

Gilgandra Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019



Gilgandra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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Gilgandra Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements
for the year ended 30 June 2019

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

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



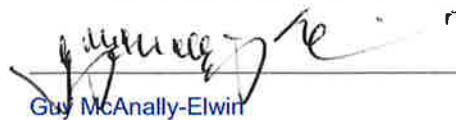
Doug Batten
Mayor
19 August 2019



Ash Walker
Councillor
19 August 2019



David Neeves
General Manager
19 August 2019



Guy McAnally-Elwin
Responsible Accounting Officer
19 August 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Income from continuing operations				
<u>Revenue:</u>				
6,098	Rates and annual charges	3a	6,209	6,029
12,606	User charges and fees	3b	13,608	14,756
555	Interest and investment revenue	3c	636	572
831	Other revenues	3d	842	864
6,950	Grants and contributions provided for operating purposes	3e,3f	7,709	10,554
5,948	Grants and contributions provided for capital purposes	3e,3f	2,911	2,729
<u>Other income:</u>				
–	Net gains from the disposal of assets	5	66	–
32,988	Total income from continuing operations		31,981	35,504
Expenses from continuing operations				
13,964	Employee benefits and on-costs	4a	15,670	14,336
247	Borrowing costs	4b	169	190
6,210	Materials and contracts	4c	5,242	10,182
4,423	Depreciation and amortisation	4d	5,051	4,827
2,003	Other expenses	4e	2,521	1,712
–	Net losses from the disposal of assets	5	–	392
26,847	Total expenses from continuing operations		28,653	31,639
6,141	Operating result from continuing operations		3,328	3,865
6,141	Net operating result for the year		3,328	3,865
6,141	Net operating result attributable to council		3,328	3,865
193	Net operating result for the year before grants and contributions provided for capital purposes		417	1,136

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		3,328	3,865
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	461	(4,034)
Impairment (loss) reversal relating to IPP&E	9(a)	–	1,872
Total items which will not be reclassified subsequently to the operating result		461	(2,162)
Total other comprehensive income for the year		461	(2,162)
Total comprehensive income for the year		3,789	1,703
Total comprehensive income attributable to Council		3,789	1,703

(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
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	3,419	3,926
Investments	6(b)	21,500	21,000
Receivables	7	1,992	2,764
Inventories	8	741	775
Total current assets		<u>27,652</u>	<u>28,465</u>
Non-current assets			
Receivables	7	306	179
Inventories	8	901	850
Infrastructure, property, plant and equipment	9(a)	284,387	282,174
Total non-current assets		<u>285,594</u>	<u>283,203</u>
TOTAL ASSETS		<u>313,246</u>	<u>311,668</u>
LIABILITIES			
Current liabilities			
Payables	10	11,517	13,760
Income received in advance	10	271	231
Borrowings	10	453	453
Provisions	11	3,264	2,857
Total current liabilities		<u>15,505</u>	<u>17,301</u>
Non-current liabilities			
Borrowings	10	2,827	3,280
Provisions	11	786	748
Investments accounted for using the equity method		-	-
Total non-current liabilities		<u>3,613</u>	<u>4,028</u>
TOTAL LIABILITIES		<u>19,118</u>	<u>21,329</u>
Net assets		<u>294,128</u>	<u>290,339</u>
EQUITY			
Accumulated surplus	12a	91,710	88,382
Revaluation reserves	12a	202,418	201,957
Council equity interest		<u>294,128</u>	<u>290,339</u>
Total equity		<u>294,128</u>	<u>290,339</u>

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		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		88,382	201,957	290,339	84,517	204,119	288,636
Restated opening balance		88,382	201,957	290,339	84,517	204,119	288,636
Net operating result for the year		3,328	–	3,328	3,865	–	3,865
Restated net operating result for the period		3,328	–	3,328	3,865	–	3,865
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	461	461	–	(4,034)	(4,034)
– Impairment (loss) reversal relating to IPP&E	9(a)	–	–	–	–	1,872	1,872
Other comprehensive income		–	461	461	–	(2,162)	(2,162)
Total comprehensive income		3,328	461	3,789	3,865	(2,162)	1,703
Equity – balance at end of the reporting period		91,710	202,418	294,128	88,382	201,957	290,339

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
6,098	Rates and annual charges		6,036	5,950
12,606	User charges and fees		14,372	15,498
555	Investment and interest revenue received		634	543
12,898	Grants and contributions		10,728	13,432
831	Other		1,123	916
<u>Payments</u>				
(13,964)	Employee benefits and on-costs		(15,366)	(14,630)
(6,166)	Materials and contracts		(7,492)	(10,356)
(247)	Borrowing costs		(141)	(167)
(2,003)	Other		(3,125)	(1,569)
10,608	Net cash provided (or used in) operating activities	13b	6,769	9,617
Cash flows from investing activities				
<u>Receipts</u>				
561	Sale of infrastructure, property, plant and equipment		419	389
<u>Payments</u>				
–	Purchase of investment securities		(500)	(7,500)
(14,613)	Purchase of infrastructure, property, plant and equipment		(6,691)	(7,179)
–	Purchase of real estate assets		(51)	(77)
(14,052)	Net cash provided (or used in) investing activities		(6,823)	(14,367)
Cash flows from financing activities				
<u>Receipts</u>				
2,150	Proceeds from borrowings and advances		–	–
1,000	Proceeds from Retirement Complex Contributions		–	2,252
<u>Payments</u>				
(580)	Repayment of borrowings and advances		(453)	(581)
(1,000)	Repayment of Retirement Complex Contributions		–	(1,604)
1,570	Net cash flow provided (used in) financing activities		(453)	67
(1,874)	Net increase/(decrease) in cash and cash equivalents		(507)	(4,683)
2,110	Plus: cash and cash equivalents – beginning of year	13a	3,926	8,609
236	Cash and cash equivalents – end of the year	13a	3,419	3,926
Additional Information:				
20,000	plus: Investments on hand – end of year	6(b)	21,500	21,000
20,236	Total cash, cash equivalents and investments		24,919	24,926

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

These financial statements were authorised for issue by Council on 15 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 21 – 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.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) employee benefit provisions – refer Note 14.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and 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. The Consolidated Fund has been included in the Council's financial statements.

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

- General purpose operations
- Water service
- Sewerage service
- Orana Living
- Carlginda Enterprises
- Cooee Villa Units
- Cooee Lodge Hostel
- Jack Towney Hostel

(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.

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

Goods and Services Tax (GST)

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

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

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

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 which have not been early adopted by Council).

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

AASB 16 Leases

AASB 16 Leases (AASB 16) is effective from reporting periods commencing on or after 1 January 2019.

For Lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be at the higher interest charges and will be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transaction to AASB 16.

The accounting for lessors under AASB 16 will not significantly change. Gilgandra Shire Council will however review the classification of sub-leases in which Council is a lessor. Finance lease receivables will be recognised for sub-leases reclassified as finance leases.

Gilgandra Shire Council will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. Council will also adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019.

Based on the impact assessments Council has undertaken on currently available information, Council estimates additional lease liabilities of \$139,370 and right-of-use assets of \$139,370 will be recognised as at 1 July 2019 for leases in which Council is a lessee. Most operating lease expenses will be replaced by depreciation of the right-of-use asset and interest on the lease liability. The impact on the Statement of Comprehensive Income is expected to be \$3,020.

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

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not for Profits and associated amending standards.

AASB 15 Revenue from Contracts with Customers (AASB 15) is effective for reporting periods commencing on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a five step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which Gilgandra Shire Council expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 Revenue (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

AASB 1058 Income of Not for Profit Entities (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 Contributions (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, Gilgandra Shire Council will need to determine whether a transaction is consideration received below fair value principally to enable Council to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).

The standards will result in the identification of separate performance obligations that will change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies. The adoption of these standards will primarily result in the recognition of increased liabilities reported on the Statement of Financial Position, predominately consisting of contract liabilities.

Under AASB 1058, Gilgandra Shire Council will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by Council.

Gilgandra Shire Council will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 has always applied.

Based on the impacts assessments Gilgandra Shire Council has undertaken on currently available information, Council estimates that the adoption of AASB 15 and AASB 1058 will result in the deferral of revenue and recognition of contractual liabilities and capital grant obligations (unearned revenue) of \$996,610 with a corresponding decrease in accumulated funds of \$996,610.

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Governance	–	–	148	153	(148)	(153)	–	–	–	–
Administration	487	445	7,214	8,646	(6,727)	(8,201)	231	140	16,238	17,470
Public order and safety	808	237	618	547	190	(310)	778	211	1,940	1,645
Health	80	77	437	403	(357)	(326)	–	–	1,833	2,607
Environment	616	627	951	738	(335)	(111)	–	–	3,118	3,285
Community services and education	12,687	10,520	9,280	8,115	3,407	2,405	1,961	1,221	33,575	32,298
Housing and community amenities	201	232	368	330	(167)	(98)	41	40	2,374	2,409
Water supplies	1,248	1,408	1,155	1,103	93	305	139	443	18,633	18,456
Sewerage services	1,008	935	628	754	380	181	4	5	15,613	15,216
Recreation and culture	766	434	1,064	1,057	(298)	(623)	667	334	8,112	7,338
Mining, manufacturing and construction	21	29	62	90	(41)	(61)	–	–	–	–
Transport and communication	3,822	11,153	5,962	9,118	(2,140)	2,035	1,532	6,037	208,870	207,989
Economic affairs	859	524	766	585	93	(61)	251	35	2,940	2,955
General purpose revenues	9,378	8,883	–	–	9,378	8,883	4,019	3,687	–	–
Total functions and activities	31,981	35,504	28,653	31,639	3,328	3,865	9,623	12,153	313,246	311,668

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, meetings of Council and policy making committees, public disclosure (eg.GIPA) and legislative compliance.

Administration

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

Public order and safety

Includes fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes food control and medical centres.

Environment

Includes noxious plants and insect / vermin control, solid waste management (including domestic, commercial and other waste management), street cleaning and stormwater management.

Community services and education

Includes administration and education, social protection (welfare), aged and disabled persons services and children's services.

Housing and community amenities

Includes public cemeteries, public conveniences, street lighting, town planning and other community amenities including housing services.

Water supplies

Includes the provision of a water supply service to the town of Gilgandra and the village of Tooraweenah.

Sewerage services

Includes the provision of a sewerage service to the town of Gilgandra.

Recreation and culture

Includes public libraries, community centres and halls, other cultural services (heritage programs), sporting grounds and venues, swimming pools, parks and gardens and other sport and recreation services

Mining, manufacturing and construction

Includes building control and gravel pits.

Transport and communication

Includes urban roads, sealed and unsealed rural roads, regional roads, bridges, parking areas, footpaths, aerodromes and other transport services including RMS contract works, rural addressing, road safety officer and kerb and gutter.

Economic affairs

Includes camping areas and caravan parks, tourism and area promotion, real estate development, private works and other business undertakings.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	912	891
Farmland	3,704	3,624
Business	240	235
Less: pensioner rebates	(93)	(97)
Rates levied to ratepayers	4,763	4,653
Pensioner rate subsidies received	52	47
Total ordinary rates	4,815	4,700
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	457	443
Stormwater management services	26	26
Water supply services	385	367
Sewerage services	439	410
Waste management services (non-domestic)	104	103
Less: pensioner rebates	(44)	(44)
Annual charges levied	1,367	1,305
Pensioner subsidies received:		
– Water	14	12
– Sewerage	13	12
Total annual charges	1,394	1,329
TOTAL RATES AND ANNUAL CHARGES	6,209	6,029

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.

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	671	554
Sewerage services	543	507
Total specific user charges	1,214	1,061
Other user charges and fees		

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	58	92
Private works – section 67	465	376
Total fees and charges – statutory/regulatory	523	468
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	65	55
Aged and disabled care	9,607	8,120
Caravan park	18	17
Cemeteries	46	59
RMS (formerly RTA) charges (state roads not controlled by Council)	1,770	4,598
Swimming centres	29	34
Waste disposal tipping fees	29	56
Companion animals	33	27
Government access centre	3	4
Rent and hire of council properties	240	224
Other	31	33
Total fees and charges – other	11,871	13,227
TOTAL USER CHARGES AND FEES	13,608	14,756

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)	34	28
– Cash and investments	602	544
TOTAL INTEREST AND INVESTMENT REVENUE	636	572

Accounting policy for interest and investment revenue

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

(d) Other revenues

Legal fees recovery – rates and charges (extra charges)	1	9
Commissions and agency fees	169	169
Insurance rebates and claim recoveries	134	210
Sales – general	106	99
Accommodation bonds retained	299	296
Tourism, promotion and economic development	29	14
Other	104	67
TOTAL OTHER REVENUE	842	864

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	4,019	3,689	–	–
Total general purpose	4,019	3,689	–	–
Specific purpose				
Water supplies	–	–	128	431
Aged and disabled care	1,247	916	971	–
Bushfire and emergency services	140	215	636	–
Employment and training programs	236	198	–	–
Library	28	31	–	199
LIRS subsidy	50	57	–	–
Recreation and culture	7	3	274	102
Street lighting	41	40	–	–
Transport (roads and bridges funding)	738	4,213	885	1,884
Parental leave	24	3	–	–
Youth services	115	115	–	–
Other	84	31	–	26
Total specific purpose	2,710	5,822	2,894	2,642
Total grants	6,729	9,511	2,894	2,642
Grant revenue is attributable to:				
– Commonwealth funding	4,549	5,596	593	826
– State funding	2,180	3,915	2,301	1,816
	6,729	9,511	2,894	2,642

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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(f) Contributions

Recreation and culture	–	–	17	8
Roads and bridges	44	44	–	–
RMS contributions (regional roads, block grant)	390	383	–	79
Education (pre school)	546	494	–	–
Aged and disabled care	–	122	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<u>Total contributions</u>		980	1,043	17	87
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		7,709	10,554	2,911	2,729

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.

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**Operating grants**

Unexpended at the close of the previous reporting period	1,303	966
Add: operating grants recognised in the current period but not yet spent	128	803
Add: operating grants received for the provision of goods and services in a future period	-	-
Less: operating grants recognised in a previous reporting period now spent	(803)	(466)
Unexpended and held as restricted assets (operating grants)	<u>628</u>	<u>1,303</u>

The unspent operating grants total is made up of funding received for Crown Lands management (\$80,000), the Drought Communities Program (\$48,000) and Improving Country Roads (\$500,000).

Capital grants

Unexpended at the close of the previous reporting period	369	94
Add: capital grants recognised in the current period but not yet spent	1,250	289
Add: capital grants received for the provision of goods and services in a future period	-	-
Less: capital grants recognised in a previous reporting period now spent	(35)	(14)
Unexpended and held as restricted assets (capital grants)	<u>1,584</u>	<u>369</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
The unspent capital grants total is made up of funding received for infrastructure (\$277,000) and building (\$959,000) projects.		
Contributions		
Unexpended at the close of the previous reporting period	46	75
Add: contributions recognised in the current period but not yet spent	–	–
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(29)	(29)
Unexpended and held as restricted assets (contributions)	<u>17</u>	<u>46</u>

The total unspent amount is made up of the RMS contribution towards the maintenance of regionally significant roads.

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	11,411	10,741
Travel expenses	10	11
Employee leave entitlements (ELE)	2,260	1,858
Superannuation	1,116	1,159
Workers' compensation insurance	780	585
Fringe benefits tax (FBT)	86	78
Training costs (other than salaries and wages)	276	222
Other	66	110
Total employee costs	<u>16,005</u>	<u>14,764</u>
Less: capitalised costs	(335)	(428)
TOTAL EMPLOYEE COSTS EXPENSED	<u>15,670</u>	<u>14,336</u>
Number of 'full-time equivalent' employees (FTE) at year end	192	179

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 19 for more information.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		135	158
Total interest bearing liability costs expensed		135	158
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
– Remediation liabilities	11	34	32
Total other borrowing costs		34	32
TOTAL BORROWING COSTS EXPENSED		169	190

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.

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	5,175	10,067
Auditors remuneration ²	50	52
Legal expenses:		
– Legal expenses: other	17	63
Total materials and contracts	5,242	10,182
TOTAL MATERIALS AND CONTRACTS	5,242	10,182

1. 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	50	52
Remuneration for audit and other assurance services	50	52
Total Auditor-General remuneration	50	52
Total Auditor remuneration	50	52

(d) Depreciation, amortisation and impairment of intangible assets and IPP&E

Depreciation and amortisation

Plant and equipment	1,045	1,013
Office equipment	112	112
Furniture and fittings	27	36
Infrastructure:		
– Buildings (non-specialised)	32	29

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
– Buildings (specialised)	572	345
– Other structures	357	394
– Roads, Bridges and Footpaths	1,954	1,954
– Stormwater drainage	61	61
– Water supply network	534	523
– Sewerage network	325	315
Other assets:		
– Library books	7	21
– Other	20	20
Reinstatement, rehabilitation and restoration assets:		
– Gravel Pit Assets	5	4
Total depreciation and amortisation costs	5,051	4,827
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>	5,051	4,827

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 10 for IPPE assets.

Depreciation is capitalised where in-house assets have contributed to new 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.

\$ '000	2019	2018
(e) Other expenses		
Advertising	36	48
Bank charges	19	23
Contributions/levies to other levels of government		
Councillor expenses – mayoral fee	26	23
Councillor expenses – councillors' fees	107	104
Councillors' expenses (incl. mayor) – other (excluding fees above)	16	25
Community projects	829	–
Donations, contributions and assistance to other organisations (Section 356)	504	490
Electricity and heating	209	325
Insurance	336	313

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
Printing and stationery	64	64
Street lighting	156	121
Telephone and communications	112	86
Valuation fees	26	42
Other	81	48
TOTAL OTHER EXPENSES	2,521	1,712

Accounting policy for other expenses

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

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

\$ '000	Notes	2019	2018
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		419	389
Less: carrying amount of plant and equipment assets sold/written off		(353)	(706)
Net gain/(loss) on disposal		66	(317)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		–	45
Less: carrying amount of real estate assets sold/written off		–	(120)
Net gain/(loss) on disposal		–	(75)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		66	(392)

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	3,378	3,397
Cash-equivalent assets		
– Deposits at call	41	529
Total cash and cash equivalents	3,419	3,926

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	21,500	–	21,000	–
Total Investments	<u>21,500</u>	<u>–</u>	<u>21,000</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	<u>24,919</u>	<u>–</u>	<u>24,926</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Short term deposits	1,000	–	–	–
Long term deposits	20,500	–	21,000	–
Total	<u>21,500</u>	<u>–</u>	<u>21,000</u>	<u>–</u>

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 or 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

(a) Held to maturity investments

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

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.

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

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	24,919	–	24,926	–
attributable to:				
External restrictions	6,410	–	5,348	–
Internal restrictions	7,458	–	7,850	–
Unrestricted	11,051	–	11,728	–
	24,919	–	24,926	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	–	41
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External restrictions – included in liabilities	–	41
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External restrictions – other

RMS contributions	16	46
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Specific purpose unexpended grants	2,212	1,672
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Water supplies	2,658	2,429
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Sewerage services	1,320	962
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Domestic waste management	204	198
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External restrictions – other	6,410	5,307
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Total external restrictions	6,410	5,348
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Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Employees leave entitlement	1,452	1,427
Carry over works	763	1,372
Community services	308	238
Financial assistance grant	2,046	1,871
Recreation facilities	126	92
Transport	855	923
Aged and disabled	1,618	1,532
Administration	290	395
Total internal restrictions	7,458	7,850
TOTAL RESTRICTIONS	13,868	13,198

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	355	163	270	75
Interest and extra charges	25	65	18	55
User charges and fees	1,085	78	1,614	49
Accrued revenues				
– Interest on investments	152	–	167	–
Government grants and subsidies	295	–	578	–
Other debtors	80	–	117	–
Total	1,992	306	2,764	179
TOTAL NET RECEIVABLES	1,992	306	2,764	179

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)

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, or when the receivables are over 2 years past due, whichever occurs first.

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.

Note 8. Inventories and other assets

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Inventories				
(i) Inventories at cost				
Real estate for resale	602	901	602	850
Stores and materials	91	–	109	–
Trading stock	48	–	64	–
Total inventories at cost	741	901	775	850
TOTAL INVENTORIES	741	901	775	850

(i) Other disclosures

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		–	901	–	850
Industrial/commercial		602	–	602	–
Total real estate for resale		602	901	602	850
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		154	99	154	99
Development costs		448	802	448	751
Total costs		602	901	602	850
Total real estate for resale		602	901	602	850
Movements:					
Real estate assets at beginning of the year		602	850	794	773
– Purchases and other costs		–	51	–	77
– Transfers in from (out to) Note 10		–	–	(72)	–
– WDV of sales (expense)	5	–	–	(120)	–
Total real estate for resale		602	901	602	850

(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	–	452
	–	452

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

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

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

\$ '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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Plant and equipment	14,965	(8,798)	6,167	–	1,784	(353)	(1,045)	–	15,733	(9,180)	6,553
Office equipment	1,202	(823)	379	–	51	–	(112)	–	1,253	(935)	318
Furniture and fittings	727	(582)	145	–	–	–	(27)	–	727	(609)	118
Land:											
– Operational land	3,940	–	3,940	–	–	–	–	–	3,940	–	3,940
– Community land	1,237	–	1,237	–	–	–	–	–	1,237	–	1,237
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	185	–	185
Infrastructure:											
– Buildings – non-specialised	1,825	–	1,825	–	–	–	(32)	–	1,825	(32)	1,793
– Buildings – specialised	47,523	(14,040)	33,483	805	494	–	(572)	–	48,822	(14,612)	34,210
– Other structures	5,622	(2,735)	2,887	745	227	–	(357)	–	6,594	(3,092)	3,502
– Roads, bridges & footpaths	263,384	(62,878)	200,506	2,730	–	–	(1,954)	–	266,114	(64,832)	201,282
– Stormwater drainage	5,810	(4,011)	1,799	4	–	–	(61)	–	5,814	(4,072)	1,742
– Water supply network	29,395	(13,929)	15,466	198	–	–	(534)	242	30,066	(14,694)	15,372
– Sewerage network	23,988	(10,081)	13,907	112	–	–	(325)	219	24,486	(10,579)	13,907
Other assets:											
– Heritage collections	50	(50)	–	–	–	–	–	–	50	(50)	–
– Library books	211	(205)	6	–	11	–	(7)	–	222	(211)	11
– Other	583	(550)	33	–	–	–	(20)	–	583	(570)	13
Reinstatement, rehabilitation and restoration assets (refer Note 14):											
– Gravel Pit Assets	272	(63)	209	–	–	–	(5)	–	272	(68)	204
Total Infrastructure, property, plant and equipment	400,919	(118,745)	282,174	4,594	2,567	(353)	(5,051)	461	407,923	(123,536)	284,387

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

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

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

	as at 30/6/2017			Asset movements during the reporting period											as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment loss (recognised in equity)	Impairment reversal (recognised in equity)	Adjustments and transfers	Trfs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Plant and equipment	15,879	(9,461)	6,418	–	1,468	(706)	(1,013)	–	–	–	–	–	–	–	14,965	(8,798)	6,167
Office equipment	1,080	(711)	369	–	122	–	(112)	–	–	–	–	–	–	–	1,202	(823)	379
Furniture and fittings	727	(546)	181	–	–	–	(36)	–	–	–	–	–	–	–	727	(582)	145
Land:																	
– Operational land	3,549	–	3,549	–	153	–	–	–	–	–	–	72	–	166	3,940	–	3,940
– Community land	1,148	–	1,148	–	89	–	–	–	–	–	–	–	–	–	1,237	–	1,237
– Land under roads (post 30/6/08)	185	–	185	–	–	–	–	–	–	–	–	–	–	–	185	–	185
Infrastructure:																	
– Buildings – non-specialised	1,615	(131)	1,484	13	–	–	(29)	–	–	–	18	–	–	339	1,825	–	1,825
– Buildings – specialised	43,532	(5,015)	38,517	336	136	–	(345)	–	–	–	(18)	–	(5,143)	–	47,523	(14,040)	33,483
– Other structures	5,094	(2,341)	2,753	362	166	–	(394)	–	–	–	–	–	–	–	5,622	(2,735)	2,887
– Roads	260,216	(62,796)	197,420	3,168	–	–	(1,954)	(1,872)	–	1,872	–	–	–	–	263,384	(62,878)	200,506
– Stormwater drainage	5,810	(3,950)	1,860	–	–	–	(61)	–	–	–	–	–	–	–	5,810	(4,011)	1,799
– Water supply network	28,212	(13,120)	15,092	579	–	–	(523)	–	–	–	–	–	–	318	29,395	(13,929)	15,466
– Sewerage network	22,932	(9,559)	13,373	563	–	–	(315)	–	–	–	–	–	–	286	23,988	(10,081)	13,907
– Other infrastructure	–	–	–	–	–	–	–	1,872	(1,872)	–	–	–	–	–	–	–	–
Other assets:																	
– Heritage collections	50	(50)	–	–	–	–	–	–	–	–	–	–	–	–	50	(50)	–
– Library books	187	(184)	3	–	24	–	(21)	–	–	–	–	–	–	–	211	(205)	6
– Other	583	(530)	53	–	–	–	(20)	–	–	–	–	–	–	–	583	(550)	33
Reinstatement, rehabilitation and restoration assets (refer Note 14):																	
– Gravel Pit Assets	272	(59)	213	–	–	–	(4)	–	–	–	–	–	–	–	272	(63)	209
Total Infrastructure, property, plant and equipment	391,071	(108,453)	282,618	5,021	2,158	(706)	(4,827)	–	(1,872)	1,872	–	72	(5,143)	1,109	400,919	(118,745)	282,174

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Crown reserves

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

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

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

\$ '000	Notes	2019	2018
(iv) Reversals of impairment losses previously recognised direct to equity (ARR):			
– Council was subjected to an exceptionally wet winter in 2016 which caused significant damage to the local road network. Remedial works have now been completed and the full loss has been reinstated as at 30 June 2018.		–	1,872
Total impairment reversals		<u>–</u>	<u>1,872</u>
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)		<u>–</u>	<u>1,872</u>

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services	586	–	2,424	–
Accrued expenses:				
– Borrowings	34	–	40	–
– Salaries and wages	234	–	244	–
Retirement complex contributions	10,663	–	10,974	–
Other	–	–	78	–
Total payables	<u>11,517</u>	<u>–</u>	<u>13,760</u>	<u>–</u>
Income received in advance				
Payments received in advance	271	–	231	–
Total income received in advance	<u>271</u>	<u>–</u>	<u>231</u>	<u>–</u>
Borrowings				
Loans – secured ¹	453	2,827	453	3,280

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total borrowings	453	2,827	453	3,280
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>12,241</u>	<u>2,827</u>	<u>14,444</u>	<u>3,280</u>

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

\$ '000	2019	2018
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(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.

Payables – security bonds, deposits and retentions	9,597	9,877
Total payables and borrowings	<u>9,597</u>	<u>9,877</u>

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	3,733	(453)	–	–	–	3,280
TOTAL	<u>3,733</u>	<u>(453)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,280</u>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	4,314	(581)	–	–	–	3,733
TOTAL	<u>4,314</u>	<u>(581)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,733</u>

\$ '000	2019	2018
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(c) Financing arrangements

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

Credit cards/purchase cards	75	70
Total financing arrangements	<u>75</u>	<u>70</u>

Undrawn facilities as at balance date:

– Credit cards/purchase cards	75	70
Total undrawn financing arrangements	<u>75</u>	<u>70</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

The financial liabilities of the Council comprise trade payables and bank loans.

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.

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	1,577	–	1,366	–
Long service leave	1,578	156	1,384	152
Other leave	109	–	107	–
Sub-total – aggregate employee benefits	3,264	156	2,857	152
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	630	–	596
Sub-total – asset remediation/restoration	–	630	–	596
TOTAL PROVISIONS	3,264	786	2,857	748

\$ '000	2019	2018
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(a) 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	916	945
	916	945

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	596	596
Unwinding of discount	34	34
Total other provisions at end of period	630	630
2018		
At beginning of year	564	564
Unwinding of discount	32	32
Total other provisions at end of period	596	596

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)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(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 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

Classification of financial assets

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

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

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).

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	3,419	3,926
Balance as per the Statement of Cash Flows		3,419	3,926

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information (continued)

\$ '000	2019	2018
(b) Reconciliation of net operating result to cash provided from operating activities		
Net operating result from Income Statement	3,328	3,865
Adjust for non-cash items:		
Depreciation and amortisation	5,051	4,827
Net losses/(gains) on disposal of assets	(66)	392
Non-cash capital grants and contributions	(465)	–
Unwinding of discount rates on reinstatement provisions	34	32
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	645	(640)
Decrease/(increase) in inventories	34	(26)
Increase/(decrease) in payables	(1,838)	1,331
Increase/(decrease) in accrued interest payable	(6)	(9)
Increase/(decrease) in other accrued expenses payable	(10)	66
Increase/(decrease) in other liabilities	(349)	29
Increase/(decrease) in provision for employee benefits	411	(295)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	6,769	9,572

(c) Non-cash investing and financing activities

Rural Fire Service vehicle purchases	465	–
Total non-cash investing and financing activities	465	–

Note 14. Interests in other entities

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

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

(b) Joint arrangements**(i) Joint ventures**

Council acknowledges a 25% interest in a joint venture with the North West Library, however, this joint venture has not been included in the financial statements due to the value of the operations and Council's equity in the joint venture not deemed to be of a material nature.

(i) Unconsolidated structured entities

County Councils as joint ventures:

Council is a member of the Castlereagh-Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to administer and control noxious weeds in the district. Council is one of five constituent councils and does not have significant influence over the County Council.

Accordingly, the County Council has not been consolidated in the financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,591	383
Plant and equipment	76	522
Land Development	–	57
Infrastructure	1,289	1,767
Total commitments	2,956	2,729
These expenditures are payable as follows:		
Within the next year	2,258	2,146
Later than one year and not later than 5 years	268	302
Later than 5 years	430	281
Total payable	2,956	2,729

Details of capital commitments

Council is committed to spending on the above capital items with all having been included in previous year's budgets and carried forward to the 2019/20 year as well as ongoing years as detailed in the Long Term Financial Plan. Contractual arrangements are in place for these commitments with funding allocated and placed in internal reserves as at 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

The past contributions for each pooled employer is a share of the total past contributions of \$40.0 million for 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 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.

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

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 \$76,673.49. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2019. Council's expected contribution to the plan for the next annual reporting period is \$78,697.64.

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.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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. Please note that the estimated employer reserves financial position

Notes to the Financial Statements

for the year ended 30 June 2019

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

above is a preliminary calculation and, once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November / December 2019.

(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.

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.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	3,419	3,926	3,419	3,930
Receivables	2,298	2,943	2,298	2,943
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	21,500	21,000	21,500	21,000
Total financial assets	27,217	27,869	27,217	27,873
Financial liabilities				
Payables	11,517	13,760	11,517	13,760
Loans/advances	3,280	3,733	3,280	3,733
Total financial liabilities	14,797	17,493	14,797	17,493

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
 - **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.
- Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	215	215	(215)	(215)
2018				
Possible impact of a 1% movement in interest rates	195	195	(195)	(195)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	355	65	98	–	518

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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
2018						
Gross carrying amount	–	191	46	–	108	345

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	938	426	75	12	329	1,780
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2018						
Gross carrying amount	1,376	823	30	84	285	2,598
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:	Total cash outflows	Actual carrying values	
			≤ 1 Year	1 - 5 Years	> 5 Years	
2019						
Trade/other payables	0.00%	–	11,517	–	–	11,517

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
Loans and advances	4.09%	–	593	2,285	823	3,701	3,280
Total financial liabilities		–	12,110	2,285	823	15,218	14,797
2018							
Trade/other payables	0.00%	–	13,760	–	–	13,760	13,760
Loans and advances	4.09%	–	593	2,174	1,526	4,293	3,733
Total financial liabilities		–	14,353	2,174	1,526	18,053	17,493

Note 18. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	6,098	6,209	111	2% F
User charges and fees	12,606	13,608	1,002	8% F
Interest and investment revenue	555	636	81	15% F
The rate of return on invested funds was estimated at an average of 2.52% for the year but an actual average return of 2.76% was achieved..				
Other revenues	831	842	11	1% F
Operating grants and contributions	6,950	7,709	759	11% F
During the year, Council received additional one off funding for Crown Lands Management and the Drought Communities Program.				
Capital grants and contributions	5,948	2,911	(3,037)	(51)% U
Council budgeted for major capital projects that would attract grant funding. Some of these projects did not eventuate in 18/19 but will be forthcoming in the 19/20 financial year.				
EXPENSES				
Employee benefits and on-costs	13,964	15,670	(1,706)	(12)% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Additional staff were engaged through the year particularly in the aged care and disability services area.				
Borrowing costs	247	169	78	32% F
Proposed borrowings were included in the budget but they did not occur due to the applicable capital projects not proceeding in 18/19.				
Materials and contracts	6,210	5,242	968	16% F
Less than expected but is offset by additional employee costs.				
Depreciation and amortisation	4,423	5,051	(628)	(14)% U
Depreciation increased from the previous year due to revaluation changes and asset additions.				
Other expenses	2,003	2,521	(518)	(26)% U
The increase over the budget amount for other expenses is due to the costs associated with the Drought Communities Program.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	10,608	6,769	(3,839)	(36)% U
There is a negative variance compared to the budget due to the estimated capital funding not occurring.				
Net cash provided from (used in) investing activities	(14,052)	(6,823)	7,229	(51)% F
The costs for capital projects was less than the budget due to some major works not taking place until the following year.				
Net cash provided from (used in) financing activities	1,570	(453)	(2,023)	(129)% U
The original budget included borrowings which did not take place during 18/19.				

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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	

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	

**Recurring fair value measurements
Infrastructure, property, plant and equipment**

	9(a)					
Land		30/06/18	–	5,362	–	5,362
Buildings		30/06/18	–	–	36,003	36,003
Other structures			–	–	3,502	3,502
Roads, bridges & footpaths		30/06/15	–	–	201,282	201,282
Stormwater drainage		30/06/10	–	–	1,742	1,742
Water supply		30/06/16	–	–	15,372	15,372
Sewerage services		30/06/16	–	–	13,907	13,907
Other assets			–	–	23	23
Gravel pits		30/06/06	–	–	204	204
Total infrastructure, property, plant and equipment			–	5,362	272,035	277,397

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	

**Recurring fair value measurements
Infrastructure, property, plant and equipment**

	9(a)					
Land		30/06/18	–	5,362	–	5,362
Buildings		30/06/18	–	–	35,308	35,308
Other structures		n/a	–	–	2,887	2,887
Roads, bridges & footpaths		30/06/15	–	–	200,506	200,506
Stormwater drainage		30/06/10	–	–	1,799	1,799
Water supply		30/06/15	–	–	15,466	15,466
Sewerage services		30/06/15	–	–	13,907	13,907
Other assets		30/06/18	–	–	39	39
Gravel pits		30/06/18	–	–	209	209
Total infrastructure, property, plant and equipment			–	5,362	270,121	275,483

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

(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).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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)

Council engaged the services of professional valuers to provide valuations for land and buildings. The values used for infrastructure assets (roads, bridges and footpaths, stormwater drainage, water supply and sewerage services) have been determined by qualified Council staff by using known constructions costs, current condition assessments, current renewal practices and known construction dates. The values of the remaining asset classes (plant and equipment, office equipment, furniture and fittings, other structures and other assets) have been determined by deeming that the transaction price equals the fair value at initial recognition.

(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	Roads, bridges and footpaths	Stormwater drainage	Water supply network	Sewerage services	Other structures
2018					
Opening balance	197,420	1,860	15,092	13,373	2,753
Purchases (GBV)	3,168	–	579	563	528
Depreciation and impairment	(82)	(61)	(523)	(315)	(394)
FV gains – other comprehensive income	–	–	318	286	–
Closing balance	200,506	1,799	15,466	13,907	2,887
2019					
Opening balance	200,506	1,799	15,466	13,907	2,887
Purchases (GBV)	2,730	4	197	112	972
Depreciation and impairment	(1,954)	(61)	(534)	(325)	(357)
FV gains – other comprehensive income	–	–	242	219	–
Closing balance	201,282	1,742	15,371	13,913	3,502

\$ '000	Other assets	Gravel pits	Total
2018			
Opening balance	56	213	230,767
Purchases (GBV)	24	–	4,862
Depreciation and impairment	(41)	(4)	(1,420)
FV gains – other comprehensive income	–	–	604
Closing balance	39	209	234,813
2019			
Opening balance	39	209	234,813
Purchases (GBV)	11	–	4,026
Depreciation and impairment	(27)	(5)	(3,263)
Closing balance	23	204	236,037

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

Information relating to the transfers

There were no transfers into or out of the Level 3 hierarchy as listed in the tables above.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Roads, bridges, etc.	201,282	In house valuation.	Depreciated replacement cost.
Stormwater drainage	1,742	In house valuation.	Depreciated replacement cost.
Water supply	15,372	In house valuation.	Depreciated replacement cost.
Sewerage services	13,907	In house valuation.	Depreciated replacement cost.
Other structures	3,502	Transaction price.	Purchase price of asset used.
Other assets	23	Transaction price.	Purchase price of asset used.
Gravel pits	204	In house valuation.	Depreciated replacement cost.

d. The valuation process for level 3 fair value measurementsBuildings

Council engaged APV Valuers and Asset Management to conduct a revaluation of its buildings in 2017/18.

The majority of the buildings were valued using a depreciated replacement cost method however there was a small portion where a market value approach was used. The market value portion was considered to be minor compared to the total value of the building assets.

Roads, Bridges & Footpaths

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the road network including bridges and footpaths, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition rating were then used to calculate a value based on the current depreciated replacement cost of the assets.

Stormwater Drainage

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the stormwater network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Water Supply

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the water supply network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives. The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Sewerage Services

Council management has determined that as Council's engineering staff are experts available who can provide informed values of the sewerage services network, then the advice and opinions of those experts should be used. The process used to determine the valuations was obtaining the cost to construct the various components and segments of the network by using a combination of the last actual construction costs from a Council job and and accepted industry standards. Inspections were carried to determined condition ratings and these ratings were used to calculate the remaining useful lives.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

The current replacement cost and the condition ratings were then used to calculate a value based on the current depreciated replacement cost of the assets.

Other Structures

Fair value at initial recognition that equals the transaction price has been used for all other assets.

This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

Other Assets

Fair value at initial recognition that equals the transaction price has been used for all other assets.

This means that the values recorded are the purchase cost to Council at the time they were bought. This process was determined by Council management because the assets are consumed in a short period of time and the total value of the asset class is small in comparison to other asset classes. It was determined that other methods of valuation could be used but would result in an immaterial difference in value.

Gravel Pits

Council management determined that as Council's engineering staff are experts available who can provide informed values of the rehabilitation costs of a gravel pit, then the advice and opinions of those experts should be used. The cost to rehabilitate Council's 79 gravel pits was determined, this cost was then inflated out by 3% per year until 2064 when it was determined the gravel pits would need to be rehabilitated. To determine the cost at a present value, the inflated cost is then discounted back to the current year using the bond rate at the time.

(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
Compensation:		
Short-term benefits	1,194	1,755
Other long-term benefits	633	472
Total	1,827	2,227

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Electrical works.	1	69	-	7 day invoice.	-	-
Wages of employees.	2	65	-	Weekly pay cycle.	-	-
Function costs.	3	21	-	7 day invoice.	-	-
Earth moving and road works.	4	228	-	7 day invoice.	-	-
Meat provided for meals.	5	25	-	7 day invoice.	-	-
Lawn mowing and gardening services	6	28	-	7 day invoice.	-	-
Cabinet making works.	7	42	-	7 day invoice.	-	-
2018						
Electrical works.	1	44	-	7 day invoice.	-	-
Wages of employees.	2	166	-	Weekly pay cycle.	-	-
Function costs.	3	2	-	7 day invoice.	-	-

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

Note 20. Related Party Transactions (continued)

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
Earth moving and road works.	4	1,428	–	7 day invoice.	–	–
Meat provided for meals.	5	23	–	7 day invoice.	–	–
Lawn mowing and gardening services	6	18	–	7 day invoice.	–	–
Cabinet making works.	7	11	–	7 day invoice.	–	–

- 1 Council contracted to a local business for electrical works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 2 Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis.
- 3 Council used a local hotel for functions and entertaining purposes. The hotel owner is a KMP. All transactions are at arms length.
- 4 Council contracted to a local business to provide earth moving and road works. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 5 Council used a local butcher to provide meat for meals for various community services. The business is owned by a related party to a KMP. All transactions are at arms length.
- 6 Council contracted to a local business to provide lawn mowing and gardening services. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.
- 7 Council contracted to a local business to provide cabinet making services. The business is owned by a related party to a KMP. All transactions are at arms length and major jobs are quoted on.

Note 21. Events occurring after the reporting date

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

Note 22. Statement of developer contributions

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

Council currently has no S94 developer contribution plans or S94 funds on hand from prior years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	5,326	413	470
User charges and fees	12,231	799	578
Interest and investment revenue	544	62	30
Other revenues	827	15	–
Grants and contributions provided for operating purposes	7,669	24	16
Grants and contributions provided for capital purposes	2,783	128	–
Other income			
Net gains from disposal of assets	66	–	–
Total income from continuing operations	29,446	1,441	1,094
Expenses from continuing operations			
Employee benefits and on-costs	15,261	245	164
Borrowing costs	149	16	4
Materials and contracts	4,483	444	315
Depreciation and amortisation	4,180	541	330
Other expenses	2,319	164	38
Total expenses from continuing operations	26,392	1,410	851
Operating result from continuing operations	3,054	31	243
Net operating result for the year	3,054	31	243
Net operating result attributable to each council fund	3,054	31	243
Net operating result for the year before grants and contributions provided for capital purposes	271	(97)	243

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.

Statement of Financial Position by fund

ASSETS**Current assets**

Cash and cash equivalents	1,441	658	1,320
Investments	19,500	2,000	–
Receivables	1,503	411	78
Inventories	741	–	–
Total current assets	23,185	3,069	1,398

Non-current assets

Receivables	222	48	36
Inventories	901	–	–
Infrastructure, property, plant and equipment	254,692	15,516	14,179
Total non-current assets	255,815	15,564	14,215
TOTAL ASSETS	279,000	18,633	15,613

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
LIABILITIES			
Current liabilities			
Payables	11,465	42	10
Income received in advance	240	31	–
Borrowings	391	47	15
Provisions	3,264	–	–
Total current liabilities	15,360	120	25
Non-current liabilities			
Borrowings	2,485	254	88
Provisions	786	–	–
Total non-current liabilities	3,271	254	88
TOTAL LIABILITIES	18,631	374	113
Net assets	260,369	18,259	15,500
EQUITY			
Accumulated surplus	74,473	11,232	6,005
Revaluation reserves	185,896	7,027	9,495
Council equity interest	260,369	18,259	15,500
Total equity	260,369	18,259	15,500

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.

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	351	1.21%	4.66%	19.35%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	29,004				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	21,216	66.48%	62.39%	63.50%	>60.00%
Total continuing operating revenue ¹	31,915				
3. Unrestricted current ratio					
Current assets less all external restrictions	20,575	4.17x	3.57x	4.32x	>1.50x
Current liabilities less specific purpose liabilities	4,930				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5,571	8.96x	8.49x	18.36x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	622				

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	608	9.24%	6.54%	6.87%	<10.00%
Rates, annual and extra charges collectible	6,583				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	23,919	10.80 mths	10.35 mths	9.80 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,215				

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	0.77%	5.62%	(7.39)%	(18.73)%	22.21%	1.98%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	64.16%	60.87%	89.45%	70.98%	98.54%	98.52%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.17x	3.57x	25.58x	16.61x	55.92x	13.60x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7.53x	8.52x	28.75x	5.23x	144.25x	18.16x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	10.67%	6.50%	0.00%	6.89%	0.00%	6.62%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.91	9.77	∞	∞	∞	∞	>3.00
Payments from cash flow of operating and financing activities	mths	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.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Gilgandra Shire Council

To the Councillors of the Gilgandra Shire Council

Opinion

I have audited the accompanying financial statements of Gilgandra Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Cathy Wu

Delegate of the Auditor-General for New South Wales

[Date]
SYDNEY



Clr Doug Batten
Mayor
Gilgandra Shire Council
PO Box 23
GILGANDRA NSW 2827

Contact: Cathy Wu
Phone no: 02 9275 7212
Our ref: D1924703/1729

23 October 2019

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of Gilgandra 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 \$m	2018 \$m	Variance %
Rates and annual charges revenue	6.2	6.0	↑ 3.3
Grants and contributions revenue	10.6	13.3	↓ 20.3
Operating result for the year	3.3	3.9	↓ 15.4
Net operating result before capital grants and contributions	0.4	1.1	↓ 63.6

Council's operating result of \$3.3 *million* (including the effect of depreciation and amortisation expense of \$5.1 million) was \$0.6 million lower than the 2017–18 result. This was mainly a result of:

- grants and contributions for operating purposes decreasing by \$2.8 million
- user charges and fees decreasing by \$1.1 million
- offset by a \$2.9 million decrease in total expenses.

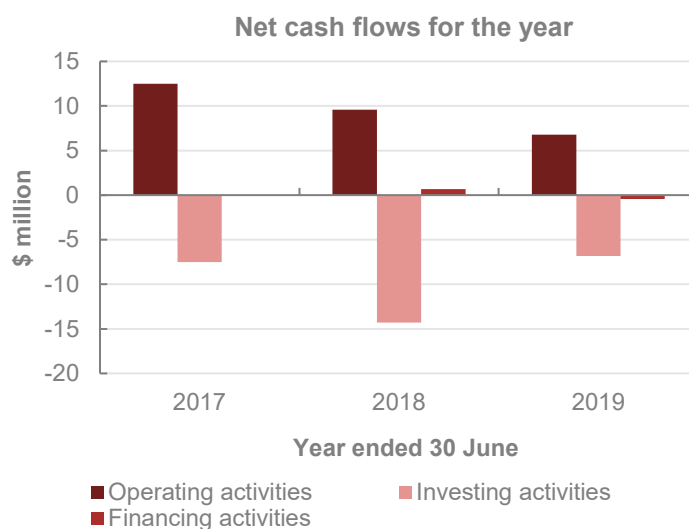
The net operating result before capital grants and contributions of \$0.4 million was \$0.7 million lower than the 2017–18 result. This movement was similarly due to the decrease in revenue as noted above.

Rates and annual charges revenue of \$6.2 million increased by \$0.2 million (3.3 per cent) in 2018–19. This increase was largely consistent with the approved rate peg of 2.3 per cent and movements in property valuations during the year.

Grants and contributions revenue of \$10.6 million decreased by \$2.7 million (20.3 per cent) in 2018–19 due to a one-off grant Council received last year of \$2.7 million for flood damage which did not recur this year.

STATEMENT OF CASH FLOWS

- The Council reported a decrease in cash and cash equivalents from \$3.9 million at 30 June 2018 to \$3.4 million at 30 June 2019.
- Cash inflows from operating activities decreased from 2017–18 as a result of lower receipts from grants and contributions.
- Cash outflows from investing activities decreased mainly due to a reduction in purchases of investment securities.
- Cash flows from financing activities decreased in 2019 as there were no proceeds from Retirement Complex Contributions as in 2018.



FINANCIAL POSITION

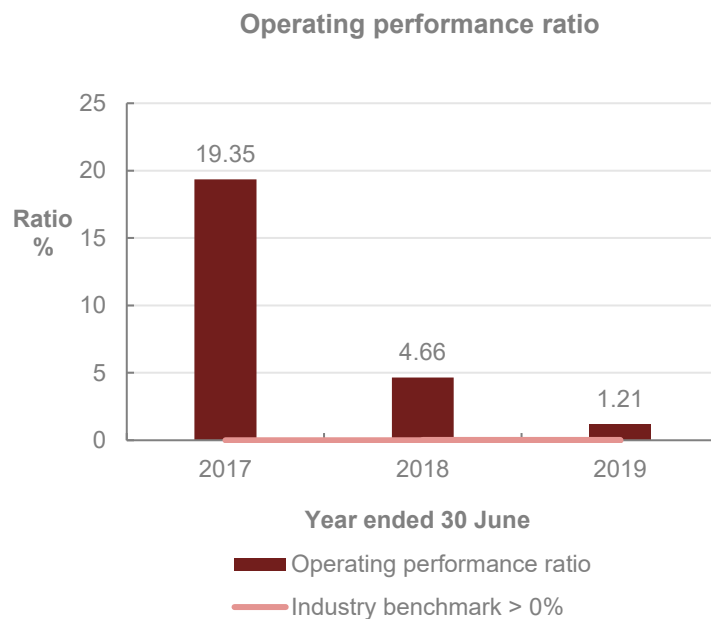
Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	6.4	5.3	<ul style="list-style-type: none"> • External restrictions predominantly include specific purpose unexpended grants and water supply and sewerage service funds, which increased from 2018.
Internal restrictions	7.4	7.8	
Unrestricted	11.1	11.8	
Cash and investments	24.9	24.9	<ul style="list-style-type: none"> • Internal restrictions are due to Council policy or decisions for forward plans including the capital works program. These mostly include the financial assistance grants, funds for the aged and disabled, and employees' leave entitlement. • Unrestricted balances provide liquidity for day-to-day operations. These remained fairly consistent with last year.

Operating performance ratio

- Council's operating performance ratio met the industry benchmark for the past three years.
- The ratio decreased in 2018–19 in line with the reduction in net operating result.

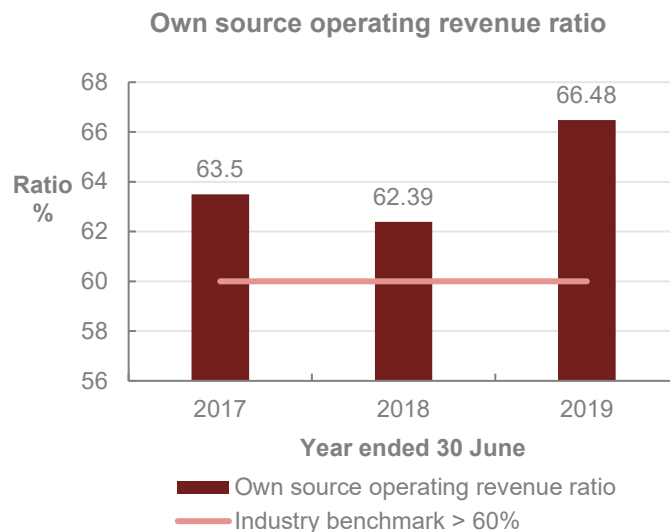
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio met the industry benchmark for the past three years.
- This result reflects the significance of rates and user charges as funding sources for council.
- The ratio increased in 2019 primarily as a result of decreased grants and contributions received during the year.

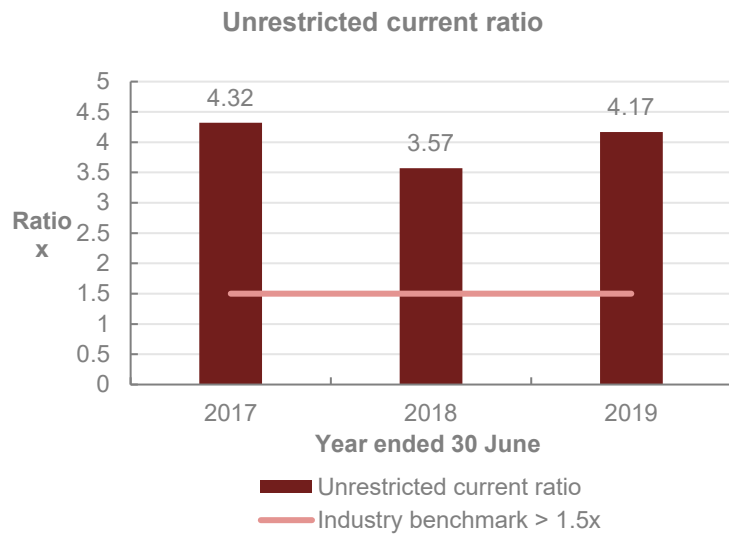
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio exceeded the industry benchmark for the past three years.
- This ratio indicates that Council currently has \$4.17 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

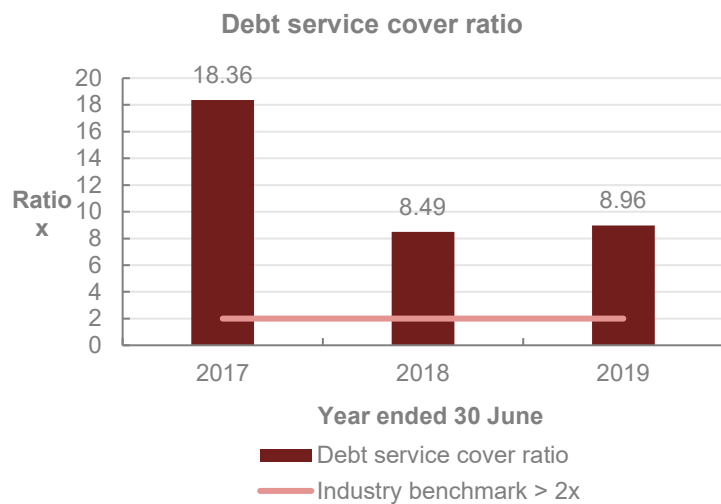
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council's debt service cover ratio exceeded the industry benchmark for the past three years.
- Council appears to be effectively monitoring its liquidity levels to ensure it can meet its borrowing costs when they fall due.

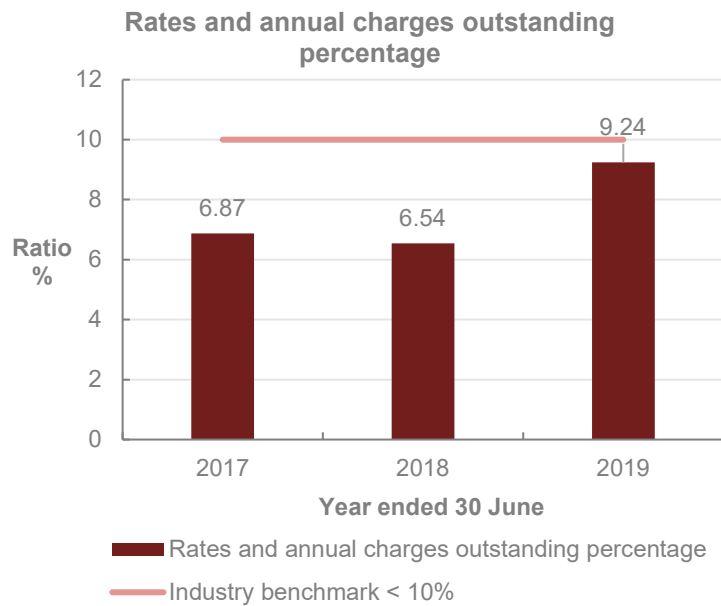
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's rates and annual charges outstanding percentage met the rural council benchmark for the last three years.
- The ratio increased this year mainly due to issuance of the rate notices in late May 2019, which resulted in less ratepayers making payment by 30 June 2019.

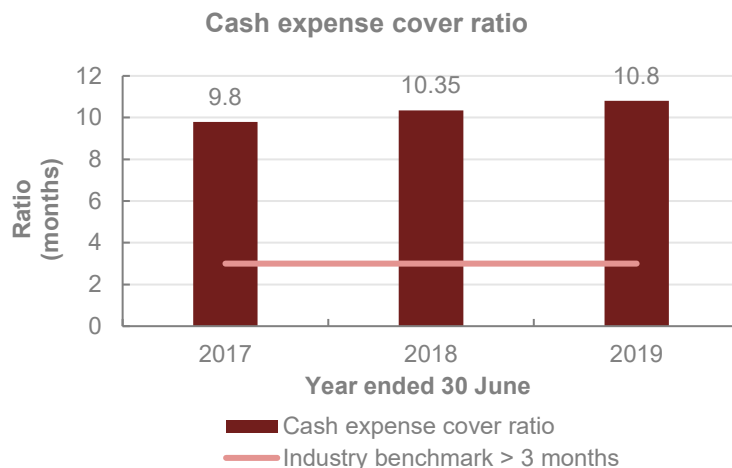
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council's cash expense cover ratio exceeded the industry benchmark for the past three years.
- This indicates that Council had the capacity to cover 10.8 months of cash expenditure without additional cash inflows at 30 June 2019.

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 spent \$4.6 million on asset renewals in 2018–19 compared to \$5.0 million in 2017–18. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2018–19, asset renewals of \$4.6 million represented 91.0 per cent of Council's \$5.1 million depreciation expense. This result was lower than the 2017–18 result of 104 per cent.

Asset renewals in 2018–19 were carried out in accordance with Council's capital works program and primarily related to roads, bridges and footpath assets.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is in Note 12(b).</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.



Cathy Wu
Delegate of the Auditor-General for New South Wales

cc: Mr David Neeves, General Manager
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Gilgandra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019



Special Purpose Financial Statements
for the year ended 30 June 2019

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

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

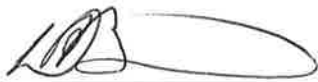
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

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



Doug Batten

Mayor

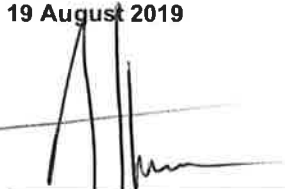
19 August 2019



Ash Walker

Councillor

19 August 2019



David Neeves

General Manager

19 August 2019



Guy McAnally-Elwin

Responsible Accounting Officer

19 August 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	413	392
User charges	799	664
Interest	62	55
Grants and contributions provided for non-capital purposes	24	24
Other income	15	2
Total income from continuing operations	1,313	1,137
Expenses from continuing operations		
Employee benefits and on-costs	245	228
Borrowing costs	16	19
Materials and contracts	444	445
Depreciation, amortisation and impairment	541	529
Other expenses	164	129
Total expenses from continuing operations	1,410	1,350
Surplus (deficit) from continuing operations before capital amounts	(97)	(213)
Grants and contributions provided for capital purposes	128	431
Surplus (deficit) from continuing operations after capital amounts	31	218
Surplus (deficit) from all operations before tax	31	218
SURPLUS (DEFICIT) AFTER TAX	31	218
Plus opening accumulated surplus	17,986	17,445
Plus/less: other adjustments (revaluations)	242	323
Closing accumulated surplus	18,259	17,986
Return on capital %	(0.5)%	(1.2)%
Subsidy from Council	286	630
Calculation of dividend payable:		
Surplus (deficit) after tax	31	218
Less: capital grants and contributions (excluding developer contributions)	(128)	(431)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	470	438
User charges	578	513
Interest	30	23
Grants and contributions provided for non-capital purposes	16	15
Other income	–	22
Total income from continuing operations	1,094	1,011
Expenses from continuing operations		
Employee benefits and on-costs	164	177
Borrowing costs	4	5
Materials and contracts	315	448
Depreciation, amortisation and impairment	330	320
Other expenses	38	41
Total expenses from continuing operations	851	991
Surplus (deficit) from continuing operations before capital amounts	243	20
Surplus (deficit) from continuing operations after capital amounts	243	20
Surplus (deficit) from all operations before tax	243	20
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(67)	(6)
SURPLUS (DEFICIT) AFTER TAX	176	14
Plus opening accumulated surplus	15,038	14,704
Plus/less: other adjustments (revaluations)	219	314
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	67	6
Closing accumulated surplus	15,500	15,038
Return on capital %	1.7%	0.2%
Subsidy from Council	–	371
Calculation of dividend payable:		
Surplus (deficit) after tax	176	15
Surplus for dividend calculation purposes	176	15
Potential dividend calculated from surplus	88	7

Income Statement – Carlginda Enterprises

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	231	242
Other income	257	239
Total income from continuing operations	488	481
Expenses from continuing operations		
Employee benefits and on-costs	368	409
Materials and contracts	86	81
Depreciation, amortisation and impairment	13	13
Other expenses	4	4
Total expenses from continuing operations	471	507
Surplus (deficit) from continuing operations before capital amounts	17	(26)
Surplus (deficit) from continuing operations after capital amounts	17	(26)
Surplus (deficit) from all operations before tax	17	(26)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(5)	–
SURPLUS (DEFICIT) AFTER TAX	12	(26)
Plus accumulated surplus	459	485
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	5	–
Closing accumulated surplus	476	459
Return on capital %	18.5%	(24.8)%
Subsidy from Council	–	29
Calculation of dividend payable:		
Surplus (deficit) after tax	–	–
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Income Statement – Cooee Villa Units
for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	327	312
Interest	34	33
Grants and contributions provided for non-capital purposes	9	10
Other income	274	242
Total income from continuing operations	644	597
Expenses from continuing operations		
Employee benefits and on-costs	118	131
Borrowing costs	10	12
Materials and contracts	190	174
Depreciation, amortisation and impairment	226	124
Other expenses	32	31
Total expenses from continuing operations	576	472
Surplus (deficit) from continuing operations before capital amounts	68	125
Surplus (deficit) from continuing operations after capital amounts	68	125
Surplus (deficit) from all operations before tax	68	125
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(19)	(34)
SURPLUS (DEFICIT) AFTER TAX	49	91
Plus accumulated surplus	5,451	6,425
Plus/less: other adjustments (revaluations)	–	(1,099)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	19	34
Closing accumulated surplus	5,519	5,451
Return on capital %	0.7%	1.2%
Subsidy from Council	80	186
Calculation of dividend payable:		
Surplus (deficit) after tax	–	–
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	658	429
Investments	2,000	2,000
Receivables	411	361
Total current assets	3,069	2,790
Non-current assets		
Receivables	48	47
Infrastructure, property, plant and equipment	15,516	15,618
Total non-current assets	15,564	15,665
TOTAL ASSETS	18,633	18,455
LIABILITIES		
Current liabilities		
Payables	42	83
Income received in advance	31	38
Borrowings	47	47
Total current liabilities	120	168
Non-current liabilities		
Borrowings	254	301
Total non-current liabilities	254	301
TOTAL LIABILITIES	374	469
NET ASSETS	18,259	17,986
EQUITY		
Accumulated surplus	11,232	11,201
Revaluation reserves	7,027	6,785
TOTAL EQUITY	18,259	17,986

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,320	962
Receivables	78	58
Total current assets	1,398	1,020
Non-current assets		
Receivables	36	15
Infrastructure, property, plant and equipment	14,179	14,181
Total non-current assets	14,215	14,196
TOTAL ASSETS	15,613	15,216
LIABILITIES		
Current liabilities		
Payables	10	60
Borrowings	15	15
Total current liabilities	25	75
Non-current liabilities		
Borrowings	88	103
Total non-current liabilities	88	103
TOTAL LIABILITIES	113	178
NET ASSETS	15,500	15,038
EQUITY		
Accumulated surplus	6,005	5,762
Revaluation reserves	9,495	9,276
TOTAL EQUITY	15,500	15,038

Statement of Financial Position – Carlginda Enterprises

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	362	319
Receivables	7	12
Inventories	16	25
Total current assets	385	356
Non-current assets		
Infrastructure, property, plant and equipment	92	105
Total non-current assets	92	105
TOTAL ASSETS	477	461
LIABILITIES		
Current liabilities		
Payables	1	2
Total current liabilities	1	2
TOTAL LIABILITIES	1	2
NET ASSETS	476	459
EQUITY		
Accumulated surplus	476	459
<u>TOTAL EQUITY</u>	<u>476</u>	<u>459</u>

Statement of Financial Position – Cooee Villa Units

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	898	210
Investments	–	1,000
Total current assets	898	1,210
Non-current assets		
Infrastructure, property, plant and equipment	11,956	11,561
Total non-current assets	11,956	11,561
TOTAL ASSETS	12,854	12,771
LIABILITIES		
Current liabilities		
Payables	7,077	7,023
Borrowings	38	38
Total current liabilities	7,115	7,061
Non-current liabilities		
Borrowings	220	259
Total non-current liabilities	220	259
TOTAL LIABILITIES	7,335	7,320
NET ASSETS	5,519	5,451
EQUITY		
Accumulated surplus	1,513	1,445
Revaluation reserves	4,006	4,006
TOTAL EQUITY	5,519	5,451

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)

There are no business activities under this heading

Category 2

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

a. Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the town of Gilgandra and the village of Tooraweenah and is established as a separate fund.

b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage service system servicing the town of Gilgandra and is established as a separate fund.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

c. Carlginda Enterprises

Comprising the whole of the operations and assets of Carlginda Enterprises which is carried out by Council in its own name. Carlginda Enterprises provides employment opportunities to people with intellectual and physical disabilities through collection and sale of recyclable waste.

d. Cooee Villa Units

Comprising the whole of the operations and assets of Cooee Villa Units which is carried out by Council in its own name. Cooee Villa Units provides 61 self contained units where residents live independently within a secure environment.

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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.

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

- 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
Gilgandra Shire Council

To the Councillors of the Gilgandra Shire Council

Opinion

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

The declared business activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Carlginda Enterprises
- Cooee Villa Units.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

My opinion does not provide assurance:

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



Cathy Wu
Delegate of the Auditor-General for New South Wales

23 October 2019
SYDNEY

Gilgandra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



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 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Plus or minus adjustments			
Last year notional general income yield	a	4,942	4,824
Plus or minus adjustments ²	b	5	-
Notional general income	c = a + b	4,947	4,824
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	134	111
Sub-total	k = (c + g + h + i + j)	5,081	4,935
Plus (or minus) last year's carry forward total	l	(1)	5
Less valuation objections claimed in the previous year	m	(1)	-
Sub-total	n = (l + m)	(2)	5
Total permissible income	o = k + n	5,079	4,940
Less notional general income yield	p	5,077	4,942
Catch-up or (excess) result	q = o - p	2	(2)
Plus income lost due to valuation objections claimed ³	r	10	1
Carry forward to next year ⁴	t = q + r + s	12	(1)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (4) 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.

Report on Infrastructure Assets
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Council Offices	–	–	42	52	968	1,731	0.0%	100.0%	0.0%	0.0%	0.0%
	Council Works Depot	309	2,000	31	23	746	1,407	0.0%	0.0%	40.0%	60.0%	0.0%
	Council Public Halls	–	–	15	23	1,810	2,531	0.0%	100.0%	0.0%	0.0%	0.0%
	Council Houses	–	–	72	88	4,333	4,857	50.0%	0.0%	50.0%	0.0%	0.0%
	Heritage Centre	–	–	52	50	1,071	2,038	0.0%	100.0%	0.0%	0.0%	0.0%
	Library	–	–	10	12	503	663	0.0%	100.0%	0.0%	0.0%	0.0%
	Public Conveniences	–	–	62	75	464	719	50.0%	50.0%	0.0%	0.0%	0.0%
	Medical Centres	–	–	10	12	1,171	1,507	25.0%	50.0%	25.0%	0.0%	0.0%
	Retirement Complex	–	–	258	284	17,952	23,314	10.0%	89.0%	1.0%	0.0%	0.0%
	Other Council Buildings	–	–	93	115	6,985	10,879	15.0%	68.0%	17.0%	0.0%	0.0%
	Sub-total	309	2,000	645	734	36,003	49,646	14.4%	73.0%	11.0%	1.7%	(0.1%)
Other structures	Other structures	–	–	568	711	3,502	6,593	10.0%	20.0%	70.0%	0.0%	0.0%
	Sub-total	–	–	568	711	3,502	6,593	10.0%	20.0%	70.0%	0.0%	0.0%
Roads	Sealed roads	–	–	903	911	12,048	28,026	47.0%	11.0%	29.0%	11.0%	2.0%
	Unsealed roads	2,193	2,193	2,146	1,472	166,982	211,767	47.0%	11.0%	29.0%	11.0%	2.0%
	Bridges	–	–	65	1	22,252	26,322	50.0%	25.0%	25.0%	0.0%	0.0%
	Sub-total	2,193	2,193	3,114	2,384	201,282	266,115	47.3%	12.4%	28.6%	9.9%	1.8%
Water supply network	Treatment	468	468	103	89	4,731	10,177	3.0%	95.0%	0.0%	2.0%	0.0%
	Bores	–	–	83	115	2,222	4,447	33.0%	31.0%	36.0%	0.0%	0.0%
	Reservoirs	–	–	15	–	1,649	3,260	46.0%	54.0%	0.0%	0.0%	0.0%
	Pipeline	–	–	88	129	6,770	12,181	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	468	468	289	333	15,372	30,065	10.9%	42.6%	45.8%	0.7%	0.0%
Sewerage network	Pumping Stations	258	258	87	74	4,080	7,069	0.0%	0.0%	92.0%	8.0%	0.0%
	Pipeline	61	62	48	52	8,900	13,116	20.0%	59.0%	19.0%	1.0%	1.0%
	Treatment	–	–	47	73	927	4,301	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	319	320	182	199	13,907	24,486	10.7%	31.6%	54.3%	2.8%	0.6%
Stormwater drainage	Stormwater drainage	236	236	67	212	1,742	5,815	0.0%	1.0%	95.0%	3.0%	1.0%
	Sub-total	236	236	67	212	1,742	5,815	0.0%	1.0%	95.0%	3.0%	1.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
TOTAL - ALL ASSETS		3,525	5,217	4,865	4,573	271,808	382,720	36.5%	23.8%	31.0%	7.4%	1.3%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	4,593	119.77%	138.64%	192.90%	>=100.00%
Depreciation, amortisation and impairment	3,835				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	3,525	1.30%	2.14%	2.33%	<2.00%
Net carrying amount of infrastructure assets	271,808				
Asset maintenance ratio					
Actual asset maintenance	4,573	94.00%	120.47%	102.25%	>100.00%
Required asset maintenance	4,865				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	5,217	1.36%	2.15%	1.72%	
Gross replacement cost	382,720				

(*) 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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	143.95%	139.35%	36.89%	110.71%	34.46%	178.73%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.13%	2.31%	3.04%	0.83%	2.29%	0.68%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	91.97%	119.51%	115.22%	111.19%	109.34%	158.66%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.35%	2.29%	1.56%	1.31%	1.31%	1.18%	

(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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Gilgandra Shire Council

To the Councillors of Gilgandra Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Cathy Wu
Delegate of the Auditor-General for New South Wales

23 October 2019
SYDNEY