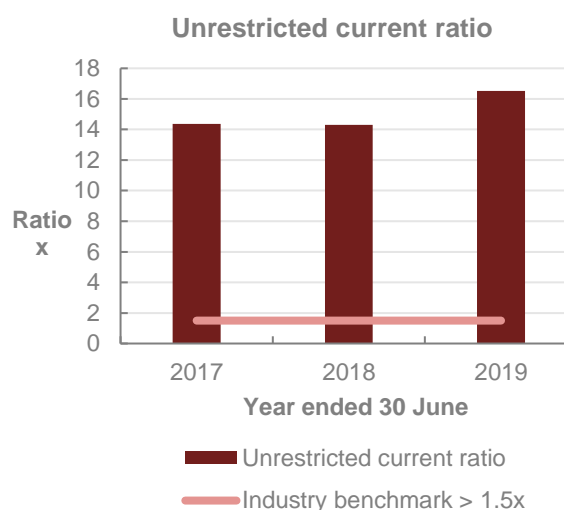


Unrestricted current ratio

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 the former OLG is greater than 1.5 times.

The Council's liquidity ratio of 16.52 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

The unrestricted current ratio increased to 16.52 times (2018: 14.30 times) due to the increase in operating grants and contributions income.

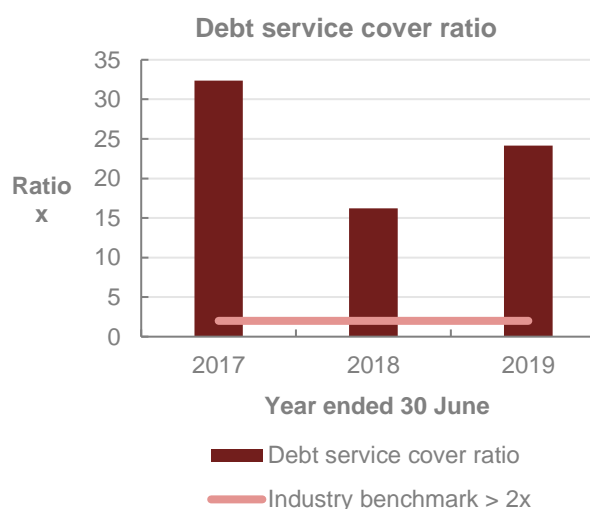


Debt service cover ratio

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

The Council's debt service cover ratio of 24.16 times is greater than the industry benchmark minimum of greater than 2.0 times. This indicates that Council has adequate revenue to cover the principal repayments and borrowing costs.

Council holds one loan with a value of \$1.1 million as at 30 June 2019.

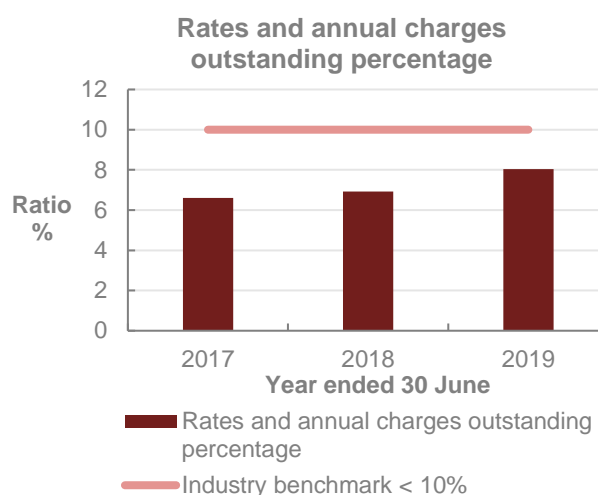


Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

The Council's rates and annual charges outstanding ratio of 8.04 per cent is within the industry benchmark set by the former OLG of less than 10 per cent for regional and rural councils.

The rates and annual charges outstanding percentage has remained consistent over the previous years, indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.

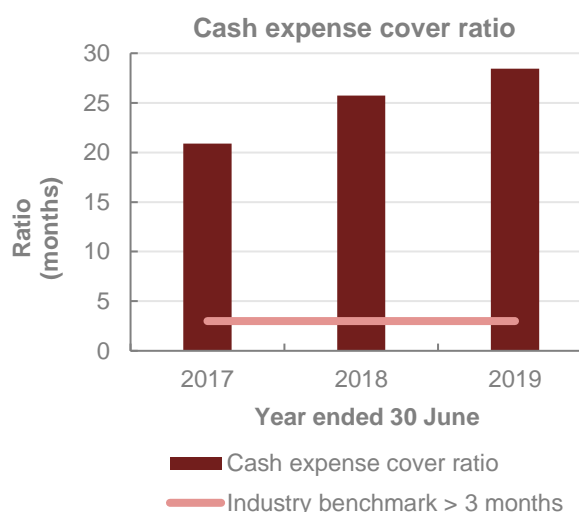


Cash expense cover ratio

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 the former OLG is greater than three months.

The Council's cash expense cover ratio was 28.43 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 28.43 months of operating cash expenditure without additional cash inflows at 30 June 2019.

The Council's cash expense cover ratio has remained relatively consistent with the prior year.



Infrastructure, property, plant and equipment renewals

Council renewed \$2.8 million of assets in the 2018–19 financial year, compared to \$3.9 million of assets in the prior year. Asset renewal for Council is largely focussed on roads on an annual basis.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 1, Note 6 and Note 7.</p>

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 statements. The Council's:

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



Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Ray Smith, General Manager
Mr Gary Lavelle, Audit, Risk & Improvement Committee Chair
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Bland Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Sewerage Business Activity	5
Note 1 – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	9

Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Special Purpose Financial Statements

for the year ended 30 June 2019

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

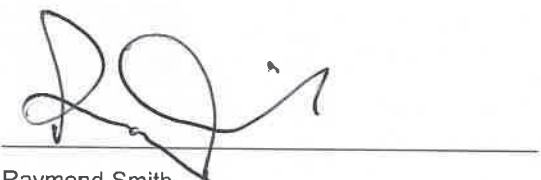
Signed in accordance with a resolution of Council made on 22 October 2019.



Brian Monaghan
Mayor
22 October 2019



Liz McGlynn
Councillor
22 October 2019



Raymond Smith
General Manager
22 October 2019



Leesa Bryant
Responsible Accounting Officer
22 October 2019

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,498	1,394
Liquid trade waste charges	41	12
Fees	1	70
Interest	12	12
Total income from continuing operations	1,552	1,488
Expenses from continuing operations		
Employee benefits and on-costs	179	168
Materials and contracts	947	951
Depreciation, amortisation and impairment	315	420
Total expenses from continuing operations	1,441	1,539
Surplus (deficit) from continuing operations before capital amounts	111	(51)
Surplus (deficit) from continuing operations after capital amounts	111	(51)
Surplus (deficit) from all operations before tax	111	(51)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(31)	—
SURPLUS (DEFICIT) AFTER TAX	80	(51)
Plus accumulated surplus	9,136	9,187
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	31	—
Closing accumulated surplus	9,247	9,136
Return on capital %	0.7%	(0.3)%
Subsidy from Council	96	462
Calculation of dividend payable:		
Surplus (deficit) after tax	80	(51)
Surplus for dividend calculation purposes	80	—
Potential dividend calculated from surplus	40	—

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	3,637	3,301
Investments	1,308	1,308
Receivables	190	142
Total current assets	5,135	4,751
Non-current assets		
Infrastructure, property, plant and equipment	15,649	15,628
Total non-current assets	15,649	15,628
TOTAL ASSETS	20,784	20,379
LIABILITIES		
Non-current liabilities		
Payables	7	7
Provisions	181	172
Total non-current liabilities	188	179
TOTAL LIABILITIES	188	179
NET ASSETS	20,596	20,200
EQUITY		
Accumulated surplus	14,178	14,016
Revaluation reserves	6,418	6,184
TOTAL EQUITY	20,596	20,200

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

Sewerage Services

The operation of sewer reticulation and treatment schemes at West Wyalong, Ungarie and Barmedman.

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Bland Shire Council

To the Councillors of the Bland Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Bland Shire Council's (the Council) declared business activity, Sewerage, which comprise the Income Statement of the declared business activity for the year ended 30 June 2019, the Statement of Financial Position of the declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activity declared by Council, and the Statement by Councillors and Management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activity as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'C. Karakatsanis'.

Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY

Bland Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Special Schedules
for the year ended 30 June 2019

Contents	Page
Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	7

Permissible income for general rates

for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	6,511	6,370
Plus or minus adjustments ²	b	14	(5)
Notional general income	$c = a + b$	6,525	6,365
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	176	146
Sub-total	$k = (c + g + h + i + j)$	6,701	6,511
Plus (or minus) last year's carry forward total	l	1	1
Sub-total	$n = (l + m)$	1	1
Total permissible income	$o = k + n$	6,702	6,512
Less notional general income yield	p	6,701	6,511
Catch-up or (excess) result	$q = o - p$	2	1
Carry forward to next year ⁶	$t = q + r + s$	2	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Bland Shire Council

To the Councillors of Bland Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Bland Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'C. Karakatsanis'.

Caroline Karakatsanis
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	3,756	3,756	603	159	26,872	40,338	20.0%	20.0%	51.0%	9.0%	0.0%
	Other	–	–	–	–	(367)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	3,756	3,756	603	159	26,505	40,338	20.0%	20.0%	51.0%	9.0%	0.0%
Other structures	Other structures	255	255	83	–	3,339	5,591	22.0%	12.0%	59.0%	6.0%	1.0%
	Sub-total	255	255	83	–	3,339	5,591	22.0%	12.0%	59.0%	6.0%	1.0%
Roads	Sealed roads	7,464	7,464	516	299	99,438	147,531	3.0%	87.0%	5.0%	5.0%	0.0%
	Unsealed roads	17,309	17,309	1,418	2,895	8,426	31,031	5.0%	39.0%	0.0%	20.0%	36.0%
	Bridges	307	307	365	1	14,409	18,429	2.0%	2.0%	95.0%	1.0%	0.0%
	Footpaths	1,345	1,345	180	24	5,355	9,180	11.0%	13.0%	61.0%	15.0%	0.0%
	Other road assets	–	–	4	–	611	814	51.0%	26.0%	23.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	76,626	76,626	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	26,425	26,425	2,483	3,219	204,865	283,611	29.8%	50.1%	10.8%	5.3%	4.0%
Sewerage network	Sewerage network	908	908	408	625	14,833	23,454	0.0%	19.0%	77.0%	4.0%	0.0%
	Sub-total	908	908	408	625	14,833	23,454	0.0%	19.0%	77.0%	4.0%	0.0%
Stormwater drainage	Stormwater drainage	820	820	175	59	22,616	32,124	41.0%	36.0%	21.0%	2.0%	0.0%
	Sub-total	820	820	175	59	22,616	32,124	41.0%	36.0%	21.0%	2.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	7	67	3,875	5,378	36.0%	58.0%	6.0%	0.0%	0.0%
	Other	6,948	6,948	642	1,032	18,310	31,819	12.0%	28.0%	38.0%	19.0%	3.0%
	Sub-total	6,948	6,948	649	1,099	22,185	37,197	15.5%	32.3%	33.4%	16.3%	2.5%

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Other infrastructure assets	Other	6,021	6,021	355	258	8,164	16,596	22.0%	31.0%	11.0%	34.0%	2.0%
	Sub-total	6,021	6,021	355	258	8,164	16,596	22.0%	31.0%	11.0%	34.0%	2.0%
	TOTAL - ALL ASSETS	45,133	45,133	4,756	5,419	302,507	438,911	26.5%	42.0%	21.3%	7.4%	2.8%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	2,794	18.72%	55.30%	24.96%	>=100.00%
Depreciation, amortisation and impairment	14,922				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	45,133	14.92%	12.12%	5.43%	<2.00%
Net carrying amount of infrastructure assets	302,507				
Asset maintenance ratio					
Actual asset maintenance	5,419	113.94%	113.14%	114.28%	>100.00%
Required asset maintenance	4,756				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	45,133	10.28%	8.86%	3.37%	
Gross replacement cost	438,911				

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

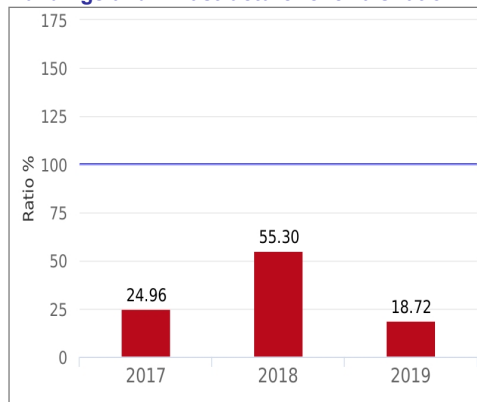
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio	Commentary on result	
	18/19 ratio	18.72%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.		

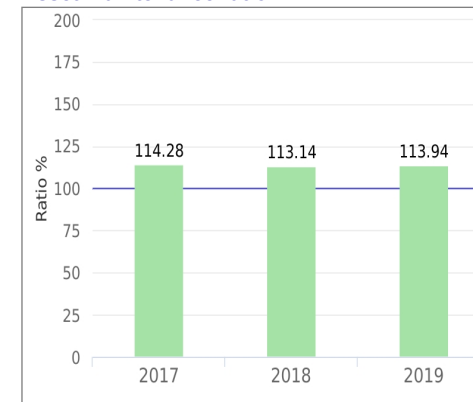
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio	Commentary on result	
	18/19 ratio	113.94%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.		

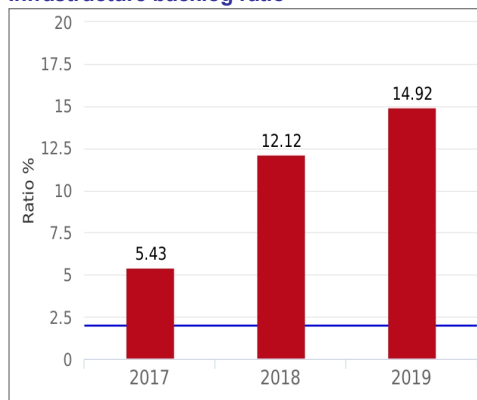
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Infrastructure backlog ratio ¹



Infrastructure backlog ratio	Commentary on result	
	18/19 ratio	14.92%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.		

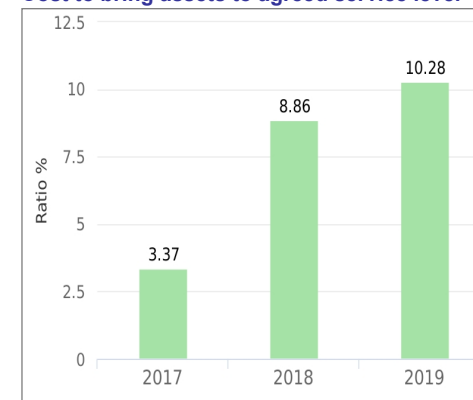
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result	
	18/19 ratio	10.28%
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.		

(1) Excludes Work In Progress (WIP)

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Sewer fund		Benchmark
	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²					
Depreciation, amortisation and impairment	19.08%	58.56%	—	—	>=100.00%
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	15.37%	11.06%	6.12%	33.17%	<2.00%
Net carrying amount of infrastructure assets					
Asset maintenance ratio					
Actual asset maintenance	110.26%	114.29%	153.19%	103.59%	>100.00%
Required asset maintenance					
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10.64%	8.15%	3.87%	21.38%	
Gross replacement cost					

(1) Excludes Work In Progress (WIP)

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