

# Weddin Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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# Weddin Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## General Purpose Financial Statements

for the year ended 30 June 2019

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### Overview

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

Corner Camp & Weddin Streets  
Grenfell NSW 2810

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.weddin.nsw.gov.au](http://www.weddin.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### 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.

## Weddin Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2019

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#### 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.

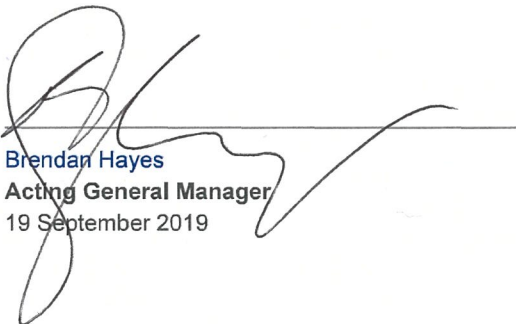
Signed in accordance with a resolution of Council made on 19 September 2019.



Cr Mark Liebich  
Mayor  
19 September 2019



Cr Paul Best  
Councillor  
19 September 2019



Brendan Hayes  
Acting General Manager  
19 September 2019



Lachlan Gibson  
Responsible Accounting Officer  
19 September 2019

## Income Statement

for the year ended 30 June 2019

| Original<br>unaudited<br>budget<br>2019    | \$ '000  | Notes | Actual<br>2019 | Actual<br>2018 <sup>1</sup> |
|--|--|-------|----------------|-----------------------------|
| <b>Income from continuing operations</b>   |  |       |                |                             |
| <u>Revenue:</u>                            |  |       |                |                             |
| 3,586                                      | Rates and annual charges   | 3a    | 3,605          | 3,411                       |
| 2,254                                      | User charges and fees  | 3b    | 2,953          | 2,842                       |
| 149  | Interest and investment revenue  | 3c    | 182            | 191                         |
| 293  | Other revenues   | 3d    | 199            | 193                         |
| 4,470                                      | Grants and contributions provided for operating purposes   | 3e,3f | 4,160          | 5,741                       |
| 2,374                                      | Grants and contributions provided for capital purposes   | 3e,3f | 3,710          | 2,015                       |
| <u>Other income:</u>                       |  |       |                |                             |
| 5  | Net gains from the disposal of assets  | 5     | –              | –                           |
| –  | Net share of interests in joint ventures and associates using the equity method                        |       | 357            | 180                         |
| <u>13,131</u>                              | <b>Total income from continuing operations</b>   |       | <u>15,166</u>  | <u>14,573</u>               |
| <b>Expenses from continuing operations</b> |  |       |                |                             |
| 4,197                                      | Employee benefits and on-costs   | 4a    | 4,337          | 4,355                       |
| 160  | Borrowing costs  | 4b    | 167            | 204                         |
| 2,793                                      | Materials and contracts  | 4c    | 3,210          | 5,465                       |
| 2,616                                      | Depreciation and amortisation  | 4d    | 2,830          | 2,799                       |
| 819  | Other expenses   | 4e    | 1,002          | 932                         |
| –  | Net losses from the disposal of assets   | 5     | 9              | 18                          |
| <u>10,585</u>                              | <b>Total expenses from continuing operations</b>   |       | <u>11,555</u>  | <u>13,773</u>               |
| <u>2,546</u>                               | <b>Operating result from continuing operations</b>   |       | <u>3,611</u>   | <u>800</u>                  |
| <u>2,546</u>                               | <b>Net operating result for the year</b>   |       | <u>3,611</u>   | <u>800</u>                  |
| 2,546                                      | Net operating result attributable to council   |       | 3,611          | 800                         |
| 172  | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | (99)           | (1,215)                     |

(<sup>1</sup>) 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 <sup>1</sup> |
|---|-------|--------------|-------------------|
| <b>Net operating result for the year (as per Income Statement)</b>  |       | <b>3,611</b> | <b>800</b>        |
| <b>Other comprehensive income:</b>  |       |              |                   |
| Amounts which will not be reclassified subsequently to the operating result   |       |              |                   |
| Gain (loss) on revaluation of IPP&E   | 9     | 31           | 3,077             |
| Other comprehensive income – joint ventures and associates  |       | 191          | 3,709             |
| <b>Total items which will not be reclassified subsequently to the operating result</b>                              |       | <b>222</b>   | <b>6,786</b>      |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met            |       |              |                   |
| Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income                   |       | 118          | –                 |
| <b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b> |       | <b>118</b>   | <b>–</b>          |
| <b>Total other comprehensive income for the year</b>  |       | <b>340</b>   | <b>6,786</b>      |
| <b>Total comprehensive income for the year</b>  |       | <b>3,951</b> | <b>7,586</b>      |
| Total comprehensive income attributable to Council  |       | 3,951        | 7,586             |

(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 <sup>1</sup> |
|---|-------|----------------|-------------------|
| <b>ASSETS</b>                                     |       |                |                   |
| <b>Current assets</b>                             |       |                |                   |
| Cash and cash equivalent assets                   | 6(a)  | 7,257          | 7,193             |
| Receivables                                       | 7     | 1,530          | 787               |
| Inventories                                       | 8a    | 236            | 297               |
| Other   | 8b    | –              | 24                |
| <b>Total current assets</b>                       |       | <u>9,023</u>   | <u>8,301</u>      |
| <b>Non-current assets</b>                         |       |                |                   |
| Investments                                       | 6(b)  | 118            | –                 |
| Receivables                                       | 7     | 104            | 59                |
| Infrastructure, property, plant and equipment     | 9     | 164,664        | 162,158           |
| Investments accounted for using the equity method |       | 24,761         | 24,213            |
| <b>Total non-current assets</b>                   |       | <u>189,647</u> | <u>186,430</u>    |
| <b>TOTAL ASSETS</b>                               |       | <u>198,670</u> | <u>194,731</u>    |
| <b>LIABILITIES</b>                                |       |                |                   |
| <b>Current liabilities</b>                        |       |                |                   |
| Payables  | 10    | 936            | 1,223             |
| Borrowings  | 10    | 77             | 74                |
| Provisions  | 11    | 1,699          | 1,561             |
| <b>Total current liabilities</b>                  |       | <u>2,712</u>   | <u>2,858</u>      |
| <b>Non-current liabilities</b>                    |       |                |                   |
| Borrowings  | 10    | 3,744          | 3,821             |
| Provisions  | 11    | 849            | 638               |
| <b>Total non-current liabilities</b>              |       | <u>4,593</u>   | <u>4,459</u>      |
| <b>TOTAL LIABILITIES</b>                          |       | <u>7,305</u>   | <u>7,317</u>      |
| <b>Net assets</b>                                 |       | <u>191,365</u> | <u>187,414</u>    |
| <b>EQUITY</b>                                     |       |                |                   |
| Accumulated surplus                               | 12a   | 148,739        | 144,937           |
| Revaluation reserves                              | 12a   | 42,508         | 42,477            |
| Other reserves                                    | 12a   | 118            | –                 |
| <b>Council equity interest</b>                    |       | <u>191,365</u> | <u>187,414</u>    |
| <b>Total equity</b>                               |       | <u>191,365</u> | <u>187,414</u>    |

(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 <sup>1</sup>   |                           |                           |                |
|--|-------|---------------------|---------------------------|---------------------------|----------------|---------------------|---------------------------|---------------------------|----------------|
|  |       | Accumulated surplus | IPP&E revaluation reserve | Financial assets at FVOCI | Total equity   | Accumulated surplus | IPP&E revaluation reserve | Financial assets at FVOCI | Total equity   |
| Opening balance  |       | 144,937             | 42,477                    | –                         | 187,414        | 140,428             | 39,400                    | –                         | 179,828        |
| Net operating result for the year                          |       | 3,611               | –                         | –                         | 3,611          | 800                 | –                         | –                         | 800            |
| <b>Other comprehensive income</b>                          |       |                     |                           |                           |                |                     |                           |                           |                |
| – Adoption of new accounting standards – not retrospective |       | –                   | –                         | 118                       | 118            | –                   | –                         | –                         | –              |
| – Gain (loss) on revaluation of IPP&E                      | 9     | –                   | 31                        | –                         | 31             | –                   | 3,077                     | –                         | 3,077          |
| – Joint ventures and associates                            |       | 191                 | –                         | –                         | 191            | 3,709               | –                         | –                         | 3,709          |
| <b>Other comprehensive income</b>                          |       | <b>191</b>          | <b>31</b>                 | <b>118</b>                | <b>340</b>     | <b>3,709</b>        | <b>3,077</b>              | <b>–</b>                  | <b>6,786</b>   |
| <b>Total comprehensive income</b>                          |       | <b>3,802</b>        | <b>31</b>                 | <b>118</b>                | <b>3,951</b>   | <b>4,509</b>        | <b>3,077</b>              | <b>–</b>                  | <b>7,586</b>   |
| <b>Equity – balance at end of the reporting period</b>     |       | <b>148,739</b>      | <b>42,508</b>             | <b>118</b>                | <b>191,365</b> | <b>144,937</b>      | <b>42,477</b>             | <b>–</b>                  | <b>187,414</b> |

(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<br>unaudited<br>budget<br>2019     | \$ '000  | Notes | Actual<br>2019 | Actual<br>2018 |
|---|--|-------|----------------|----------------|
| <b>Cash flows from operating activities</b> |  |       |                |                |
| <u>Receipts</u>                             |  |       |                |                |
| 3,586                                       | Rates and annual charges                                     |       | 3,598          | 3,336          |
| 2,254                                       | User charges and fees  |       | 2,307          | 2,630          |
| 149   | Investment and interest revenue received                     |       | 213            | 200            |
| 6,844                                       | Grants and contributions                                     |       | 7,686          | 7,926          |
| –   | Bonds, deposits and retention amounts received               |       | –              | 5              |
| 293   | Other  |       | 875            | 1,062          |
| <u>Payments</u>                             |  |       |                |                |
| (4,197)                                     | Employee benefits and on-costs                               |       | (4,212)        | (4,436)        |
| (3,072)                                     | Materials and contracts                                      |       | (3,590)        | (6,098)        |
| (160)                                       | Borrowing costs  |       | (159)          | (191)          |
| –   | Bonds, deposits and retention amounts refunded               |       | (7)            | –              |
| (900)                                       | Other  |       | (1,503)        | (1,365)        |
| <b>4,797</b>                                | <b>Net cash provided (or used in) operating activities</b>   | 13b   | <b>5,208</b>   | <b>3,069</b>   |
| <b>Cash flows from investing activities</b> |  |       |                |                |
| <u>Receipts</u>                             |  |       |                |                |
| 5   | Sale of infrastructure, property, plant and equipment        |       | 50             | 173            |
| 102   | Deferred debtors receipts                                    |       | 41             | –              |
| <u>Payments</u>                             |  |       |                |                |
| (6,324)                                     | Purchase of infrastructure, property, plant and equipment    |       | (5,161)        | (6,569)        |
| –   | Purchase of interests in joint ventures and associates       |       | –              | (18)           |
| <b>(6,217)</b>                              | <b>Net cash provided (or used in) investing activities</b>   |       | <b>(5,070)</b> | <b>(6,414)</b> |
| <b>Cash flows from financing activities</b> |  |       |                |                |
| <u>Payments</u>                             |  |       |                |                |
| (74)  | Repayment of borrowings and advances                         |       | (74)           | (71)           |
| <b>(74)</b>                                 | <b>Net cash flow provided (used in) financing activities</b> |       | <b>(74)</b>    | <b>(71)</b>    |
| <b>(1,494)</b>                              | <b>Net increase/(decrease) in cash and cash equivalents</b>  |       | <b>64</b>      | <b>(3,416)</b> |
| 7,000                                       | Plus: cash and cash equivalents – beginning of year          | 13a   | 7,193          | 10,609         |
| <b>5,506</b>                                | <b>Cash and cash equivalents – end of the year</b>           | 13a   | <b>7,257</b>   | <b>7,193</b>   |
| Additional Information:                     |  |       |                |                |
| –   | plus: Investments on hand – end of year                      | 6(b)  | 118            | –              |
| <b>5,506</b>                                | <b>Total cash, cash equivalents and investments</b>          |       | <b>7,375</b>   | <b>7,193</b>   |

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

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 23 October 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 asset') under AASB 139, to fair value through other comprehensive income.

Council holds 2 \$1 shares (1 ordinary share and 1 redeemable preference share) in Southern Phone Company Limited. Council has assessed the fair value of these shares and brought to account the fair value of these shares.

##### *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. The majority of receivables other than rates and charges are current and due from government. 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.

#### (c) Significant accounting estimates and judgements

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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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:

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

#### 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 property subject to Council's control have been included in these reports.

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

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

### Goods and Services Tax (GST)

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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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.

#### **New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been adopted early by Council. The new standards, AASB 16, AASB 15 & AASB 1058 are all effective for Council for the 30 June 2020 reporting period, with transition on 1 July 2019.

Council's assessment of these new standards and interpretations (where 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 requires that all leases should be accounted for on the lessee's accounts similar to the finance lease accounting treatment.

This means recognition of right-of-use assets with the corresponding liability for the present value of minimum lease payments. Accounting treatment of the assets leased out to external parties (lessor's perspective) have not changed and is treated similar to the currently used AASB 117.

Council has examined the impact of adopting this new accounting standard and determined that there is no material impact from adoption on 1 July 2019.

#### **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 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 has auspiced a number of grants on behalf of community groups and as at 30 June 2019 there was \$92,000 remaining unspent. As the grants are subject to a deed of agreement under AASB 15 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. There may be a very minor impact in relation to grants as council is currently auspicing several Stronger Country Communities where the goods/services will not be retained by council.

#### **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:

(a) contributions by owners

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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- (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. There were however a number of grants, totalling \$547,979 under the Stronger Country Communities program which were unspent at 30 June 2019 and under the terms of the funding agreement would be shown as a liability and the income taken up when the works have been completed.

#### **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           |
| <b>Functions or activities</b>         |                                   |               |                                     |               |   |            |  |              |   |                |
| Administration                         | 232                               | 626           | 2,761                               | 3,281         | (2,529)                                     | (2,655)    | 65   | 400          | 12,968                                      | 12,744         |
| Public Order and Safety                | 86                                | 83            | 355                                 | 363           | (269)                                       | (280)      | 89   | 76           | 202   | 207            |
| Community Services and Education       | 2                                 | –             | 2                                   | –             | –   | –          | 2  | –            | –   | –              |
| Housing and Community Amenities        | 648                               | 562           | 1,065                               | 985           | (417)                                       | (423)      | 119  | 35           | 8,552                                       | 8,157          |
| Health                                 | 765                               | 171           | 437                                 | 410           | 328   | (239)      | 740  | 144          | 3,144                                       | 1,560          |
| Sewer Services                         | 767                               | 552           | 571                                 | 420           | 196   | 132        | 214  | 5            | 3,679                                       | 3,365          |
| Recreation and Cultural                | 679                               | 1,163         | 1,174                               | 1,104         | (495)                                       | 59         | 594  | 1,366        | 11,323                                      | 11,527         |
| Mining, Manufacturing and Construction | 43                                | 68            | 8                                   | 4             | 35  | 64         | –  | –            | –   | –              |
| Transport and Communications           | 2,902                             | 3,416         | 3,070                               | 5,220         | (168)                                       | (1,804)    | 1,964  | 2,381        | 132,651                                     | 132,043        |
| Economic Affairs                       | 2,995                             | 2,517         | 2,112                               | 1,986         | 883   | 531        | 97   | 16           | 1,272                                       | 915            |
| General Purposes Revenue               | 5,690                             | 5,235         | –                                   | –             | 5,690                                       | 5,235      | 2,835  | 2,544        | –   | –              |
| Share of Central Tablelands Water      | 357                               | 180           | –                                   | –             | 357   | 180        | –  | –            | 24,213                                      | 24,213         |
| Other                                  | –                                 | –             | –                                   | –             | –   | –          | 178  | –            | 666   | –              |
| <b>Total functions and activities</b>  | <b>15,166</b>                     | <b>14,573</b> | <b>11,555</b>                       | <b>13,773</b> | <b>3,611</b>                                | <b>800</b> | <b>6,897</b>   | <b>6,967</b> | <b>198,670</b>                              | <b>194,731</b> |



## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### **Administration**

Includes civic activities, corporate support and other support services, engineering works, and any Council policy compliance.

#### **Public Order and Safety**

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

#### **Community Services and Education**

Includes administration and education; other community services a; youth services; aged and disabled persons services and other family and children services.

#### **Housing and Community Amenities**

Includes other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management, public cemeteries, public conveniences, street lighting, town planning, housing and other community amenities.

#### **Health**

Includes inspections, immunisation, food control, health centres, destruction of noxious pests.

#### **Sewer Services**

Reticulated sewerages services.

#### **Recreation and Cultural**

Includes public libraries; museums; art galleries; community centres, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens (including dams) and other sporting, recreational and cultural services.

#### **Mining, Manufacturing and Construction**

Includes building control, quarries and pits

#### **Transport and Communications**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas.

#### **Economic Affairs**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

#### **General Purposes Revenue**

Includes rate and charges (excluding water and sewer) non capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and charges.

#### **Share of Central Tablelands Water**

Council's share of the assets of the water supply authority servicing the shire.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

| \$ '000   | 2019         | 2018         |
|---|--------------|--------------|
| <b>(a) Rates and annual charges</b>                                   |              |              |
| <b>Ordinary rates</b>   |              |              |
| Residential   | 941          | 874          |
| Farmland  | 1,645        | 1,543        |
| Mining  | 7            | 6            |
| Business  | 134          | 127          |
| Less: pensioner rebates (mandatory)                                   | (109)        | (110)        |
| <b>Rates levied to ratepayers</b>                                     | <b>2,618</b> | <b>2,440</b> |
| Pensioner rate subsidies received                                     | 62           | 60           |
| <b>Total ordinary rates</b>   | <b>2,680</b> | <b>2,500</b> |
| <b>Annual charges</b>   |              |              |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small> |              |              |
| Domestic waste management services                                    | 331          | 323          |
| Sewerage services   | 521          | 518          |
| Waste management services (non-domestic)                              | 85           | 83           |
| Less: pensioner rebates (mandatory)                                   | (28)         | (28)         |
| <b>Annual charges levied</b>  | <b>909</b>   | <b>896</b>   |
| Pensioner subsidies received:   |              |              |
| – Sewerage  | 16           | 15           |
| <b>Total annual charges</b>   | <b>925</b>   | <b>911</b>   |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>                                 | <b>3,605</b> | <b>3,411</b> |

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>(b) User charges and fees</b>  |              |              |
| <b>Specific user charges</b>  |              |              |
| <small>(per s.502 - specific 'actual use' charges)</small>                    |              |              |
| Sewerage services   | 22           | 21           |
| <b>Total specific user charges</b>  | <b>22</b>    | <b>21</b>    |
| <b>Other user charges and fees</b>  |              |              |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>  |              |              |
| Building regulation   | 76           | 112          |
| Private works – section 67  | 143          | 115          |
| Town planning   | 15           | 25           |
| <b>Total fees and charges – statutory/regulatory</b>                          | <b>234</b>   | <b>252</b>   |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |              |              |
| Caravan park  | 68           | 72           |
| Cemeteries  | 58           | 46           |
| RMS (formerly RTA) charges (state roads not controlled by Council)            | 2,404        | 2,202        |
| Swimming centres  | 41           | 40           |
| Waste disposal tipping fees   | 6            | 14           |
| Community technology centre   | 82           | 93           |
| Other   | 38           | 102          |
| <b>Total fees and charges – other</b>   | <b>2,697</b> | <b>2,569</b> |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>2,953</b> | <b>2,842</b> |

**Accounting policy for user charges and fees**

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

**(c) Interest and investment revenue (including losses)****Interest on financial assets measured at amortised cost**

|  |            |            |
|--|------------|------------|
| – Overdue rates and annual charges (incl. special purpose rates) | 29         | 30         |
| – Cash and investments   | 153        | 161        |
| <b>TOTAL INTEREST AND INVESTMENT REVENUE</b>                     | <b>182</b> | <b>191</b> |

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

|   |     |     |
|---|-----|-----|
| Overdue rates and annual charges (general fund) | 25  | 27  |
| General Council cash and investments            | 150 | 157 |

**Restricted investments/funds – external:**

|  |            |            |
|--|------------|------------|
| Sewerage fund operations                     | 7          | 7          |
| <b>Total interest and investment revenue</b> | <b>182</b> | <b>191</b> |

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

| \$ '000                                  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>(d) Other revenues</b>                |                   |                   |
| Rental income – other council properties | 39                | 41                |
| Commissions and agency fees              | 58                | 61                |
| Diesel rebate                            | 48                | 49                |
| Recycling income (non-domestic)          | 12                | 14                |
| Insurance rebates                        | 30                | 16                |
| Southern phone company dividend          | 12                | 12                |
| <b><u>TOTAL OTHER REVENUE</u></b>        | <b><u>199</u></b> | <b><u>193</u></b> |

**Accounting policy for other revenue**

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

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

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<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|--|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Grants</b>                                  |                   |                   |                 |                 |
| <b>General purpose (untied)</b>                    |                   |                   |                 |                 |
| <b>Current year allocation</b>                     |                   |                   |                 |                 |
| Financial assistance – general component           | 889               | 766               | –               | –               |
| Financial assistance – local roads component       | 503               | 487               | –               | –               |
| <b>Payment in advance - future year allocation</b> |                   |                   |                 |                 |
| Financial assistance                               | 921               | 787               | –               | –               |
| Financial assistance – general component           | 522               | 504               | –               | –               |
| <b>Total general purpose</b>                       | <b>2,835</b>      | <b>2,544</b>      | <b>–</b>        | <b>–</b>        |
| <b>Specific purpose</b>                            |                   |                   |                 |                 |
| Sewerage services                                  | –                 | –                 | 214             | 5               |
| Bushfire and emergency services                    | 81                | 76                | –               | –               |
| Economic development                               | –                 | 16                | –               | –               |
| Heritage and cultural                              | 15                | 6                 | –               | 10              |
| Library  | 25                | 19                | –               | 50              |
| Noxious weeds                                      | 23                | 31                | –               | –               |
| Recreation and culture                             | –                 | –                 | 26              | 77              |
| Storm/flood damage                                 | 84                | 939               | –               | –               |
| Street lighting                                    | 35                | 35                | –               | –               |
| Transport (roads to recovery)                      | 261               | 931               | –               | –               |
| Transport (other roads and bridges funding)        | –                 | –                 | 1,877           | 477             |
| Swimming Pool                                      | –                 | –                 | –               | 950             |
| Stronger Country Communities                       | –                 | –                 | 528             | 254             |
| Medical Centre                                     | –                 | –                 | 717             | 113             |
| Innovation Fund                                    | –                 | 400               | –               | –               |
| Safer Communities CCTV                             | –                 | –                 | 97              | –               |
| Crown Land Management                              | 65                | –                 | –               | –               |
| Other  | 10                | 34                | 4               | –               |
| <b>Total specific purpose</b>                      | <b>599</b>        | <b>2,487</b>      | <b>3,463</b>    | <b>1,936</b>    |
| <b>Total grants</b>                                | <b>3,434</b>      | <b>5,031</b>      | <b>3,463</b>    | <b>1,936</b>    |
| <b>Grant revenue is attributable to:</b>           |                   |                   |                 |                 |
| – Commonwealth funding                             | 3,096             | 3,475             | 717             | –               |
| – State funding                                    | 338               | 1,556             | 2,491           | 1,936           |
| – Other funding                                    | –                 | –                 | 255             | –               |
|  | <b>3,434</b>      | <b>5,031</b>      | <b>3,463</b>    | <b>1,936</b>    |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

| \$ '000  | Notes | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|--|-------|-------------------|-------------------|-----------------|-----------------|
| <b>(f) Contributions</b>   |       |                   |                   |                 |                 |
| <b>Developer contributions:<br/>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b> |       |                   |                   |                 |                 |
| <b>Cash contributions</b>  |       |                   |                   |                 |                 |
| S 64 – sewerage service contributions  |       | –                 | –                 | 11              | 11              |
| <b>Total developer contributions – cash</b>  |       | <u>–</u>          | <u>–</u>          | <u>11</u>       | <u>11</u>       |
| <b>Total developer contributions</b>   | 21    | <u>–</u>          | <u>–</u>          | <u>11</u>       | <u>11</u>       |
| <b>Other contributions:</b>  |       |                   |                   |                 |                 |
| <b>Cash contributions</b>  |       |                   |                   |                 |                 |
| Recreation and culture   |       | –                 | –                 | 33              | –               |
| RMS contributions (regional roads, block grant)  |       | 726               | 710               | 203             | 68              |
| <b>Total other contributions – cash</b>  |       | <u>726</u>        | <u>710</u>        | <u>236</u>      | <u>68</u>       |
| <b>Total other contributions</b>   |       | <u>726</u>        | <u>710</u>        | <u>236</u>      | <u>68</u>       |
| <b>Total contributions</b>   |       | <u>726</u>        | <u>710</u>        | <u>247</u>      | <u>79</u>       |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>  |       | <u>4,160</u>      | <u>5,741</u>      | <u>3,710</u>    | <u>2,015</u>    |

**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       |
|--|------------|------------|
| <b>(g) Unspent grants and contributions</b>  |            |            |
| <b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b> |            |            |
| <b>Operating grants</b>  |            |            |
| Unexpended at the close of the previous reporting period   | –          | 1,103      |
| <b>Add:</b> operating grants recognised in the current period but not yet spent  | 65         | –          |
| <b>Add:</b> operating grants received for the provision of goods and services in a future period                       | –          | –          |
| <b>Less:</b> operating grants recognised in a previous reporting period now spent                                      | –          | (1,103)    |
| <b>Unexpended and held as restricted assets (operating grants)</b>   | <b>65</b>  | <b>–</b>   |
| <b>Capital grants</b>  |            |            |
| Unexpended at the close of the previous reporting period   | –          | –          |
| <b>Add:</b> capital grants recognised in the current period but not yet spent  | 740        | –          |
| <b>Add:</b> capital grants received for the provision of goods and services in a future period                         | –          | –          |
| <b>Less:</b> capital grants recognised in a previous reporting period now spent  | –          | –          |
| <b>Unexpended and held as restricted assets (capital grants)</b>   | <b>740</b> | <b>–</b>   |
| <b>Contributions</b>   |            |            |
| Unexpended at the close of the previous reporting period   | 172        | 161        |
| <b>Add:</b> contributions recognised in the current period but not yet spent   | 11         | 11         |
| <b>Unexpended and held as restricted assets (contributions)</b>  | <b>183</b> | <b>172</b> |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>(a) Employee benefits and on-costs</b>                    |              |              |
| Salaries and wages   | 3,701        | 3,654        |
| Superannuation – defined contribution plans                  | 293          | 303          |
| Superannuation – defined benefit plans                       | 153          | 182          |
| Workers' compensation insurance                              | 123          | 101          |
| Fringe benefit tax (FBT)                                     | 26           | 46           |
| Occupational health and safety                               | 14           | 32           |
| Training costs (other than salaries and wages)               | 27           | 37           |
| <b>Total employee costs</b>                                  | <b>4,337</b> | <b>4,355</b> |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>                         | <b>4,337</b> | <b>4,355</b> |
| Number of 'full-time equivalent' employees (FTE) at year end | 57           | 59           |

**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 16 for more information.

| \$ '000   | Notes | 2019       | 2018       |
|---|-------|------------|------------|
| <b>(b) Borrowing costs</b>  |       |            |            |
| <b>(i) Interest bearing liability costs</b>                               |       |            |            |
| Interest on loans   |       | 159        | 191        |
| <b>Total interest bearing liability costs expensed</b>                    |       | <b>159</b> | <b>191</b> |
| <b>(ii) Other borrowing costs</b>   |       |            |            |
| Discount adjustments relating to movements in provisions (other than ELE) |       |            |            |
| – Remediation liabilities   | 11    | 8          | 13         |
| <b>Total other borrowing costs</b>  |       | <b>8</b>   | <b>13</b>  |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                                     |       | <b>167</b> | <b>204</b> |

**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         |
|--|--------------|--------------|
| <b>(c) Materials and contracts</b>                             |              |              |
| Raw materials and consumables                                  | 3,135        | 5,427        |
| Auditors remuneration <sup>2</sup>                             | 36           | 37           |
| <b>Legal expenses:</b>   |              |              |
| – Legal expenses: other  | 34           | 1            |
| <b>Operating leases:</b>                                       |              |              |
| – Operating lease rentals: minimum lease payments <sup>1</sup> | 5            | –            |
| <b>Total materials and contracts</b>                           | <u>3,210</u> | <u>5,465</u> |
| <b><u>TOTAL MATERIALS AND CONTRACTS</u></b>                    | <u>3,210</u> | <u>5,465</u> |

**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:**

|                   |          |          |
|-------------------|----------|----------|
| Plant & Equipment | 5        | –        |
|                   | <u>5</u> | <u>–</u> |

**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  | 36        | 37        |
| <b>Total Auditor-General remuneration</b> | <u>36</u> | <u>37</u> |
| <b>Total Auditor remuneration</b>         | <u>36</u> | <u>37</u> |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

| \$ '000   | Notes | 2019                | 2018                |
|---|-------|---------------------|---------------------|
| <b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>                             |       |                     |                     |
| <b>Depreciation and amortisation</b>  |       |                     |                     |
| Plant and equipment   |       | 373                 | 386                 |
| Office equipment  |       | 38                  | 42                  |
| Furniture and fittings  |       | 7                   | 5                   |
| <b>Infrastructure:</b>  |       |                     |                     |
| – Buildings – non-specialised   |       | 283                 | 283                 |
| – Buildings – specialised   |       | 99                  | 133                 |
| – Other structures  |       | 88                  | 86                  |
| – Roads   |       | 1,196               | 1,196               |
| – Bridges   |       | 256                 | 256                 |
| – Footpaths   |       | 35                  | 35                  |
| – Stormwater drainage   |       | 71                  | 71                  |
| – Sewerage network  |       | 132                 | 130                 |
| – Swimming pools  |       | 204                 | 138                 |
| <b>Other assets:</b>  |       |                     |                     |
| – Library books   |       | 21                  | 12                  |
| – Other   |       | 1                   | 1                   |
| <b>Reinstatement, rehabilitation and restoration assets:</b>  |       |                     |                     |
| – Asset reinstatement costs   | 9,11  | 26                  | 25                  |
| <b>Total gross depreciation and amortisation costs</b>  |       | <b>2,830</b>        | <b>2,799</b>        |
| Total depreciation and amortisation costs   |       | 2,830               | 2,799               |
| <b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b> |       | <b><u>2,830</u></b> | <b><u>2,799</u></b> |

**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**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above 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       |
|--|--------------|------------|
| <b>(e) Other expenses</b>  |              |            |
| Advertising  | 32           | 36         |
| Contributions/levies to other levels of government                           |              |            |
| Contributions/levies to other levels of government                           |              |            |
| – Emergency services levy (includes FRNSW, SES, and RFS levies)              | 5            | 6          |
| – NSW fire brigade levy  | 25           | 25         |
| – NSW rural fire service levy  | 182          | 187        |
| Councillor expenses – mayoral fee  | 26           | 25         |
| Councillor expenses – councillors' fees                                      | 107          | 104        |
| Councillors' expenses (incl. mayor) – other (excluding fees above)           | 5            | 5          |
| Donations, contributions and assistance to other organisations (Section 356) | 70           | 58         |
| Electricity and heating  | 156          | 125        |
| Insurance  | 227          | 213        |
| Postage  | 11           | 13         |
| Street lighting  | 121          | 101        |
| Telephone and communications   | 35           | 34         |
| <b>Total other expenses</b>  | <b>1,002</b> | <b>932</b> |
| <b>TOTAL OTHER EXPENSES</b>  | <b>1,002</b> | <b>932</b> |

**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        |
|--|-------|-------------|-------------|
| <b>Property (excl. investment property)</b>                          |       |             |             |
| Proceeds from disposal – property                                    |       | 20          | –           |
| Less: carrying amount of property assets sold/written off            |       | (54)        | –           |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>(34)</b> | <b>–</b>    |
| <b>Plant and equipment</b>   |       |             |             |
|  | 9     |             |             |
| Proceeds from disposal – plant and equipment                         |       | 30          | 107         |
| Less: carrying amount of plant and equipment assets sold/written off |       | (5)         | (125)       |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>25</b>   | <b>(18)</b> |
| <b>Infrastructure</b>  |       |             |             |
|  | 9     |             |             |
| Proceeds from disposal – infrastructure                              |       | –           | 66          |
| Less: carrying amount of infrastructure assets sold/written off      |       | –           | (66)        |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>–</b>    | <b>–</b>    |
| <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>                         |       | <b>(9)</b>  | <b>(18)</b> |

**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         |
|--|--------------|--------------|
| <b>Cash and cash equivalents</b>       |              |              |
| Cash on hand and at bank               | 757          | 1,193        |
| Cash-equivalent assets                 |              |              |
| – Short-term deposits                  | 6,500        | 6,000        |
| <b>Total cash and cash equivalents</b> | <b>7,257</b> | <b>7,193</b> |

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Investments</b>   |                 |                     |                 |                     |
| d. 'Financial assets at fair value through other comprehensive income' | –               | 118                 | –               | –                   |
| <b>Total Investments</b>   | <b>–</b>        | <b>118</b>          | <b>–</b>        | <b>–</b>            |
| <b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>             | <b>7,257</b>    | <b>118</b>          | <b>7,193</b>    | <b>–</b>            |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments (continued)

|  | Fair value at<br>30/06/19 | Dividend<br>income<br>recognised<br>during 1/7/18 –<br>30/6/19 |
|--|---------------------------|--|
| <b>Financial assets designated as at fair value through other comprehensive income</b>   |                           |  |
| Preamble   |                           |  |
| At 1 July 2018, Council designated the investments shown below as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes. In 2018, these investments were classified as available for sale. |                           |  |
| Southern Phone Shares  | 118                       | 12   |
| <b>Total</b>   | <b>118</b>                | <b>12</b>  |

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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

#### **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.

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

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

##### **(b) Available for sale financial assets**

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

##### **Recognition and de-recognition**

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

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

##### **Impairment of 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.

##### **Impairment of available for sale investments**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000                                      | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Total cash, cash equivalents and investments | 7,257           | 118                 | 7,193           | –                   |
| <b>attributable to:</b>                      |                 |                     |                 |                     |
| External restrictions                        | 1,528           | –                   | 957             | –                   |
| Internal restrictions                        | 3,997           | –                   | 4,840           | –                   |
| Unrestricted                                 | 1,732           | 118                 | 1,396           | –                   |
|  | <u>7,257</u>    | <u>118</u>          | <u>7,193</u>    | <u>–</u>            |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

## Details of restrictions

**External restrictions – other**

|                                      |     |     |
|--------------------------------------|-----|-----|
| Developer contributions – sewer fund | 183 | 172 |
| Specific purpose unexpended grants   | 805 | –   |
| Sewerage services                    | 540 | 785 |

**External restrictions – other**

|              |            |
|--------------|------------|
| <u>1,528</u> | <u>957</u> |
|--------------|------------|

**Total external restrictions**

|              |            |
|--------------|------------|
| <u>1,528</u> | <u>957</u> |
|--------------|------------|

**Internal restrictions**

|  |       |       |
|--|-------|-------|
| Plant and vehicle replacement              | –     | 62    |
| Employees leave entitlement                | 500   | 500   |
| Development projects                       | 79    | 93    |
| Gravel pits                                | 36    | 34    |
| Grenfell medical centre                    | –     | 1,228 |
| Office equipment                           | 40    | 47    |
| Town and shire works                       | 1,899 | 1,586 |
| Financial Assistance Grant advance payment | 1,443 | 1,290 |

**Total internal restrictions**

|              |              |
|--------------|--------------|
| <u>3,997</u> | <u>4,840</u> |
|--------------|--------------|

**TOTAL RESTRICTIONS**

|              |              |
|--------------|--------------|
| <u>5,525</u> | <u>5,797</u> |
|--------------|--------------|

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

| \$ '000   | 2019<br>Current     | 2019<br>Non-current | 2018<br>Current   | 2018<br>Non-current |
|---|---------------------|---------------------|-------------------|---------------------|
| <b>Purpose</b>                                      |                     |                     |                   |                     |
| Rates and annual charges                            | 191                 | –                   | 232               | –                   |
| Interest and extra charges                          | 5                   | –                   | 36                | –                   |
| User charges and fees                               | 914                 | –                   | –                 | –                   |
| Private works                                       | 232                 | –                   | 298               | –                   |
| Accrued revenues                                    |                     |                     |                   |                     |
| – Other income accruals                             | 34                  | –                   | 159               | –                   |
| Deferred debtors                                    | 16                  | 104                 | 102               | 59                  |
| Government grants and subsidies                     | –                   | –                   | 15                | –                   |
| Net GST receivable                                  | 169                 | –                   | 24                | –                   |
| <b>Total</b>  | <b>1,561</b>        | <b>104</b>          | <b>866</b>        | <b>59</b>           |
| <b>Less: provision of impairment</b>                |                     |                     |                   |                     |
| Rates and annual charges                            | (26)                | –                   | (74)              | –                   |
| User charges and fees                               | (5)                 | –                   | (5)               | –                   |
| <b>Total provision for impairment – receivables</b> | <b>(31)</b>         | <b>–</b>            | <b>(79)</b>       | <b>–</b>            |
| <b><u>TOTAL NET RECEIVABLES</u></b>                 | <b><u>1,530</u></b> | <b><u>104</u></b>   | <b><u>787</u></b> | <b><u>59</u></b>    |

| \$ '000   | 2019      | 2018      |
|---|-----------|-----------|
| <b>Movement in provision for impairment of receivables</b>                    |           |           |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 79        | 42        |
| + new provisions recognised during the year                                   | –         | 37        |
| – amounts already provided for and written off this year                      | (48)      | –         |
| <b>Balance at the end of the period</b>                                       | <b>31</b> | <b>79</b> |

**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.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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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<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|----------------------------------|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Inventories</b>           |                 |                     |                 |                     |
| <b>(i) Inventories at cost</b>   |                 |                     |                 |                     |
| Real estate for resale           | 62              | –                   | 62              | –                   |
| Stores and materials             | 174             | –                   | 235             | –                   |
| <b>Total inventories at cost</b> | <b>236</b>      | <b>–</b>            | <b>297</b>      | <b>–</b>            |
| <b>TOTAL INVENTORIES</b>         | <b>236</b>      | <b>–</b>            | <b>297</b>      | <b>–</b>            |
| <b>(b) Other assets</b>          |                 |                     |                 |                     |
| Prepayments                      | –               | –                   | 24              | –                   |
| <b>TOTAL OTHER ASSETS</b>        | <b>–</b>        | <b>–</b>            | <b>24</b>       | <b>–</b>            |

#### (i) Other disclosures

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Details for real estate development</b>         |                 |                     |                 |                     |
| Industrial/commercial                                  | 62              | –                   | 62              | –                   |
| <b>Total real estate for resale</b>                    | <b>62</b>       | <b>–</b>            | <b>62</b>       | <b>–</b>            |
| (Valued at the lower of cost and net realisable value) |                 |                     |                 |                     |
| <b>Represented by:</b>                                 |                 |                     |                 |                     |
| Acquisition costs                                      | 62              | –                   | 62              | –                   |
| <b>Total costs</b>                                     | <b>62</b>       | <b>–</b>            | <b>62</b>       | <b>–</b>            |
| <b>Total real estate for resale</b>                    | <b>62</b>       | <b>–</b>            | <b>62</b>       | <b>–</b>            |
| <b>Movements:</b>                                      |                 |                     |                 |                     |
| Real estate assets at beginning of the year            | 62              | –                   | 62              | –                   |
| <b>Total real estate for resale</b>                    | <b>62</b>       | <b>–</b>            | <b>62</b>       | <b>–</b>            |

#### (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 | 42        | 42        |
|                        | <b>42</b> | <b>42</b> |

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets (continued)

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#### 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.

##### **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. Infrastructure, property, plant and equipment

| \$ '000  | 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 <sup>1</sup>             | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Revaluation decrements to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| Capital work in progress   | 1,699                 | (370)                    | 1,329               | 452   | –                    | –                           | –                    | (1,090)       | –                         | –                                      | 691                   | –                        | 691                 |
| Plant and equipment  | 6,394                 | (4,138)                  | 2,256               | –   | 439                  | (5)                         | (373)                | –             | –                         | –                                      | 6,613                 | (4,296)                  | 2,317               |
| Office equipment   | 1,076                 | (879)                    | 197                 | –   | 34                   | –                           | (38)                 | –             | –                         | –                                      | 1,111                 | (918)                    | 193                 |
| Furniture and fittings   | 141                   | (108)                    | 33                  | –   | 38                   | –                           | (7)                  | –             | –                         | –                                      | 179                   | (115)                    | 64                  |
| <b>Land:</b>   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Operational land   | 1,396                 | –                        | 1,396               | –   | 11                   | (54)                        | –                    | –             | –                         | –                                      | 1,353                 | –                        | 1,353               |
| – Community land   | 1,133                 | –                        | 1,133               | –   | –                    | –                           | –                    | –             | –                         | –                                      | 1,133                 | –                        | 1,133               |
| <b>Infrastructure:</b>   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Buildings – non-specialised  | 11,189                | (6,434)                  | 4,755               | 1,631                                       | –                    | –                           | (283)                | 1,090         | –                         | –                                      | 14,281                | (7,088)                  | 7,193               |
| – Buildings – specialised  | 5,088                 | (2,759)                  | 2,329               | 8   | –                    | –                           | (99)                 | –             | –                         | –                                      | 5,096                 | (2,858)                  | 2,238               |
| – Other structures   | 2,786                 | (1,017)                  | 1,769               | 142   | –                    | –                           | (88)                 | –             | –                         | –                                      | 2,928                 | (1,105)                  | 1,823               |
| – Roads  | 92,311                | (17,979)                 | 74,332              | 1,134                                       | –                    | –                           | (1,196)              | –             | –                         | –                                      | 93,445                | (19,175)                 | 74,270              |
| – Bridges  | 32,565                | (7,878)                  | 24,687              | 155   | –                    | –                           | (256)                | –             | –                         | –                                      | 32,721                | (8,135)                  | 24,586              |
| – Footpaths  | 1,569                 | (740)                    | 829                 | 33  | –                    | –                           | (35)                 | –             | –                         | –                                      | 1,602                 | (775)                    | 827                 |
| – Bulk earthworks (non-depreciable)  | 32,194                | –                        | 32,194              | 774   | –                    | –                           | –                    | –             | –                         | –                                      | 32,968                | –                        | 32,968              |
| – Stormwater drainage  | 8,646                 | (2,583)                  | 6,063               | –   | –                    | –                           | (71)                 | –             | –                         | –                                      | 8,646                 | (2,654)                  | 5,992               |
| – Sewerage network   | 12,613                | (10,649)                 | 1,964               | 186   | –                    | –                           | (132)                | –             | –                         | 31                                     | 13,001                | (10,952)                 | 2,049               |
| – Swimming pools   | 6,955                 | (671)                    | 6,284               | 65  | –                    | –                           | (204)                | –             | –                         | –                                      | 7,020                 | (875)                    | 6,145               |
| <b>Other assets:</b>   |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Library books  | 492                   | (394)                    | 98                  | –   | 59                   | –                           | (21)                 | –             | –                         | –                                      | 551                   | (415)                    | 136                 |
| – Other  | 65                    | (47)                     | 18                  | –   | –                    | –                           | (1)                  | –             | –                         | –                                      | 65                    | (48)                     | 17                  |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b> |                       |                          |                     |   |                      |                             |                      |               |                           |  |                       |                          |                     |
| – Tip assets   | 696                   | (204)                    | 492                 | –   | –                    | –                           | (26)                 | –             | 203                       | –                                      | 899                   | (230)                    | 669                 |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>219,008</b>        | <b>(56,850)</b>          | <b>162,158</b>      | <b>4,580</b>                                | <b>581</b>           | <b>(59)</b>                 | <b>(2,830)</b>       | <b>–</b>      | <b>203</b>                | <b>31</b>                              | <b>224,303</b>        | <b>(59,639)</b>          | <b>164,664</b>      |

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

| \$ '000  | as at 30/6/2017       |                          |                     | Asset movements during the reporting period |                      |                             |                      |                           |  | as at 30/6/2018       |                          |                     |
|--|-----------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|---------------------------|--|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals <sup>(1)</sup>           | Additions new assets | Carrying value of disposals | Depreciation expense | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| Capital work in progress   | 87                    | –                        | 87                  | 152   | 728                  | –                           | –                    | 362                       | –                                      | 1,699                 | (370)                    | 1,329               |
| Plant and equipment  | 6,182                 | (3,958)                  | 2,224               | –   | 543                  | (125)                       | (386)                | –                         | –                                      | 6,394                 | (4,138)                  | 2,256               |
| Office equipment   | 1,062                 | (838)                    | 224                 | –   | 15                   | –                           | (42)                 | –                         | –                                      | 1,076                 | (879)                    | 197                 |
| Furniture and fittings   | 135                   | (103)                    | 32                  | –   | 6                    | –                           | (5)                  | –                         | –                                      | 141                   | (108)                    | 33                  |
| <b>Land:</b>   |                       |                          |                     |   |                      |                             |                      |                           |  |                       |                          |                     |
| – Operational land   | 1,305                 | –                        | 1,305               | –   | –                    | –                           | –                    | 46                        | 45                                     | 1,396                 | –                        | 1,396               |
| – Community land   | 1,179                 | –                        | 1,179               | –   | –                    | –                           | –                    | (46)                      | –                                      | 1,133                 | –                        | 1,133               |
| <b>Infrastructure:</b>   |                       |                          |                     |   |                      |                             |                      |                           |  |                       |                          |                     |
| – Buildings – non-specialised  | 10,078                | (6,643)                  | 3,435               | –   | –                    | –                           | (283)                | (362)                     | 1,965                                  | 11,189                | (6,434)                  | 4,755               |
| – Buildings – specialised  | 4,604                 | (3,166)                  | 1,438               | –   | –                    | –                           | (133)                | –                         | 1,024                                  | 5,088                 | (2,759)                  | 2,329               |
| – Other structures   | 2,664                 | (931)                    | 1,733               | 188   | –                    | (66)                        | (86)                 | –                         | –                                      | 2,786                 | (1,017)                  | 1,769               |
| – Roads  | 91,469                | (16,783)                 | 74,686              | 842   | –                    | –                           | (1,196)              | –                         | –                                      | 92,311                | (17,979)                 | 74,332              |
| – Bridges  | 32,565                | (7,622)                  | 24,943              | –   | –                    | –                           | (256)                | –                         | –                                      | 32,565                | (7,878)                  | 24,687              |
| – Footpaths  | 1,543                 | (705)                    | 838                 | 26  | –                    | –                           | (35)                 | –                         | –                                      | 1,569                 | (740)                    | 829                 |
| – Bulk earthworks (non-depreciable)  | 30,719                | –                        | 30,719              | 1,475                                       | –                    | –                           | –                    | –                         | –                                      | 32,194                | –                        | 32,194              |
| – Stormwater drainage  | 8,628                 | (2,512)                  | 6,116               | 18  | –                    | –                           | (71)                 | –                         | –                                      | 8,646                 | (2,583)                  | 6,063               |
| – Sewerage network   | 12,353                | (10,302)                 | 2,051               | –   | –                    | –                           | (130)                | –                         | 43                                     | 12,613                | (10,649)                 | 1,964               |
| – Swimming pools   | 4,446                 | (535)                    | 3,911               | 2,511                                       | –                    | –                           | (138)                | –                         | –                                      | 6,955                 | (671)                    | 6,284               |
| <b>Other assets:</b>   |                       |                          |                     |   |                      |                             |                      |                           |  |                       |                          |                     |
| – Library books  | 459                   | (383)                    | 76                  | 34  | –                    | –                           | (12)                 | –                         | –                                      | 492                   | (394)                    | 98                  |
| – Other  | 65                    | (46)                     | 19                  | –   | –                    | –                           | (1)                  | –                         | –                                      | 65                    | (47)                     | 18                  |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b> |                       |                          |                     |   |                      |                             |                      |                           |  |                       |                          |                     |
| – Tip assets   | 665                   | (179)                    | 486                 | –   | –                    | –                           | (25)                 | 31                        | –                                      | 696                   | (204)                    | 492                 |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>210,208</b>        | <b>(54,706)</b>          | <b>155,502</b>      | <b>5,246</b>                                | <b>1,292</b>         | <b>(191)</b>                | <b>(2,799)</b>       | <b>31</b>                 | <b>3,077</b>                           | <b>219,008</b>        | <b>(56,850)</b>          | <b>162,158</b>      |

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

**Accounting policy for infrastructure, property, plant and equipment**

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

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 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:

|                                   |           |                                      |            |
|-----------------------------------|-----------|--------------------------------------|------------|
| <b>Plant and equipment</b>        | Years     | <b>Other equipment</b>               | Years      |
| Office equipment                  | 10        | Playground equipment                 | 5 to 15    |
| Office furniture                  | 10        | Benches, seats etc.                  | 10 to 20   |
| Computer equipment                | 10        | Library Books                        | 10         |
| Vehicles                          | 10        |                                      |            |
| Heavy plant/road making equipment | 10        | <b>Buildings</b>                     |            |
| Other plant and equipment         | 10        | Buildings                            | 20 to 40   |
| <b>Sewer assets</b>               |           | <b>Stormwater assets</b>             |            |
| Reticulation pipes                | 50 to 85  | RC Pipe                              | 100 to 140 |
| Pumps and telemetry               | 15 to 50  | Pits                                 | 100        |
| Treatment Works                   | 20 to 50  | Covered Drains                       | 100        |
| <b>Transportation assets</b>      |           | <b>Other infrastructure assets</b>   |            |
| Sealed roads: surface             | 26 to 32  | Bulk earthworks                      | Infinite   |
| Sealed roads: structure           | 26 to 112 | Swimming pools                       | 15 to 50   |
| Unsealed roads                    | 10 to 33  | Other open space/recreational assets | 10 to 80   |
| Footpaths                         | 20 to 50  |                                      |            |

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

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

**Land under roads**

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

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

**Crown reserves**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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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 firefighting 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 firefighting equipment has been purchased or constructed".

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10. Payables and borrowings

| \$ '000   | 2019<br>Current     | 2019<br>Non-current | 2018<br>Current     | 2018<br>Non-current |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Payables</b>                                 |                     |                     |                     |                     |
| Goods and services – operating expenditure      | 504                 | –                   | 632                 | –                   |
| Accrued expenses:                               |                     |                     |                     |                     |
| – Other expenditure accruals                    | 206                 | –                   | 358                 | –                   |
| Security bonds, deposits and retentions         | 226                 | –                   | 233                 | –                   |
| <b>Total payables</b>                           | <b>936</b>          | <b>–</b>            | <b>1,223</b>        | <b>–</b>            |
| <b>Borrowings</b>                               |                     |                     |                     |                     |
| Loans – secured <sup>1</sup>                    | 77                  | 3,744               | 74                  | 3,821               |
| <b>Total borrowings</b>                         | <b>77</b>           | <b>3,744</b>        | <b>74</b>           | <b>3,821</b>        |
| <b><u>TOTAL PAYABLES AND<br/>BORROWINGS</u></b> | <b><u>1,013</u></b> | <b><u>3,744</u></b> | <b><u>1,297</u></b> | <b><u>3,821</u></b> |

(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 20.

#### (a) Current payables and borrowings not anticipated to be settled within the next twelve months

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

|                                      |          |          |
|--------------------------------------|----------|----------|
| <b>Total payables and borrowings</b> | <b>–</b> | <b>–</b> |
|--------------------------------------|----------|----------|

#### (b) Changes in liabilities arising from financing activities

| \$ '000         | as at<br>30/6/2018 |             |                          |                                   |                                | as at<br>30/6/2019 |
|-----------------|--------------------|-------------|--------------------------|-----------------------------------|--------------------------------|--------------------|
|                 | Opening<br>Balance | Cash flows  | Non-cash<br>acquisitions | Non-cash<br>fair value<br>changes | Other<br>non-cash<br>movements | Closing<br>balance |
| Loans – secured | 3,895              | (74)        | –                        | –                                 | –                              | 3,821              |
| <b>TOTAL</b>    | <b>3,895</b>       | <b>(74)</b> | <b>–</b>                 | <b>–</b>                          | <b>–</b>                       | <b>3,821</b>       |

| \$ '000         | as at<br>30/6/2017 |             |                          |                                   |                                | as at<br>30/6/2018 |
|-----------------|--------------------|-------------|--------------------------|-----------------------------------|--------------------------------|--------------------|
|                 | Opening<br>Balance | Cash flows  | Non-cash<br>acquisitions | Non-cash<br>fair value<br>changes | Other<br>non-cash<br>movements | Closing<br>balance |
| Loans – secured | 3,966              | (71)        | –                        | –                                 | –                              | 3,895              |
| <b>TOTAL</b>    | <b>3,966</b>       | <b>(71)</b> | <b>–</b>                 | <b>–</b>                          | <b>–</b>                       | <b>3,895</b>       |



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings (continued)

| \$ '000  | 2019       | 2018       |
|--|------------|------------|
| <b>(c) Financing arrangements</b>  |            |            |
| <b>(i) Unrestricted access was available at balance date to the following lines of credit:</b> |            |            |
| Bank overdraft facilities <sup>1</sup>   | 250        | 250        |
| Credit cards/purchase cards  | 50         | 50         |
| <b>Total financing arrangements</b>  | <b>300</b> | <b>300</b> |
| <b>Drawn facilities as at balance date:</b>  |            |            |
| – Credit cards/purchase cards  | 17         | 18         |
| <b>Total drawn financing arrangements</b>  | <b>17</b>  | <b>18</b>  |
| <b>Undrawn facilities as at balance date:</b>  |            |            |
| – Bank overdraft facilities  | 250        | 250        |
| – Credit cards/purchase cards  | 33         | 32         |
| <b>Total undrawn financing arrangements</b>  | <b>283</b> | <b>282</b> |

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

**Accounting policy for payables and borrowings**

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Provisions

| \$ '000  | 2019<br>Current     | 2019<br>Non-current | 2018<br>Current     | 2018<br>Non-current |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>Provisions</b>                                |                     |                     |                     |                     |
| <b>Employee benefits</b>                         |                     |                     |                     |                     |
| Annual leave                                     | 685                 | –                   | 636                 | –                   |
| Long service leave                               | 1,014               | 42                  | 925                 | 41                  |
| <b>Sub-total – aggregate employee benefits</b>   | <b>1,699</b>        | <b>42</b>           | <b>1,561</b>        | <b>41</b>           |
| <b>Asset remediation/restoration:</b>            |                     |                     |                     |                     |
| Asset remediation/restoration (future works)     | –                   | 807                 | –                   | 597                 |
| <b>Sub-total – asset remediation/restoration</b> | <b>–</b>            | <b>807</b>          | <b>–</b>            | <b>597</b>          |
| <b><u>TOTAL PROVISIONS</u></b>                   | <b><u>1,699</u></b> | <b><u>849</u></b>   | <b><u>1,561</u></b> | <b><u>638</u></b>   |

**(a) Provisions relating to restricted assets****Externally restricted assets**

|   |                     |                   |                     |                   |
|---|---------------------|-------------------|---------------------|-------------------|
| Sewer   | 27                  | –                 | 20                  | –                 |
| Provisions relating to externally restricted assets     | 27                  | –                 | 20                  | –                 |
| <b>Total provisions relating to restricted assets</b>   | <b>27</b>           | <b>–</b>          | <b>20</b>           | <b>–</b>          |
| <b>Total provisions relating to unrestricted assets</b> | <b>1,672</b>        | <b>849</b>        | <b>1,541</b>        | <b>638</b>        |
| <b><u>TOTAL PROVISIONS</u></b>                          | <b><u>1,699</u></b> | <b><u>849</u></b> | <b><u>1,561</u></b> | <b><u>638</u></b> |

| \$ '000 | 2019 | 2018 |
|---------|------|------|
|---------|------|------|

**(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 | 1,308        | 1,063        |
|                                 | <u>1,308</u> | <u>1,063</u> |

**(c) Description of and movements in provisions**

| \$ '000  | Other provisions     |            |
|--|----------------------|------------|
|  | Asset<br>remediation | Total      |
| <b>2019</b>                                    |                      |            |
| At beginning of year                           | 597                  | 597        |
| <b>Changes to provision:</b>                   |                      |            |
| – Revised costs                                | 202                  | 202        |
| Unwinding of discount                          | 8                    | 8          |
| <b>Total other provisions at end of period</b> | <b>807</b>           | <b>807</b> |
| <b>2018</b>                                    |                      |            |
| At beginning of year                           | 553                  | 553        |
| – Revised costs                                | 31                   | 31         |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Provisions (continued)

| \$ '000                                 | Other provisions  |       |
|---|-------------------|-------|
|   | Asset remediation | Total |
| Unwinding of discount                   | 13                | 13    |
| Total other provisions at end of period | 597               | 597   |

**Nature and purpose of non-employee benefit provisions****Asset remediation**

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

**Accounting policy for provisions**

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

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

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

**Employee benefits****Short-term obligations**

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

**Other long-term employee benefit obligations**

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions (continued)

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

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

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

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#### (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.

#### (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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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– 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).

#### Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

#### Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Statement of cash flows - additional information

| \$ '000   | Notes | 2019         | 2018         |
|---|-------|--------------|--------------|
| <b>(a) Reconciliation of cash assets</b>  |       |              |              |
| Total cash and cash equivalent assets   | 6(a)  | 7,257        | 7,193        |
| <b>Balance as per the Statement of Cash Flows</b>   |       | <b>7,257</b> | <b>7,193</b> |
| <b>(b) Reconciliation of net operating result to cash provided from operating activities</b>  |       |              |              |
| <b>Net operating result from Income Statement</b>   |       | 3,611        | 800          |
| <b>Adjust for non-cash items:</b>   |       |              |              |
| Depreciation and amortisation   |       | 2,830        | 2,799        |
| Net losses/(gains) on disposal of assets  |       | 9            | 18           |
| Non-cash capital grants and contributions   |       | (203)        | –            |
| Unwinding of discount rates on reinstatement provisions                                       |       | 8            | 13           |
| Share of net (profits)/losses of associates/joint ventures using the equity method            |       | (357)        | (180)        |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |       |              |              |
| Decrease/(increase) in receivables  |       | (781)        | (173)        |
| Increase/(decrease) in provision for impairment of receivables                                |       | (48)         | 37           |
| Decrease/(increase) in inventories  |       | 61           | (95)         |
| Decrease/(increase) in other current assets   |       | 24           | (5)          |
| Increase/(decrease) in payables   |       | (128)        | 7            |
| Increase/(decrease) in other accrued expenses payable   |       | (152)        | 180          |
| Increase/(decrease) in other liabilities  |       | (7)          | (295)        |
| Increase/(decrease) in provision for employee benefits  |       | 139          | (68)         |
| Increase/(decrease) in other provisions   |       | 202          | 31           |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> |       | <b>5,208</b> | <b>3,069</b> |
| <b>(c) Non-cash investing and financing activities</b>  |       |              |              |
| Non Cash Movement in Garbage Tip AIFRS Asset  |       | 203          | –            |
| <b>Total non-cash investing and financing activities</b>                                      |       | <b>203</b>   | <b>–</b>     |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities

## Associates

Council has incorporated the following associates into its consolidated financial statements. Note this information is based upon financial statements for the year ended 30 June 2018 being the most recent audited financial statements available.

## (a) Net carrying amounts – Council's share

| \$ '000   | Nature of relationship | Measurement method | 2019          | 2018          |
|---|------------------------|--------------------|---------------|---------------|
| Central Tablelands Water County Council             | Associate              | Equity method      | 24,761        | 24,213        |
| <b>Total carrying amounts – material associates</b> |                        |                    | <b>24,761</b> | <b>24,213</b> |

## (b) Details

| Principal activity                      | Place of business                              |
|---|--|
| Central Tablelands Water County Council | Maintains and administers water supply schemes |
|   | Blayney  |

## (c) Relevant interests and fair values

| \$ '000                                 | Interest in outputs |      | Interest in ownership |      | Proportion of voting power |      |
|---|---------------------|------|-----------------------|------|----------------------------|------|
|   | 2019                | 2018 | 2019                  | 2018 | 2019                       | 2018 |
| Central Tablelands Water County Council | 33%                 | 33%  | 33%                   | 33%  | 33%                        | 33%  |

## (d) Summarised financial information for associates

| \$ '000   | Central Tablelands Water County Council |               |
|---|---|---------------|
|   | 2019                                    | 2018          |
| <b>Statement of financial position</b>  |   |               |
| <b>Current assets</b>   |   |               |
| Cash and cash equivalents   | 817                                     | 1,165         |
| Other current assets  | 6,763                                   | 6,835         |
| <b>Non-current assets</b>   | <b>69,618</b>                           | <b>67,961</b> |
| <b>Current liabilities</b>  |   |               |
| Current financial liabilities (excluding trade and other payables and provisions)     | 466                                     | 437           |
| Other current liabilities   | 986                                     | 967           |
| <b>Non-current liabilities</b>  |   |               |
| Non-current financial liabilities (excluding trade and other payables and provisions) | 1,455                                   | 1,912         |
| <b>Net assets</b>   | <b>74,291</b>                           | <b>72,645</b> |
| <b>Reconciliation of the carrying amount</b>  |   |               |
| Opening net assets (1 July)   | 72,645                                  | 60,978        |
| Profit/(loss) for the period  | 1,070                                   | 539           |
| Other comprehensive income – revaluations   | 576                                     | 11,128        |
| <b>Closing net assets</b>   | <b>74,291</b>                           | <b>72,645</b> |

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities (continued)

| \$ '000  | Central Tablelands Water County Council |               |
|--|---|---------------|
|  | 2019                                    | 2018          |
| <b>Council's share of net assets (%)</b>         | 33%                                     | 33%           |
| <b>Council's share of net assets (\$)</b>        | 24,761                                  | 24,213        |
| <b>Statement of comprehensive income</b>         |   |               |
| Income   | 6,846                                   | 5,774         |
| Interest income                                  | 182                                     | 210           |
| Depreciation and amortisation                    | (2,111)                                 | (1,807)       |
| Interest expense                                 | (144)                                   | (172)         |
| Other expenses                                   | (3,703)                                 | (3,466)       |
| <b>Profit/(loss) from continuing operations</b>  | <b>1,070</b>                            | <b>539</b>    |
| <b>Profit/(loss) for period</b>                  | <b>1,070</b>                            | <b>539</b>    |
| Other comprehensive income                       | 576                                     | 11,128        |
| <b>Total comprehensive income</b>                | <b>1,646</b>                            | <b>11,667</b> |
| <b>Share of income – Council (%)</b>             | <b>33%</b>                              | <b>33%</b>    |
| <b>Profit/(loss) – Council (\$)</b>              | <b>357</b>                              | <b>180</b>    |
| <b>Total comprehensive income – Council (\$)</b> | <b>549</b>                              | <b>3,889</b>  |



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Commitments

**(a) Capital commitments (exclusive of GST)**

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

**Details of capital commitments**

Nil

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

|  |           |          |
|--|-----------|----------|
| Within the next year                                     | 10        | –        |
| Later than one year and not later than 5 years           | 33        | –        |
| <b>Total non-cancellable operating lease commitments</b> | <b>43</b> | <b>–</b> |

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

Council leases a Vemeer Chipper. The lease was taken out in 2019 for 60 months and has 18 payments remaining.

**Conditions relating to finance and operating leases:**

– 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 past service contributions for each Pooled Employer is a share of the total past service contributions of \$40 million per annum from 1 July 2018 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.

*Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

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.

## 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 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 \$126,958. 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.

The amount of additional contributions included in the total employer contribution advised above is \$83,000. Council's expected contribution to the plan for the next annual reporting period is \$118,437.

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 Past Service Liabilities methodology, the share of the surplus that can be attributed to council is .18%.

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)

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#### 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.

##### (iii) Rural Fire Service Assets

Throughout the shire there are numerous rural fire appliances and associated rural fire fighting equipment.

These assets are under the control of the Rural Fire Services to enable that Department to provide bushfire protection defences set out in their Service Level Agreement with Council. As Council does not have control over these assets Council does not recognise these as assets in our financial statements.

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

## 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.

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

| \$ '000  | Carrying value<br>2019 | Carrying value<br>2018 | Fair value<br>2019 | Fair value<br>2018 |
|--|------------------------|------------------------|--------------------|--------------------|
| <b>Fair value through other comprehensive income</b>   |                        |                        |                    |                    |
| Investments  |                        |                        |                    |                    |
| – 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018) | 118                    | –                      | 118                | –                  |

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and 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.
- **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 |
| <b>2019</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in interest rates | 65                       | 65     | (65)                     | (65)   |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

| \$ '000  | Increase of values/rates |        | Decrease of values/rates |        |
|--|--------------------------|--------|--------------------------|--------|
|  | Profit                   | Equity | Profit                   | Equity |
| <b>2018</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in interest rates | 60                       | 60     | (60)                     | (60)   |

## 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.

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.

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 |
|-----------------------|-----------------|------------------|---------------------|---------------------|-------------------|-------|
| <b>2019</b>           |                 |                  |                     |                     |                   |       |
| Gross carrying amount | 11              | 131              | 10                  | 30                  | 9                 | 191   |
| <b>2018</b>           |                 |                  |                     |                     |                   |       |
| Gross carrying amount | 28              | 30               | 29                  | 50                  | 95                | 232   |

**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 |
|------------------------|-----------------|---------------------|----------------------|----------------------|-------------------|-------|
| <b>2019</b>            |                 |                     |                      |                      |                   |       |
| Gross carrying amount  | 1,176           | 166                 | 32                   | 32                   | 68                | 1,474 |
| Expected loss rate (%) | 0.00%           | 0.00%               | 0.00%                | 0.00%                | 7.30%             | 0.34% |
| <b>ECL provision</b>   | –               | –                   | –                    | –                    | 5                 | 5     |
| <b>2018</b>            |                 |                     |                      |                      |                   |       |
| Gross carrying amount  | 426             | 142                 | –                    | 1                    | 124               | 693   |
| Expected loss rate (%) | 0.00%           | 0.00%               | 0.00%                | 0.00%                | 0.00%             | 0.00% |
| <b>ECL provision</b>   | –               | –                   | –                    | –                    | –                 | –     |

## 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<br>average<br>interest<br>rate | Subject<br>to no<br>maturity | ≤ 1 Year     | payable in:    |              | Total cash<br>outflows | Actual<br>carrying<br>values |
|------------------------------------|---|------------------------------|--------------|----------------|--------------|------------------------|------------------------------|
|                                    |   |                              |              | 1 - 5<br>Years | > 5 Years    |                        |                              |
| <b>2019</b>                        |   |                              |              |                |              |                        |                              |
| Trade/other payables               | 0.00%                                   | 226                          | 710          | –              | –            | 936                    | 936                          |
| Loans and advances                 | 4.13%                                   | –                            | 233          | 932            | 5,250        | 6,415                  | 3,821                        |
| <b>Total financial liabilities</b> |   | <b>226</b>                   | <b>943</b>   | <b>932</b>     | <b>5,250</b> | <b>7,351</b>           | <b>4,757</b>                 |
| <b>2018</b>                        |   |                              |              |                |              |                        |                              |
| Trade/other payables               | 0.00%                                   | 233                          | 955          | –              | –            | 1,188                  | 1,223                        |
| Loans and advances                 | 4.13%                                   | –                            | 233          | 932            | 5,483        | 6,648                  | 3,895                        |
| <b>Total financial liabilities</b> |   | <b>233</b>                   | <b>1,188</b> | <b>932</b>     | <b>5,483</b> | <b>7,836</b>           | <b>5,118</b>                 |



## 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 21/06/2018 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<br>Budget | 2019<br>Actual | 2019<br>----- Variance ----- |                |
|---|----------------|----------------|------------------------------|----------------|
| <b>REVENUES</b>   |                |                |                              |                |
| <b>User charges and fees</b>  | 2,254          | 2,953          | 699                          | 31% <b>F</b>   |
| Council received additional income from Roads and Maritime Services for works on state roads.   |                |                |                              |                |
| <b>Interest and investment revenue</b>  | 149            | 182            | 33                           | 22% <b>F</b>   |
| The value of investments were higher than originally budgeted. Council takes a conservative approach when budgeting due to the recent downward movements in interest rates.                       |                |                |                              |                |
| <b>Other revenues</b>   | 293            | 199            | (94)                         | (32)% <b>U</b> |
| Income from the Community Technology Centre and Southern Phone Dividends was less than original budget.   |                |                |                              |                |
| <b>Capital grants and contributions</b>   | 2,374          | 3,710          | 1,336                        | 56% <b>F</b>   |
| Council received capital grants under the Stronger Country Communities Program and for the Medical Centre construction.   |                |                |                              |                |
| <b>Net gains from disposal of assets</b>  | 5              | –              | (5)                          | 100% <b>U</b>  |
| Council incurred a loss on disposal following the sale of a parcel of land.   |                |                |                              |                |
| <b>Joint ventures and associates – net profits</b>  | –              | 357            | 357                          | ∞ <b>F</b>     |
| Council does not include gains or losses from its interest in Central Tablelands Water in its estimates. These gains or losses are non cash items that cannot be accurately estimated by Council. |                |                |                              |                |
| <b>EXPENSES</b>   |                |                |                              |                |
| <b>Materials and contracts</b>  | 2,793          | 3,210          | (417)                        | (15)% <b>U</b> |
| Materials & contracts were higher than budget due to additional works on state roads for Roads and Maritime Services.   |                |                |                              |                |
| <b>Other expenses</b>   | 819            | 1,002          | (183)                        | (22)% <b>U</b> |
| Other expenses were higher than budget mainly due to additional energy costs for both general use and street lighting.  |                |                |                              |                |
| <b>Net losses from disposal of assets</b>   | –              | 9              | (9)                          | ∞ <b>U</b>     |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations (continued)

| \$ '000 | 2019<br>Budget | 2019<br>Actual | 2019<br>----- Variance ----- |  |
|---------|----------------|----------------|------------------------------|--|
|---------|----------------|----------------|------------------------------|--|

Council incurred a loss on disposal following the sale of a parcel of land.

**STATEMENT OF CASH FLOWS**

|  |       |       |     |    |          |
|--|-------|-------|-----|----|----------|
| <b>Net cash provided from (used in) operating activities</b> | 4,797 | 5,208 | 411 | 9% | <b>F</b> |
|--|-------|-------|-----|----|----------|

Addition income from grants increased cash inflows from operating activities.

|  |         |         |       |       |          |
|--|---------|---------|-------|-------|----------|
| <b>Net cash provided from (used in) investing activities</b> | (6,217) | (5,070) | 1,147 | (18)% | <b>F</b> |
|--|---------|---------|-------|-------|----------|

A number of capital projects were delayed which impacted the timing of expenditure.

## 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

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 | Date of latest valuation | Fair value measurement hierarchy     |                                       |   | Total   |
|--|-------|--------------------------|--------------------------------------|---------------------------------------|---|---------|
|  |       |                          | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs |         |
| <b>Recurring fair value measurements</b>             |       |                          |                                      |                                       |   |         |
| <b>Financial assets</b>                              |       |                          |                                      |                                       |   |         |
|  |       | 30/06/19                 | –                                    | 118                                   | –                                       | 118     |
|  |       |                          | –                                    | 118                                   | –                                       | 118     |
| <b>Infrastructure, property, plant and equipment</b> |       |                          |                                      |                                       |   |         |
|  | 9     | 30/06/19                 | –                                    | –                                     | 2,317                                   | 2,317   |
|  |       | 30/06/19                 | –                                    | –                                     | 193                                     | 193     |
|  |       | 30/06/19                 | –                                    | –                                     | 64                                      | 64      |
|  |       | 30/06/18                 | –                                    | –                                     | 1,353                                   | 1,353   |
|  |       | 30/06/18                 | –                                    | –                                     | 1,133                                   | 1,133   |
|  |       | 30/06/18                 | –                                    | –                                     | 7,193                                   | 7,193   |
|  |       | 30/06/18                 | –                                    | –                                     | 2,238                                   | 2,238   |
|  |       | 30/06/16                 | –                                    | –                                     | 1,823                                   | 1,823   |
|  |       | 30/06/15                 | –                                    | –                                     | 74,270                                  | 74,270  |
|  |       | 30/06/15                 | –                                    | –                                     | 24,586                                  | 24,586  |
|  |       | 30/06/15                 | –                                    | –                                     | 827                                     | 827     |
|  |       | 30/06/15                 | –                                    | –                                     | 32,968                                  | 32,968  |
|  |       | 01/07/15                 | –                                    | –                                     | 5,992                                   | 5,992   |
|  |       | 30/06/17                 | –                                    | –                                     | 2,049                                   | 2,049   |
|  |       | 30/06/16                 | –                                    | –                                     | 6,145                                   | 6,145   |
|  |       | 30/06/19                 | –                                    | –                                     | 136                                     | 136     |
|  |       | 30/06/16                 | –                                    | –                                     | 17                                      | 17      |
|  |       | 30/06/19                 | –                                    | –                                     | 669                                     | 669     |
|  |       | 30/06/18                 | –                                    | –                                     | 691                                     | 691     |
|  |       |                          | –                                    | –                                     | 164,664                                 | 164,664 |

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

| 2018   | Notes | Date of latest valuation | Fair value measurement hierarchy     |                                       |   | Total   |
|--|-------|--------------------------|--------------------------------------|---------------------------------------|---|---------|
|  |       |                          | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs |         |
| <b>Recurring fair value measurements</b>                   |       |                          |                                      |                                       |   |         |
| <b>Infrastructure, property, plant and equipment</b>       |       |                          |                                      |                                       |   |         |
|  | 9     |                          |                                      |                                       |   |         |
| Plant and equipment  |       | 30/06/18                 | –                                    | –                                     | 2,256                                   | 2,256   |
| Office equipment   |       | 30/06/18                 | –                                    | –                                     | 197                                     | 197     |
| Furniture and fittings                                     |       | 30/06/18                 | –                                    | –                                     | 32                                      | 32      |
| Operational land   |       | 30/06/18                 | –                                    | –                                     | 1,396                                   | 1,396   |
| Community land   |       | 30/06/18                 | –                                    | –                                     | 1,133                                   | 1,133   |
| Buildings – non specialised                                |       | 30/06/18                 | –                                    | –                                     | 5,845                                   | 5,845   |
| Buildings – specialised                                    |       | 30/06/18                 | –                                    | –                                     | 2,329                                   | 2,329   |
| Other structures   |       | 30/06/16                 | –                                    | –                                     | 1,769                                   | 1,769   |
| Roads  |       | 30/06/15                 | –                                    | –                                     | 74,332                                  | 74,332  |
| Bridges  |       | 30/06/15                 | –                                    | –                                     | 24,687                                  | 24,687  |
| Footpaths  |       | 30/06/15                 | –                                    | –                                     | 829                                     | 829     |
| Bulk earthworks  |       | 30/06/15                 | –                                    | –                                     | 32,194                                  | 32,194  |
| Stormwater drainage  |       | 01/07/15                 | –                                    | –                                     | 6,063                                   | 6,063   |
| Sewerage network   |       | 30/06/17                 | –                                    | –                                     | 2,116                                   | 2,116   |
| Swimming pools   |       | 30/06/16                 | –                                    | –                                     | 6,284                                   | 6,284   |
| Library books  |       | 30/06/18                 | –                                    | –                                     | 98                                      | 98      |
| Other assets   |       | 30/06/16                 | –                                    | –                                     | 18                                      | 18      |
| Reinstatement tip assets                                   |       | 30/06/18                 | –                                    | –                                     | 493                                     | 493     |
| Work in Progress   |       | 30/06/18                 | –                                    | –                                     | 87                                      | 87      |
| <b>Total infrastructure, property, plant and equipment</b> |       |                          | –                                    | –                                     | 162,158                                 | 162,158 |

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

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

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

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

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

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

##### Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Examples of assets within these classes are as follows:

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

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

#### Operational & Community Land

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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The valuation of Council's operational land was undertaken at 30 June 2018 by AssetVal Pty Ltd with the direct comparison method.

Community land values are based on the Land Value provided by the Valuer-General as these are considered representative of the actual market values in the Weddin Shire LGA.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

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

#### **Buildings Non Specialised & Specialised**

The valuation of Council's Buildings – Non-Specialised & Specialised was undertaken at 30 June 2018 by AssetVal Pty Ltd cost approach to determine Depreciated Replacement Cost.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

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

#### **Other Structures**

Other Structures were valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016. Examples of assets within this class are fencing, lighting, playground equipment etc. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

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

#### **Roads**

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

#### **Bridges**

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. While all bridges were physically inspected and unit rates based on square metres were other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

#### **Footpaths**

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

#### **Bulk Earthworks**

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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

#### **Storm Water Drainage**

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

During the reporting period the valuation approach changed from utilising the Modern Engineering Equivalent Replacement Asset cost approach to replacing the existing drainage infrastructure with like infrastructure. This resulted in a material reduction in the fair value of the drainage infrastructure during this reporting period.

#### **Sewerage Network**

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

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

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

#### **Swimming Pools**

Other Structures including Swimming Pools were valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

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

#### **Library Books**

Library Books were valued using the cost approach. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

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

#### **Other Assets**

This asset class relates to the town clock which was valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs.

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

#### **Reinstatement Tip Assets**

Valuation Techniques: 'Cost approach'

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

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

Valuations are based on actual timing of costs and future management requirements.

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

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

| \$ '000                                  | Total IPP&E    |
|--|----------------|
| <b>2018</b>                              |                |
| <b>Opening balance</b>                   | 155,502        |
| Purchases (GBV)                          | 6,538          |
| Disposals (WDV)                          | (191)          |
| Depreciation and impairment              | (2,799)        |
| FV gains – other comprehensive income    | 3,077          |
| Other movement - Adjustments & Transfers | 31             |
| <b>Closing balance</b>                   | <b>162,158</b> |
| <b>2019</b>                              |                |
| <b>Opening balance</b>                   | 162,158        |
| Purchases (GBV)                          | 5,161          |
| Disposals (WDV)                          | (59)           |
| Depreciation and impairment              | (2,830)        |
| FV gains – other comprehensive income    | 31             |
| Other movement - Adjustments & Transfers | 203            |
| <b>Closing balance</b>                   | <b>164,664</b> |

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

No transfers were made in or out of the Level 3 Fair value Hierarchy

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

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<br>(30/6/19) | Valuation technique/s      | Unobservable inputs                              |
|--|-------------------------|----------------------------|--|
| <b>c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b> |                         |                            |  |
| <b>Infrastructure, property, plant and equipment</b>   |                         |                            |  |
| Plant, equipment, furniture, fittings and office equipment   | 2,574                   | Refer to Note 19 (3) above | Increase/decrease in cost of unit or useful life |
| Operational land   | 1,353                   | Refer to Note 19 (3) above | Land value, land area                            |
| Community land   | 1,133                   | Refer to Note 19 (3) above | Land value, land area                            |
| Buildings  | 9,431                   | Refer to Note 19 (3) above | Increase/decrease in cost of unit or useful life |
| Roads, Bridges, Footpaths, Earthworks  | 132,651                 | Refer to Note 19 (3) above | Increase/decrease in cost of unit or useful life |
| Other Structures, Pools, Library Assets, Town Clock, Work in Progress  | 8,812                   | Refer to Note 19 (3) above | Increase/decrease in cost of unit or useful life |
| Drainage Network   | 5,992                   | Refer to Note 19 (3) above | Increase/decrease in cost of unit or useful life |
| Sewerage Network   | 2,049                   | Refer to Note 19 (3) above | Increase/decrease in cost of unit or useful life |
| Reinstatement Tip Assets   | 669                     | Refer to Note 19 (3) above | Increase/decrease in cost of unit or useful life |

## (5) 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       |
|--------------------------|------------|------------|
| <b>Compensation:</b>     |            |            |
| Short-term benefits      | 751        | 868        |
| Other long-term benefits | 101        | –          |
| <b>Total</b>             | <b>852</b> | <b>868</b> |

#### (b) Other transactions with KMP and their related parties

With the exception of the purchase of water from Central Tablelands Water 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. Further information in relation to transactions with Central Tablelands Water is disclosed below.

2019

Council has significant influence over Central Tablelands Water as it retains 33.33% of it's voting power. During the financial year transactions totalling \$86,000.47 were undertaken with Central Tablelands Water for the purchase of water. These transactions were undertaken on the same terms and conditions as those offered to the General Public.

2018

Nil

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. 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 |  |          | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | as at 30/6/2019          |  |
|----------------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
|                            | Opening Balance | Contributions received during the year |          |                         |                         |                              | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| \$ '000                    |                 | Cash                                   | Non-cash |                         |                         |                              |                          |  |
| S64 contributions          | 172             | 11                                     | –        | –                       | –                       | –                            | 183                      | –  |
| <b>Total contributions</b> | <b>172</b>      | <b>11</b>                              | <b>–</b> | <b>–</b>                | <b>–</b>                | <b>–</b>                     | <b>183</b>               | <b>–</b>                                     |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial result and financial position by fund

| \$ '000  | General <sup>1</sup><br>2019 | Sewer<br>2019 |
|--|------------------------------|---------------|
| <b>Income Statement by fund</b>  |                              |               |
| <b>Income from continuing operations</b>   |                              |               |
| Rates and annual charges   | 3,086                        | 519           |
| User charges and fees  | 2,929                        | 24            |
| Interest and investment revenue  | 175                          | 7             |
| Other revenues   | 199                          | –             |
| Grants and contributions provided for operating purposes   | 4,160                        | –             |
| Grants and contributions provided for capital purposes   | 3,484                        | 226           |
| <b>Other income</b>  |                              |               |
| Share of interests in joint ventures and associates using the equity method                            | 357                          | –             |
| <b>Total income from continuing operations</b>   | <b>14,390</b>                | <b>776</b>    |
| <b>Expenses from continuing operations</b>   |                              |               |
| Employee benefits and on-costs   | 4,069                        | 268           |
| Borrowing costs  | 167                          | –             |
| Materials and contracts  | 3,131                        | 79            |
| Depreciation and amortisation  | 2,694                        | 136           |
| Other expenses   | 985                          | 17            |
| Net losses from the disposal of assets   | 9                            | –             |
| <b>Total expenses from continuing operations</b>   | <b>11,055</b>                | <b>500</b>    |
| <b>Operating result from continuing operations</b>   | <b>3,335</b>                 | <b>276</b>    |
| <b>Net operating result for the year</b>   | <b>3,335</b>                 | <b>276</b>    |
| <b>Net operating result attributable to each council fund</b>  | 3,335                        | 276           |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>(149)</b>                 | <b>50</b>     |

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 water and sewer activities which are listed separately.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | General <sup>1</sup><br>2019 | Sewer<br>2019 |
|---|------------------------------|---------------|
| <b>Statement of Financial Position by fund</b>    |                              |               |
| <b>ASSETS</b>                                     |                              |               |
| <b>Current assets</b>                             |                              |               |
| Cash and cash equivalents                         | 6,534                        | 723           |
| Receivables                                       | 1,487                        | 43            |
| Inventories                                       | 236                          | –             |
| <b>Total current assets</b>                       | <b>8,257</b>                 | <b>766</b>    |
| <b>Non-current assets</b>                         |                              |               |
| Investments                                       | 118                          | –             |
| Receivables                                       | 104                          | –             |
| Infrastructure, property, plant and equipment     | 161,751                      | 2,913         |
| Investments accounted for using the equity method | 24,761                       | –             |
| <b>Total non-current assets</b>                   | <b>186,734</b>               | <b>2,913</b>  |
| <b>TOTAL ASSETS</b>                               | <b>194,991</b>               | <b>3,679</b>  |
| <b>LIABILITIES</b>                                |                              |               |
| <b>Current liabilities</b>                        |                              |               |
| Payables  | 936                          | –             |
| Borrowings  | 77                           | –             |
| Provisions  | 1,672                        | 27            |
| <b>Total current liabilities</b>                  | <b>2,685</b>                 | <b>27</b>     |
| <b>Non-current liabilities</b>                    |                              |               |
| Borrowings  | 3,744                        | –             |
| Provisions  | 849                          | –             |
| <b>Total non-current liabilities</b>              | <b>4,593</b>                 | <b>–</b>      |
| <b>TOTAL LIABILITIES</b>                          | <b>7,278</b>                 | <b>27</b>     |
| <b>Net assets</b>                                 | <b>187,713</b>               | <b>3,652</b>  |
| <b>EQUITY</b>                                     |                              |               |
| Accumulated surplus                               | 145,654                      | 3,085         |
| Revaluation reserves                              | 41,941                       | 567           |
| Other reserves                                    | 118                          | –             |
| <b>Council equity interest</b>                    | <b>187,713</b>               | <b>3,652</b>  |
| <b>Total equity</b>                               | <b>187,713</b>               | <b>3,652</b>  |

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 water and sewer columns are restricted for use for these activities.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | Amounts<br>2019 | Indicator<br>2019 | Prior periods |            | Benchmark  |
|--|-----------------|-------------------|---------------|------------|------------|
|  |                 |                   | 2018          | 2017       |            |
| <b>1. Operating performance ratio</b>  |                 |                   |               |            |            |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>(447)</b>    |                   |               |            |            |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | <b>11,099</b>   | <b>(4.03)%</b>    | (11.12)%      | 19.90%     | >0.00%     |
| <b>2. Own source operating revenue ratio</b>   |                 |                   |               |            |            |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                               | <b>6,861</b>    |                   |               |            |            |
| Total continuing operating revenue <sup>1</sup>  | <b>14,809</b>   | <b>46.33%</b>     | 45.59%        | 44.24%     | >60.00%    |
| <b>3. Unrestricted current ratio</b>   |                 |                   |               |            |            |
| Current assets less all external restrictions  | <b>7,410</b>    |                   |               |            |            |
| Current liabilities less specific purpose liabilities  | <b>1,377</b>    | <b>5.38x</b>      | 4.09x         | 5.23x      | >1.50x     |
| <b>4. Debt service cover ratio</b>   |                 |                   |               |            |            |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>2,550</b>    |                   |               |            |            |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               | <b>241</b>      | <b>10.58x</b>     | 5.91x         | 42.55x     | >2.00x     |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                   |                 |                   |               |            |            |
| Rates, annual and extra charges outstanding  | <b>170</b>      |                   |               |            |            |
| Rates, annual and extra charges collectible  | <b>3,750</b>    | <b>4.53%</b>      | 5.44%         | 5.92%      | <10.00%    |
| <b>6. Cash expense cover ratio</b>   |                 |                   |               |            |            |
| Current year's cash and cash equivalents plus all term deposits  | <b>7,257</b>    |                   |               |            |            |
| Monthly payments from cash flow of operating and financing activities  | <b>795</b>      | <b>9.12 mths</b>  | 7.10 mths     | 11.90 mths | >3.00 mths |

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

| \$ '000  | General Indicators <sup>3</sup> |          | Sewer Indicators |        | Benchmark |
|--|---------------------------------|----------|------------------|--------|-----------|
|  | 2019                            | 2018     | 2019             | 2018   |           |
| <b>1. Operating performance ratio</b>  |                                 |          |                  |        |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | <b>(4.71)%</b>                  | (12.66)% | <b>9.09%</b>     | 22.16% | >0.00%    |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           |                                 |          |                  |        |           |
| <b>2. Own source operating revenue ratio</b>   |                                 |          |                  |        |           |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | <b>44.86%</b>                   | 43.50%   | <b>72.94%</b>    | 97.15% | >60.00%   |
| Total continuing operating revenue <sup>1</sup>  |                                 |          |                  |        |           |
| <b>3. Unrestricted current ratio</b>   |                                 |          |                  |        |           |
| Current assets less all external restrictions  | <b>5.38x</b>                    | 4.09x    | <b>21.59x</b>    | 41.30x | >1.50x    |
| Current liabilities less specific purpose liabilities  |                                 |          |                  |        |           |
| <b>4. Debt service cover ratio</b>   |                                 |          |                  |        |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | <b>9.81x</b>                    | 4.99x    | ∞                | ∞      | >2.00x    |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               |                                 |          |                  |        |           |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                   |                                 |          |                  |        |           |
| Rates, annual and extra charges outstanding  | <b>4.00%</b>                    | 5.08%    | <b>7.69%</b>     | 7.32%  | <10.00%   |
| Rates, annual and extra charges collectible  |                                 |          |                  |        |           |
| <b>6. Cash expense cover ratio</b>   |                                 |          |                  |        |           |
| Current year's cash and cash equivalents plus all term deposits  | <b>8.54</b>                     | 6.30     | <b>23.84</b>     | 39.46  | >3.00     |
| Payments from cash flow of operating and financing activities  | <b>mths</b>                     | mths     | <b>mths</b>      | mths   | mths      |

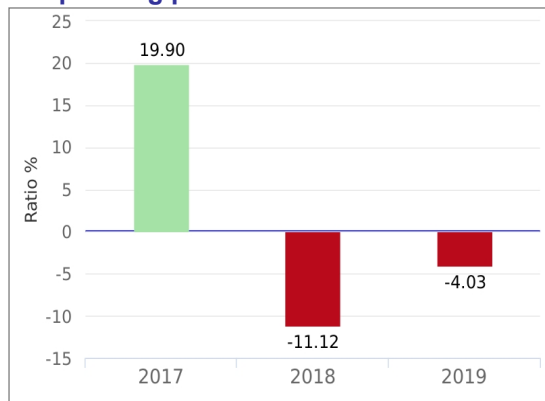
(1) - (2) Refer to Notes at Note 28a above.

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

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

Note 23(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 (4.03)%

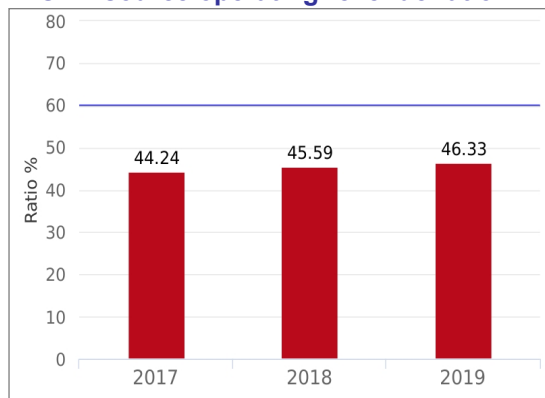
Council's operating performance ratio has improved significantly from 2018 and is marginally below the benchmark.

Benchmark: — > 0.00%

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

Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)

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 46.33%

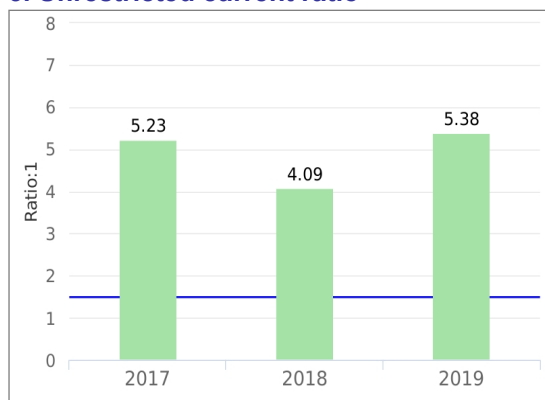
The own source operating revenue ratio has been impacted by additional grants made available by the State Government under the Stronger Country Communities Program.

Benchmark: — > 60.00%

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

Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)

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 5.38x

This ratio remains above the benchmark and indicates that Council has adequate capacity to meet its obligations.

Benchmark: — > 1.50x

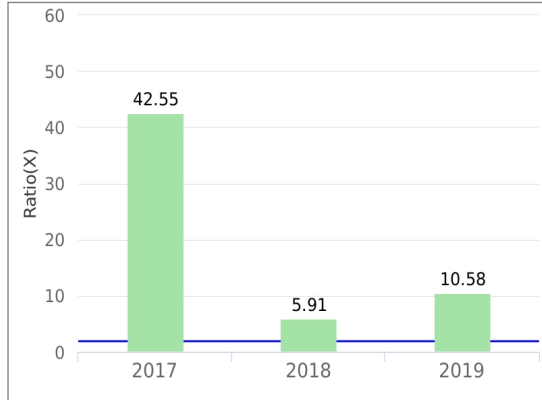
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)

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

Note 23(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 10.58x

This ratio remains above the benchmark and indicates that Council has adequate capacity to meet its obligations.

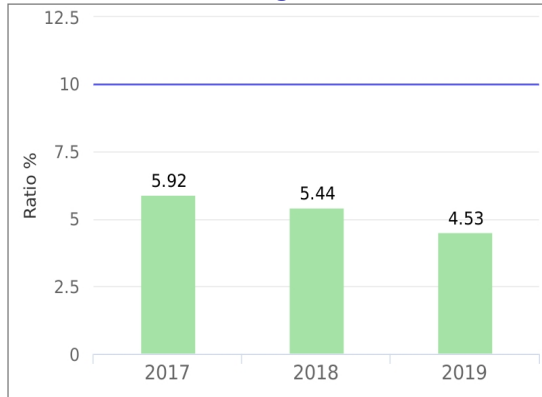
Benchmark: — > 2.00x

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 4.53%

Rates and charges outstanding has reduced further in 2019 and is again well below the benchmark despite the difficult conditions faced by rural communities over the past years.

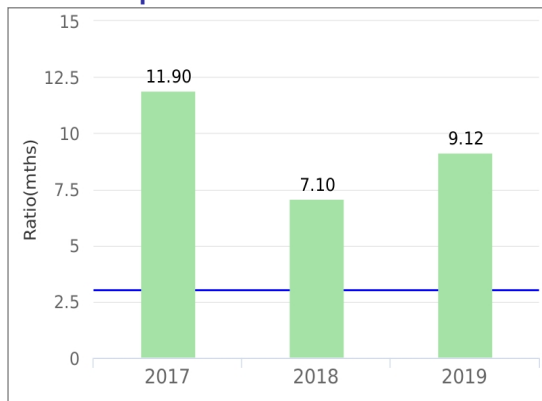
Benchmark: — < 10.00%

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 9.12 mths

Council continues to maintain healthy cash levels which are sufficient to meet its expenses. The current level shows that council can meet its expenses for 9.2 months without additional cash in flow.

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 24. Council information and contact details

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**Principal place of business:**

Corner of Camp & Weddin Streets  
Grenfell NSW 2810

#### Contact details

**Mailing Address:**

PO Box 125  
GRENFELL NSW 2810

**Telephone:** 02 6343 1212

**Facsimile:** 02 6343 1203

**Opening hours:**

8.30 am - 4.00 pm Monday - Friday  
Grenfell Waste Depot:  
Tue, Thurs, Sat, Sun: 10.00 am - 4.00 pm

**Internet:** [www.weddin.nsw.gov.au](http://www.weddin.nsw.gov.au)

**Email:** [mail@weddin.nsw.gov.au](mailto:mail@weddin.nsw.gov.au)

#### Officers

**Acting General Manager**

Brendan Hayes

**Responsible Accounting Officer**

Lachlan Gibson

**Public Officer**

Lachlan Gibson

**Auditors**

Audit Office of NSW  
GPO Box 12  
Sydney NSW 2001

#### Elected members

**Mayor**

Cr Mark Liebich

**Councillors**

Cr Paul Best - Deputy Mayor  
Cr Craig Bembrick  
Cr Carly Brown  
Cr Phillip Diprose  
Cr Stuart McKellar  
Cr John Niven  
Cr Stephen O'Bryne  
Cr Jan Parlett

#### Other information

**ABN:** 73 819 323 291



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Weddin Shire Council

To the Councillors of the Weddin Shire Council

### Opinion

I have audited the accompanying financial statements of Weddin 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](http://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.



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 October 2019  
SYDNEY



Mayor  
Weddin Shire Council  
PO Box 125  
GRENFELL NSW 2810

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D1925248/1805

23 October 2019

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of Weddin 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<br>\$m | 2018<br>\$m | Variance<br>% |
|--|-------------|-------------|---------------|
| Rates and annual charges revenue                             | 3.61        | 3.41        | ↑ 5.9         |
| Grants and contributions revenue                             | 7.87        | 7.76        | ↑ 1.4         |
| Operating result for the year                                | 3.61        | 0.80        | ↑ 451.3       |
| Net operating result before capital grants and contributions | (0.10)      | (1.22)      | ↑ 91.8        |

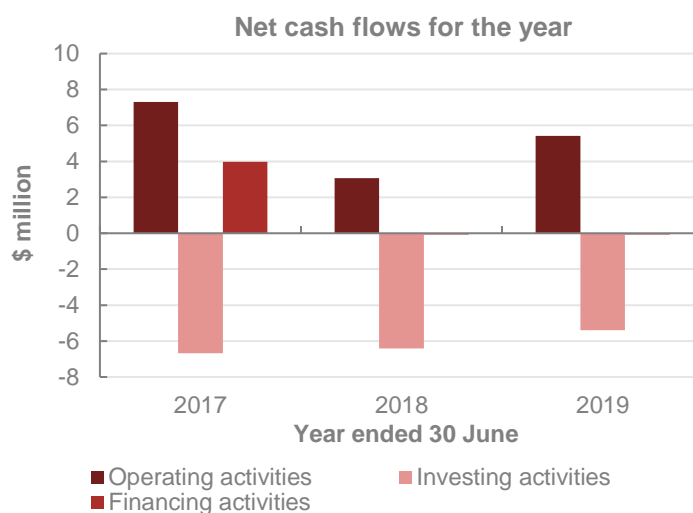
Rates and annual charges revenue (\$3.6 million) increased by \$0.2 million in 2018–2019. The growth in rates and annual charges is consistent with the IPART approved special rate variation of 4 per cent over the rate-pegging limit.

Council's operating result (\$3.6 million including the effect of depreciation and amortisation expense of \$2.8 million) was \$2.8 million higher than the 2017–18 result. The main reason for this movement was a decrease in materials and contract expense as Council's works program last year was more maintenance expense and this year more capital works.

The net operating result before capital grants and contributions (\$0.1 million deficit) was \$1.1 million higher than the 2017–18 result.

## STATEMENT OF CASH FLOWS

The decrease in payments for materials and contracts was the main contributor to the increase in cash flows from operating activities over the prior year.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments        | 2019        | 2018        | Commentary  |
|-----------------------------|-------------|-------------|---|
|                             | \$m         | \$m         |   |
| External restrictions       | 1.53        | 0.96        | Externally restricted balances include unexpended developer contributions, water, sewer and domestic waste management charges.  |
| Internal restrictions       | 3.99        | 4.84        |   |
| Unrestricted                | 1.85        | 1.40        | Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations. |
| <b>Cash and investments</b> | <b>7.37</b> | <b>7.20</b> |   |

## Debt

At 30 June 2019, Council had external borrowings of \$3.7 million (30 June 2018: \$3.9 million). The loans are secured over Council's general rating income.

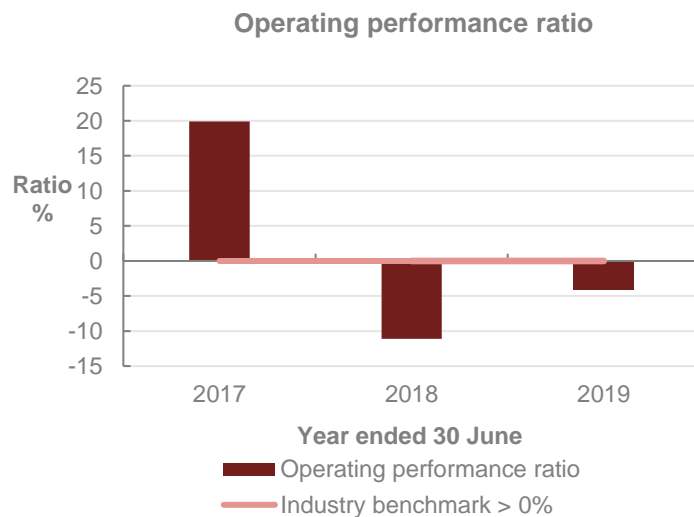
At 30 June 2019, Council also had access to a \$250,000 (30 June 2018: \$250,000) bank overdraft facility. This facility was unused at year end.

## PERFORMANCE

### Operating performance ratio

Council has improved but remains marginally below the benchmark during the current year. Mainly because the mix of funding was more heavily weighted to capital grants and contributions.

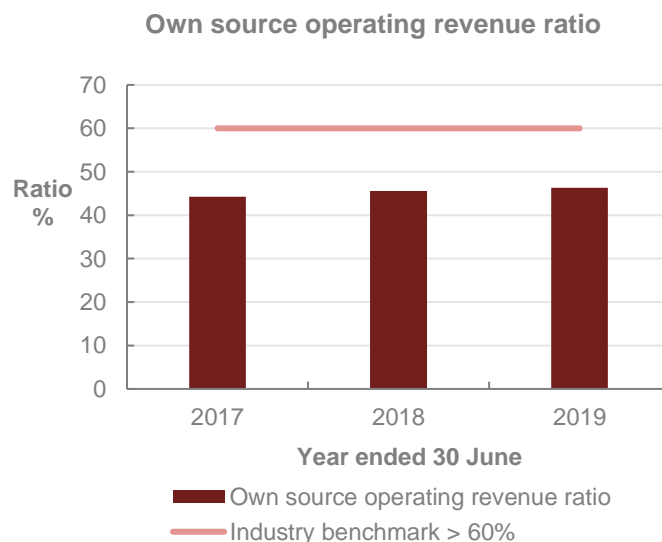
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

The proportionately high level of grants and contributions received by Council, like most small rural councils, has seen this ratio continue to remain below the benchmark set by the OLG. Council's own source operating revenue has remained consistent in terms of dollar value.

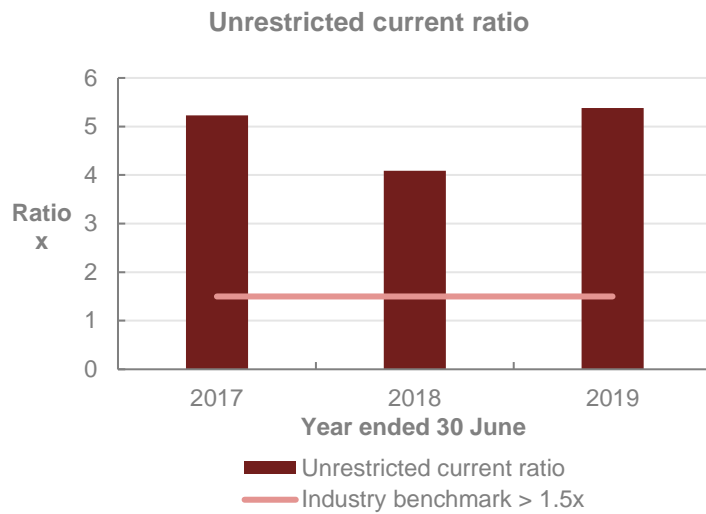
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

Council's unrestricted current ratio continues to exceed the industry benchmark

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

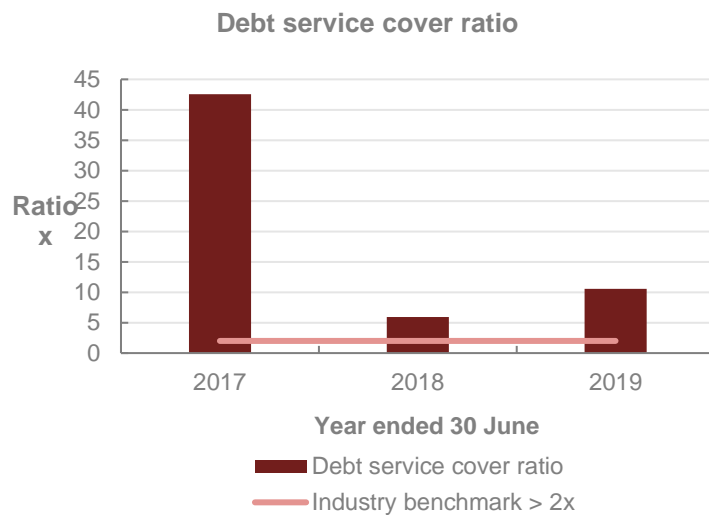


## Debt service cover ratio

This ratio was skewed in 2017 by council drawing down a \$4.0 million loan late in the financial year and accordingly the debt service costs were not for a complete year. The 2018 and 2019 results reflect the full-year measure.

Council has not drawn any new borrowings during the 2019 year.

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.

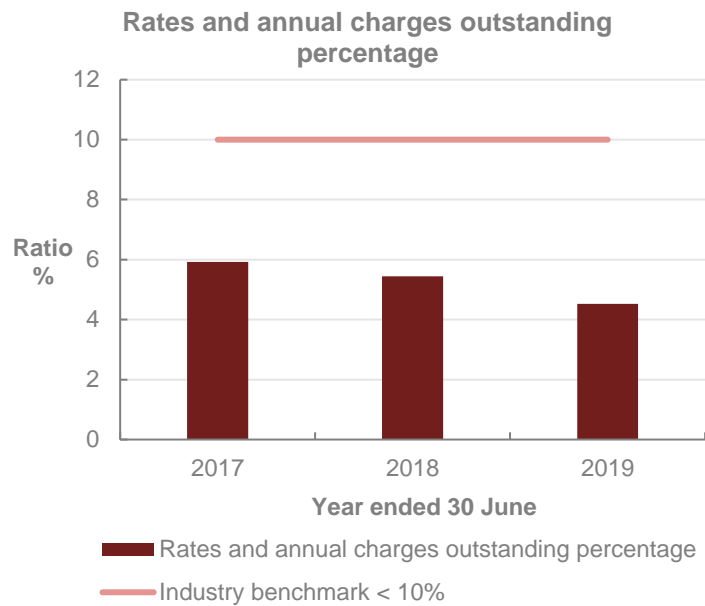




## Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding ratio has remained better than the benchmark for rural councils over the past three years. The ratio reflects Council's sustained effort to effectively manage rates and charges recovery and is notable given the financial impact of prolonged drought on rural communities.

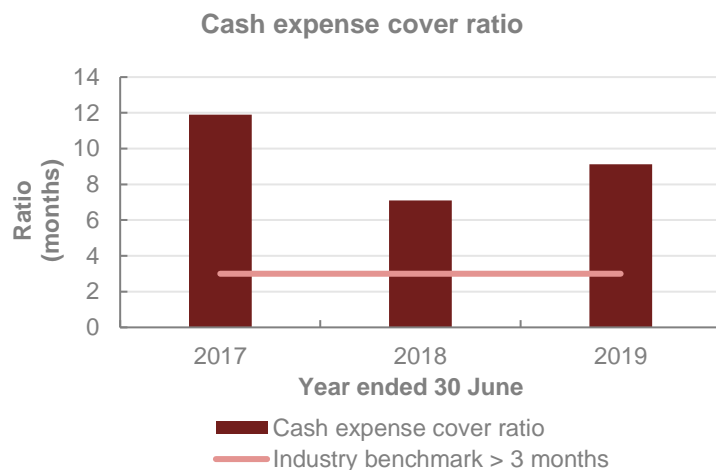
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council has comfortably exceeded the benchmark for several years.

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



## Infrastructure, property, plant and equipment renewals

Council has renewed \$4.58 million of assets in the 2018–19 financial year compared to \$5.25 million in the 2017–18 financial year. The renewal program in the current financial year was funded internally, whilst 2017–18 renewal of the Grenfell pool was funded with borrowings.

The unaudited infrastructure renewals ratio was 174.62 per cent compared to 225.34 per cent in the prior year (benchmark set by OLG is 100).

## OTHER MATTERS

### New accounting standards implemented

| Application period  | Overview  |
|---|---|
| <b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b> |   |
| 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"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>The initial application of AASB 9 has resulted in Council's investment in Southern Phone Company, previous measured at cost, being revalued to fair value through other comprehensive income.</p> <p>The revised AASB 7 includes new disclosures due to AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 12.</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.



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

# Weddin Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Special Purpose Financial Statements

for the year ended 30 June 2019

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| Contents   | Page      |
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| <b>Statement by Councillors &amp; Management</b>                 | <b>3</b>  |
| <b>Special Purpose Financial Statements</b>                      |           |
| Income Statement – Water Supply Business Activity                | n/a       |
| Income Statement – Sewerage Business Activity                    | 4         |
| Statement of Financial Position – Water Supply Business Activity | n/a       |
| Statement of Financial Position – Sewerage Business Activity     | 5         |
| Statement of Financial Position –                                | 6         |
| <b>Note 1 – Significant Accounting Policies</b>                  | <b>7</b>  |
| <b>Auditor's Report on Special Purpose Financial Statements</b>  | <b>10</b> |

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**Background**

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

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

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

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

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

## Weddin Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2019

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#### 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 19 September 2019.



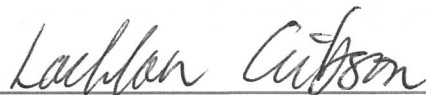
Cr Mark Liebich  
Mayor  
19 September 2019



Cr Paul Best  
Councillor  
19 September 2019



Brendan Hayes  
Acting General Manager  
19 September 2019



Lachlan Gibson  
Responsible Accounting Officer  
19 September 2019

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>Income from continuing operations</b>                                     |              |              |
| Access charges   | 519          | 515          |
| User charges   | 22           | 24           |
| Fees   | 2            | –            |
| Interest   | 7            | 7            |
| <b>Total income from continuing operations</b>                               | <b>550</b>   | <b>546</b>   |
| <b>Expenses from continuing operations</b>                                   |              |              |
| Employee benefits and on-costs   | 268          | 170          |
| Materials and contracts  | 79           | 97           |
| Depreciation, amortisation and impairment                                    | 136          | 134          |
| Other expenses   | 17           | 24           |
| <b>Total expenses from continuing operations</b>                             | <b>500</b>   | <b>425</b>   |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>50</b>    | <b>121</b>   |
| Grants and contributions provided for capital purposes                       | 226          | 16           |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>276</b>   | <b>137</b>   |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>276</b>   | <b>137</b>   |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (14)         | (33)         |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>262</b>   | <b>104</b>   |
| <b>Plus accumulated surplus</b>  | <b>2,809</b> | <b>2,672</b> |
| <b>Plus adjustments for amounts unpaid:</b>                                  |              |              |
| – Corporate taxation equivalent  | 14           | 33           |
| <b>Closing accumulated surplus</b>   | <b>3,085</b> | <b>2,809</b> |
| <b>Return on capital %</b>   | <b>1.7%</b>  | <b>5.1%</b>  |
| <b>Subsidy from Council</b>  | <b>–</b>     | <b>–</b>     |
| <b>Calculation of dividend payable:</b>                                      |              |              |
| Surplus (deficit) after tax  | 262          | 104          |
| Less: capital grants and contributions (excluding developer contributions)   | (226)        | (5)          |
| <b>Surplus for dividend calculation purposes</b>                             | <b>36</b>    | <b>99</b>    |
| <b>Potential dividend calculated from surplus</b>                            | <b>18</b>    | <b>49</b>    |

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

| \$ '000                                       | 2019         | 2018         |
|---|--------------|--------------|
| <b>ASSETS</b>                                 |              |              |
| <b>Current assets</b>                         |              |              |
| Cash and cash equivalents                     | 723          | 957          |
| Receivables                                   | 43           | 41           |
| <b>Total current assets</b>                   | <u>766</u>   | <u>998</u>   |
| <b>Non-current assets</b>                     |              |              |
| Infrastructure, property, plant and equipment | 2,913        | 2,367        |
| <b>Total non-current assets</b>               | <u>2,913</u> | <u>2,367</u> |
| <b>TOTAL ASSETS</b>                           | <u>3,679</u> | <u>3,365</u> |
| <b>LIABILITIES</b>                            |              |              |
| <b>Current liabilities</b>                    |              |              |
| Provisions                                    | 27           | 20           |
| <b>Total current liabilities</b>              | <u>27</u>    | <u>20</u>    |
| <b>TOTAL LIABILITIES</b>                      | <u>27</u>    | <u>20</u>    |
| <b><u>NET ASSETS</u></b>                      | <u>3,652</u> | <u>3,345</u> |
| <b>EQUITY</b>                                 |              |              |
| Accumulated surplus                           | 3,085        | 2,809        |
| Revaluation reserves                          | 567          | 536          |
| <b><u>TOTAL EQUITY</u></b>                    | <u>3,652</u> | <u>3,345</u> |

Statement of Financial Position –  
as at 30 June 2019

---

TOTAL EQUITY

|       |       |
|-------|-------|
| _____ | _____ |
| _____ | _____ |



## 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)

##### a. Grenfell Sewerage Service

Comprising the whole of the operations & net assets of the sewerage reticulation & treatment system servicing the town of Grenfell.

#### 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)

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#### (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 \$4,321,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,321,000 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

#### Weddin Shire Council

To the Councillors of the Weddin Shire Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Weddin 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](http://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 blue ink, appearing to read 'Karen Taylor', written in a cursive style.

Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 October 2019  
SYDNEY

# Weddin Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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**Special Schedules**

for the year ended 30 June 2019

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## Permissible income for general rates for the year ended 30 June 2019

| \$ '000   |                                | Calculation<br>2019/20 | Calculation<br>2018/19 |
|---|--------------------------------|------------------------|------------------------|
| <b>Notional general income calculation <sup>1</sup></b> |                                |                        |                        |
| Last year notional general income yield                 | a                              | 2,766                  | 2,588                  |
| Plus or minus adjustments <sup>2</sup>                  | b                              | 5                      | (2)                    |
| <b>Notional general income</b>                          | <b>c = a + b</b>               | <b>2,771</b>           | <b>2,586</b>           |
| <b>Permissible income calculation</b>                   |                                |                        |                        |
| Special variation percentage <sup>3</sup>               | d                              | 0.00%                  | 7.00%                  |
| Or rate peg percentage                                  | e                              | 2.70%                  | 0.00%                  |
| Plus special variation amount                           | h = d x (c + g)                | –                      | 181                    |
| Or plus rate peg amount                                 | i = e x (c + g)                | 75                     | –                      |
| <b>Sub-total</b>  | <b>k = (c + g + h + i + j)</b> | <b>2,846</b>           | <b>2,767</b>           |
| Plus (or minus) last year's carry forward total         | l                              | 4                      | 3                      |
| <b>Sub-total</b>  | <b>n = (l + m)</b>             | <b>4</b>               | <b>3</b>               |
| <b>Total permissible income</b>                         | <b>o = k + n</b>               | <b>2,850</b>           | <b>2,770</b>           |
| Less notional general income yield                      | p                              | 2,835                  | 2,766                  |
| <b>Catch-up or (excess) result</b>                      | <b>q = o – p</b>               | <b>15</b>              | <b>4</b>               |
| <b>Carry forward to next year <sup>6</sup></b>          | <b>t = q + r + s</b>           | <b>15</b>              | <b>4</b>               |

### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (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**  
**Weddin Shire Council**

To the Councillors of Weddin Shire Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Weddin 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](http://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.



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 October 2019  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2019

| Asset Class   | Asset Category         | Estimated cost   |   | 2018/19<br>Required<br>maintenance <sup>a</sup> | 2018/19<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |              |              |              |              |
|---|------------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|--------------|--------------|
|   |                        | Estimated cost<br>to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2            | 3            | 4            | 5            |
| <b>(a) Report on Infrastructure Assets - Values</b> |                        |  |   |   |                                  |                        |                                    |  |              |              |              |              |
| <b>Buildings</b>                                    | Council Offices        | –  | –   | 5   | 15                               | 497                    | 2,110                              | 0.0%   | 0.0%         | 0.0%         | 100.0%       | 0.0%         |
|   | Council Works Depot    | –  | –   | 13  | 23                               | 2,157                  | 2,619                              | 100.0%   | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
|   | Council Houses         | –  | –   | 12  | 20                               | 775                    | 1,110                              | 28.8%  | 37.8%        | 33.3%        | 0.0%         | 0.0%         |
|   | Museum                 | –  | –   | 1   | 8                                | 353                    | 722                                | 0.0%   | 0.0%         | 100.0%       | 0.0%         | 0.0%         |
|   | Community Arts Centre  | –  | –   | 2   | 6                                | 306                    | 1,949                              | 0.0%   | 0.0%         | 0.0%         | 100.0%       | 0.0%         |
|   | Library                | –  | –   | 2   | 5                                | 881                    | 1,674                              | 0.0%   | 0.0%         | 0.0%         | 100.0%       | 0.0%         |
|   | Caravan Park           | –  | –   | 5   | 7                                | 238                    | 535                                | 0.0%   | 0.0%         | 100.0%       | 0.0%         | 0.0%         |
|   | Medical Centres        | –  | –   | 4   | 26                               | 2,988                  | 4,324                              | 71.3%  | 0.0%         | 0.0%         | 28.7%        | 0.0%         |
|   | Bank CTC Building      | –  | –   | 1   | 9                                | 271                    | 1,733                              | 0.0%   | 0.0%         | 0.0%         | 0.0%         | 100.0%       |
|   | Emergency Services     | –  | –   | 2   | 3                                | 65                     | 134                                | 0.0%   | 29.9%        | 70.2%        | 0.0%         | 0.0%         |
|   | Amenities/Sportsground | –  | –   | 20  | 27                               | 900                    | 2,466                              | 22.0%  | 0.0%         | 13.8%        | 48.4%        | 15.9%        |
|   | <b>Sub-total</b>       |  | <b>–</b>  | <b>–</b>  | <b>67</b>                        | <b>149</b>             | <b>9,431</b>                       | <b>19,376</b>  | <b>33.9%</b> | <b>2.4%</b>  | <b>10.6%</b> | <b>42.1%</b> |
| <b>Other structures</b>                             | Other structures       | –  | –   | –   | –                                | 1,823                  | 2,928                              | 45.8%  | 19.8%        | 33.9%        | 0.4%         | 0.0%         |
|   | <b>Sub-total</b>       | <b>–</b>   | <b>–</b>  | <b>–</b>  | <b>–</b>                         | <b>1,823</b>           | <b>2,928</b>                       | <b>45.8%</b>   | <b>19.8%</b> | <b>33.9%</b> | <b>0.4%</b>  | <b>0.1%</b>  |
| <b>Roads</b>  | Sealed Roads Surface   | 672  | 672   | 728   | 1,100                            | 21,477                 | 28,363                             | 16.0%  | 39.0%        | 31.0%        | 11.0%        | 3.0%         |
|   | Sealed Roads Structure | 172  | 172   | 355   | 943                              | 42,877                 | 51,491                             | 31.0%  | 42.0%        | 24.0%        | 2.0%         | 1.0%         |
|   | Unsealed roads         | 268  | 268   | 155   | 195                              | 5,576                  | 6,696                              | 3.0%   | 20.0%        | 66.0%        | 8.0%         | 3.0%         |
|   | Bridges                | 524  | 524   | 15  | 155                              | 24,586                 | 32,721                             | 40.0%  | 43.0%        | 10.0%        | 6.0%         | 1.0%         |
|   | Footpaths              | 12   | 12  | 4   | 6                                | 827                    | 1,601                              | 11.0%  | 65.0%        | 19.0%        | 5.0%         | 0.0%         |
|   | Kerb & Gutter          | 18   | 18  | 2   | 6                                | 3,064                  | 4,798                              | 10.0%  | 52.0%        | 35.0%        | 3.0%         | 0.0%         |
|   | Other road assets      | 5  | 5   | 12  | 18                               | 1,276                  | 2,097                              | 26.0%  | 61.0%        | 12.0%        | 1.0%         | 0.0%         |
|   | Bulk earthworks        | –  | –   | –   | –                                | 32,968                 | –                                  | 0.0%   | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
|   | <b>Sub-total</b>       | <b>1,671</b>   | <b>1,671</b>  | <b>1,271</b>                                    | <b>2,423</b>                     | <b>132,651</b>         | <b>127,767</b>                     | <b>27.4%</b>   | <b>41.4%</b> | <b>24.3%</b> | <b>5.4%</b>  | <b>1.5%</b>  |
| <b>Sewerage network</b>                             | Mains                  | 130  | 130   | 37  | 47                               | 2,049                  | 9,345                              | 0.0%   | 0.0%         | 0.0%         | 0.0%         | 100.0%       |
|   | Treatment Works        | 794  | 794   | 140   | 30                               | –                      | 3,618                              | 0.0%   | 0.0%         | 0.0%         | 100.0%       | 0.0%         |
|   | Recycling System       | 8  | 88  | –   | –                                | –                      | 37                                 | 0.0%   | 0.0%         | 0.0%         | 100.0%       | 0.0%         |
|   | <b>Sub-total</b>       | <b>932</b>   | <b>1,012</b>  | <b>177</b>                                      | <b>77</b>                        | <b>2,049</b>           | <b>13,000</b>                      | <b>0.0%</b>  | <b>0.0%</b>  | <b>0.0%</b>  | <b>28.1%</b> | <b>71.9%</b> |
| <b>Stormwater drainage</b>                          | Stormwater drainage    | –  | –   | 10  | –                                | 5,992                  | 8,646                              | 6.0%   | 19.0%        | 75.0%        | 0.0%         | 0.0%         |
|   | <b>Sub-total</b>       | <b>–</b>   | <b>–</b>  | <b>10</b>                                       | <b>–</b>                         | <b>5,992</b>           | <b>8,646</b>                       | <b>6.0%</b>  | <b>19.0%</b> | <b>75.0%</b> | <b>0.0%</b>  | <b>0.0%</b>  |

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

| Asset Class                            | Asset Category   | Estimated cost   |   | 2018/19<br>Required<br>maintenance <sup>a</sup> | 2018/19<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |              |              |              |             |
|--|------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|--------------|-------------|
|  |                  | Estimated cost<br>to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2            | 3            | 4            | 5           |
| Open space /<br>recreational<br>assets | Swimming pools   | –  | –   | –   | –                                | 6,145                  | 7,020                              | 88.1%  | 0.0%         | 11.9%        | 0.0%         | 0.0%        |
|  | <b>Sub-total</b> | –  | –   | –   | –                                | <b>6,145</b>           | <b>7,020</b>                       | <b>88.1%</b>   | <b>0.0%</b>  | <b>11.9%</b> | <b>0.0%</b>  | <b>0.0%</b> |
| <b>TOTAL - ALL ASSETS</b>              |                  | <b>2,603</b>   | <b>2,683</b>  | <b>1,525</b>                                    | <b>2,649</b>                     | <b>158,091</b>         | <b>178,737</b>                     | <b>27.8%</b>   | <b>31.1%</b> | <b>23.2%</b> | <b>10.5%</b> | <b>7.4%</b> |

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

| \$ '000  | Amounts<br>2019 | Indicator<br>2019 | Prior periods |         | Benchmark |
|--|-----------------|-------------------|---------------|---------|-----------|
|  |                 |                   | 2018          | 2017    |           |
| <b>Infrastructure asset performance indicators (consolidated) *</b>      |                 |                   |               |         |           |
| <b>Buildings and infrastructure renewals ratio <sup>1</sup></b>          |                 |                   |               |         |           |
| Asset renewals <sup>2</sup>  | 4,128           | <b>174.62%</b>    | 225.34%       | 293.76% | >=100.00% |
| Depreciation, amortisation and impairment                                | 2,364           |                   |               |         |           |
| <b>Infrastructure backlog ratio <sup>1</sup></b>                         |                 |                   |               |         |           |
| Estimated cost to bring assets to a satisfactory standard                | 2,603           | <b>1.65%</b>      | 1.68%         | 2.18%   | <2.00%    |
| Net carrying amount of infrastructure assets                             | 158,091         |                   |               |         |           |
| <b>Asset maintenance ratio</b>   |                 |                   |               |         |           |
| Actual asset maintenance   | 2,649           | <b>173.70%</b>    | 101.70%       | 100.73% | >100.00%  |
| Required asset maintenance   | 1,525           |                   |               |         |           |
| <b>Cost to bring assets to agreed service level</b>                      |                 |                   |               |         |           |
| Estimated cost to bring assets to an agreed service level set by Council | 2,683           | <b>1.50%</b>      | 1.25%         | 1.31%   |           |
| Gross replacement cost   | 178,737         |                   |               |         |           |

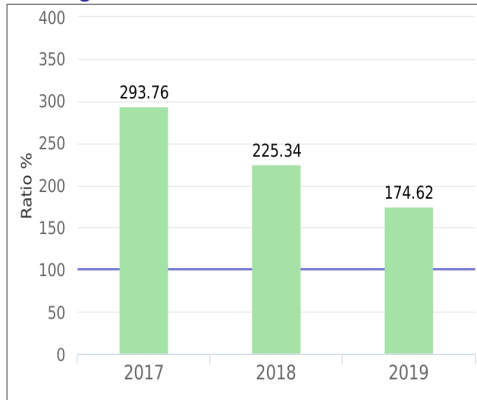
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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 <sup>1</sup>**



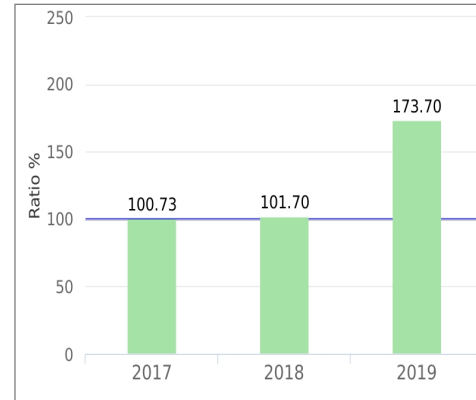
**Infrastructure renewals ratio**

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

| Commentary on result |         |
|----------------------|---------|
| 18/19 ratio          | 174.62% |

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**



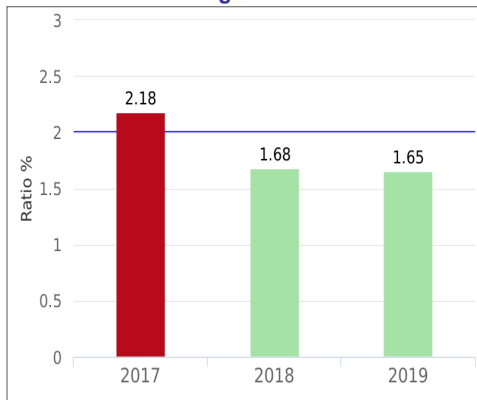
**Asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

| Commentary on result |         |
|----------------------|---------|
| 18/19 ratio          | 173.70% |

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

**Infrastructure backlog ratio <sup>1</sup>**



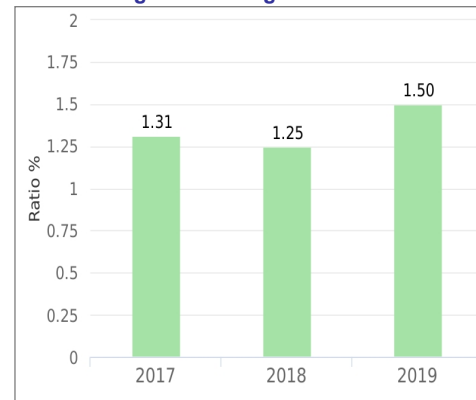
**Infrastructure backlog ratio**

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

| Commentary on result |       |
|----------------------|-------|
| 18/19 ratio          | 1.65% |

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**

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

| Commentary on result |       |
|----------------------|-------|
| 18/19 ratio          | 1.50% |

(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    |           |
| <b>Infrastructure asset performance indicators (by fund)</b>             |                |         |                |         |           |
| <b>Buildings and infrastructure renewals ratio <sup>1</sup></b>          |                |         |                |         |           |
| Asset renewals <sup>2</sup>  |                |         |                |         |           |
| Depreciation, amortisation and impairment                                | <b>156.36%</b> | 231.76% | <b>483.33%</b> | 116.92% | >=100.00% |
| <b>Infrastructure backlog ratio <sup>1</sup></b>                         |                |         |                |         |           |
| Estimated cost to bring assets to a satisfactory standard                |                |         |                |         |           |
| Net carrying amount of infrastructure assets                             | <b>1.07%</b>   | 1.09%   | <b>45.49%</b>  | 47.45%  | <2.00%    |
| <b>Asset maintenance ratio</b>   |                |         |                |         |           |
| Actual asset maintenance   |                |         |                |         |           |
| Required asset maintenance   | <b>190.80%</b> | 101.81% | <b>43.50%</b>  | 100.00% | >100.00%  |
| <b>Cost to bring assets to agreed service level</b>                      |                |         |                |         |           |
| Estimated cost to bring assets to an agreed service level set by Council |                |         |                |         |           |
| Gross replacement cost   | <b>1.01%</b>   | 0.86%   | <b>7.78%</b>   | 7.30%   |           |

(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.