

Coonamble Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019



Coonamble 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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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.

Coonamble Shire Council

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 11 September 2019.



Al Karanouh

Mayor

25 October 2019



Bill Fisher

Councillor

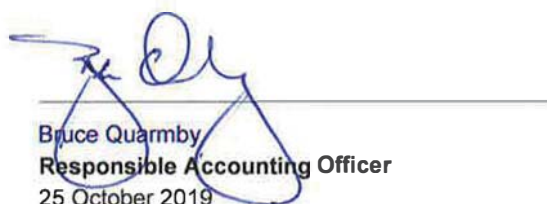
25 October 2019



Hein Basson

General Manager

25 October 2019



Bruce Quarmby

Responsible Accounting Officer

25 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 ¹ \$ '000
Income from continuing operations				
<u>Revenue:</u>				
6,357	Rates and annual charges	3a	6,314	6,167
5,638	User charges and fees	3b	5,267	8,048
612	Interest and investment revenue	3c	762	552
1,106	Other revenues	3d	1,103	971
6,453	Grants and contributions provided for operating purposes	3e,3f	8,535	8,738
1,810	Grants and contributions provided for capital purposes	3e,3f	4,365	988
21,976	Total income from continuing operations		26,346	25,464
Expenses from continuing operations				
6,197	Employee benefits and on-costs	4a	8,001	7,493
6	Borrowing costs	4b	5	6
6,271	Materials and contracts	4c	4,902	7,561
5,446	Depreciation and amortisation	4d	5,747	5,428
2,174	Other expenses	4e	2,124	2,031
—	Net losses from the disposal of assets	5	100	289
—	Net share of interests in joint ventures and associates using the equity method	14	1	—
20,094	Total expenses from continuing operations		20,880	22,808
1,882	Operating result from continuing operations		5,466	2,656
1,882	Net operating result for the year		5,466	2,656
1,882	Net operating result attributable to council		5,466	2,656
72	Net operating result for the year before grants and contributions provided for capital purposes		1,101	1,668

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
Net operating result for the year (as per Income Statement)		5,466	2,656
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	4,735	7,838
Total items which will not be reclassified subsequently to the operating result		4,735	7,838
Total other comprehensive income for the year		4,735	7,838
Total comprehensive income for the year		10,201	10,494
Total comprehensive income attributable to Council		10,201	10,494

(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

	Notes	2019 \$ '000	2018 ¹ \$ '000
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	7,578	14,609
Investments	6(b)	17,500	15,000
Receivables	7	3,761	1,629
Inventories	8a	833	788
Other	8b	111	55
Total current assets		29,783	32,081
Non-current assets			
Receivables	7	280	290
Infrastructure, property, plant and equipment	9(a)	296,063	285,105
Investments accounted for using the equity method	14	52	53
Total non-current assets		296,395	285,448
TOTAL ASSETS		326,178	317,529
LIABILITIES			
Current liabilities			
Payables	10	1,767	2,661
Income received in advance	10	205	889
Borrowings	10	41	46
Provisions	11	1,975	1,938
Total current liabilities		3,988	5,534
Non-current liabilities			
Borrowings	10	41	83
Provisions	11	128	92
Total non-current liabilities		169	175
TOTAL LIABILITIES		4,157	5,709
Net assets		322,021	311,820
EQUITY			
Accumulated surplus	12a	179,797	174,331
Revaluation reserves	12a	142,224	137,489
Council equity interest		322,021	311,820
Total equity		322,021	311,820

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	2019			2018 ¹		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		174,331	137,489	311,820	171,675	129,651	301,326
Net operating result for the year		5,466	–	5,466	2,656	–	2,656
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	4,735	4,735	–	7,838	7,838
Other comprehensive income		–	4,735	4,735	–	7,838	7,838
Total comprehensive income		5,466	4,735	10,201	2,656	7,838	10,494
Equity – balance at end of the reporting period		179,797	142,224	322,021	174,331	137,489	311,820

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
Cash flows from operating activities				
	<u>Receipts</u>			
6,312	Rates and annual charges		6,254	6,286
6,365	User charges and fees		4,712	10,081
607	Investment and interest revenue received		736	513
8,272	Grants and contributions		11,263	10,870
–	Bonds, deposits and retention amounts received		217	464
54	Other		2,385	1,563
	<u>Payments</u>			
(6,190)	Employee benefits and on-costs		(7,950)	(7,421)
(7,163)	Materials and contracts		(6,109)	(9,310)
(6)	Borrowing costs		(6)	(6)
–	Bonds, deposits and retention amounts refunded		(196)	(454)
(1,171)	Other		(3,053)	(2,076)
7,080	Net cash provided (or used in) operating activities	13b	8,253	10,510
Cash flows from investing activities				
	<u>Receipts</u>			
22,500	Sale of investment securities		17,500	15,000
–	Sale of real estate assets		–	50
–	Sale of infrastructure, property, plant and equipment		210	413
	<u>Payments</u>			
(10,500)	Purchase of investment securities		(20,000)	(26,500)
(8,617)	Purchase of infrastructure, property, plant and equipment		(12,947)	(6,331)
3,383	Net cash provided (or used in) investing activities		(15,237)	(17,368)
Cash flows from financing activities				
	<u>Payments</u>			
(50)	Repayment of borrowings and advances		(47)	(50)
(50)	Net cash flow provided (used in) financing activities		(47)	(50)
10,413	Net increase/(decrease) in cash and cash equivalents		(7,031)	(6,908)
29,609	Plus: cash and cash equivalents – beginning of year	13a	14,609	21,517
40,022	Cash and cash equivalents – end of the year	13a	7,578	14,609
Additional Information:				
5,000	plus: Investments on hand – end of year	6(b)	17,500	15,000
45,022	Total cash, cash equivalents and investments		25,078	29,609

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 11 September 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

- *AASB2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative : Amendments to AASB 107*

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

- *AASB 9 - Financial Instruments (effective 1 July 2018)*

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

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

New accounting standards and interpretations issued but not yet effective

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

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

AASB 16 Leases

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

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

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

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

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$105,000 - refer Note 15.

For the remaining operating lease commitments of \$105,000, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$69,917 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$69,917 on 1 July 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net current assets will be \$18,135 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$1,232 for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase, and financing cash flows decrease by approximately \$18,135 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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

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

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

Councils should assess each revenue stream, but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

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

The impact of AASB15 is not expected to have a material impact on Council's future financial performance, financial position and cash flows.

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

The specific impacts of AASB1058 for Council are not expected to have a material impact on Council's future financial performance, financial position and cash flows.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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

The specific impacts of AASB2018-8 for Council are not expected to be have a material impact on Council's financial performance, financial position and cash flows.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

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).

Functions or activities	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
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Administration	9,991	9,196	7,028	5,158	2,963	4,038	4,303	3,812	22,890	23,191
Public order and safety	428	379	631	597	(203)	(218)	72	–	3,034	1,611
Health	5	6	246	234	(241)	(228)	–	–	445	455
Environment	2,036	625	918	1,314	1,118	(689)	1,557	152	14,873	5,574
Community service and education	66	4	96	177	(30)	(173)	66	1	789	786
Housing and community amenities	189	357	343	470	(154)	(113)	38	160	2,476	2,242
Water supplies	1,555	1,420	1,405	1,494	150	(74)	–	–	21,182	20,693
Sewerage supplies	941	835	873	921	68	(86)	–	–	18,541	18,315
Recreation and culture	2,299	414	2,795	1,626	(496)	(1,212)	2,250	314	14,773	14,953
Mining, manufacturing and construction	781	917	1,889	2,213	(1,108)	(1,296)	–	–	6,192	6,142
Transport and Communication	7,325	10,591	3,780	8,144	3,545	2,447	2,759	3,621	218,040	221,452
Economic Affairs	730	720	876	460	(146)	260	200	–	2,943	2,115
Total functions and activities	26,346	25,464	20,880	22,808	5,466	2,656	11,245	8,060	326,178	317,529

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:

Administration

includes Council's governance function, corporate support and other support services, engineering works and any council policy compliance.

Public order and safety

includes Council's fire and emergency services levy, fire protection, emergency services, animal control and other public order and safety

Health

includes administration and inspection costs for health services as well as provision of residential accommodation for medical professionals.

Environment

includes noxious plants and insect/vermin control; other environmental protection: solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community service and education

includes administration and education; aged and disabled services; youth services and programs; other community services

Housing and community amenities

includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation.

Water supplies

water services

Sewerage supplies

sewer services

Recreation and culture

includes public libraries; museums; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks and gardens; and other sporting, recreational and cultural services

Mining, manufacturing and construction

includes building control, quarries and pits and mineral resources

Transport and Communication

(urban local, urban regional); includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Economic Affairs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Rates and annual charges		
Ordinary rates		
Residential	793	647
Farmland	3,696	3,772
Business	167	159
Less: pensioner rebates (mandatory)	(44)	(44)
Rates levied to ratepayers	4,612	4,534
Pensioner rate subsidies received	25	23
Total ordinary rates	4,637	4,557
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	490	482
Water supply services	544	498
Sewerage services	672	661
Less: pensioner rebates (mandatory)	(65)	(66)
Annual charges levied	1,641	1,575
Pensioner subsidies received:		
– Water	12	12
– Sewerage	11	10
– Domestic waste management	13	13
Total annual charges	1,677	1,610
TOTAL RATES AND ANNUAL CHARGES	6,314	6,167

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	883	864
Sewerage services	122	123
Total specific user charges	1,005	987
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Regulatory/ statutory fees	123	171
Total fees and charges – statutory/regulatory	123	171
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	3	9
Caravan park	4	6
Cemeteries	62	68
Lease rentals	15	15
Quarry revenues	758	879
RMS (formerly RTA) charges (state roads not controlled by Council)	2,908	5,718
Saleyards	4	7
Swimming centres	31	35
Water connection fees	2	4
Private works	318	103
Recreational grounds fees	16	20
Other	18	26
Total fees and charges – other	4,139	6,890
TOTAL USER CHARGES AND FEES	5,267	8,048

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	50	37
– Cash and investments	712	515
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>762</u>	<u>552</u>

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

Overdue rates and annual charges (general fund)	29	37
General Council cash and investments	479	403

Restricted investments/funds – external:

Water fund operations	102	46
Sewerage fund operations	152	66

Total interest and investment revenue	<u>762</u>	<u>552</u>
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Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Other revenues

Rental income – other council properties	50	84
Legal fees recovery – rates and charges (extra charges)	50	87
Commissions and agency fees	94	98
Insurance claims recoveries	331	–
Sales – general	38	62
Energy rebate	76	116
Insurance rebate	84	62
Reimbursement – bushfire	306	314
Farming income	23	75
Other	51	73
<u>TOTAL OTHER REVENUE</u>	<u>1,103</u>	<u>971</u>

Accounting policy for other revenue

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	1,920	1,732	–	–
Payment in advance - future year allocation				
Financial assistance	2,294	2,080	–	–
Total general purpose	4,214	3,812	–	–
Specific purpose				
Community care	138	1	–	–
Tourism	–	–	109	–
Employment and training programs	11	–	–	–
Environmental programs	72	–	1,435	102
Library	–	–	–	26
Library – per capita	24	30	–	–
Recreation and culture	9	–	958	258
Street lighting	38	37	–	–
Transport (roads to recovery)	893	1,562	–	–
Transport (other roads and bridges funding)	300	–	1,544	245
Crown Lands	79	–	–	–
Transport (flood damage)	–	1,270	–	–
Community Drought Program	1,388	703	–	–
Other	33	14	–	–
Total specific purpose	2,985	3,617	4,046	631
Total grants	7,199	7,429	4,046	631
Grant revenue is attributable to:				
– Commonwealth funding	6,976	4,529	1,067	–
– State funding	223	2,900	2,979	631
	7,199	7,429	4,046	631
(f) Contributions				
Other contributions:				
Cash contributions				
RMS contributions (regional roads, block grant)	1,336	1,309	319	357
Total other contributions – cash	1,336	1,309	319	357
Total other contributions	1,336	1,309	319	357
Total contributions	1,336	1,309	319	357
TOTAL GRANTS AND CONTRIBUTIONS	8,535	8,738	4,365	988

Notes

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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.

	2019	2018
	\$ '000	\$ '000

(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	322	297
Add: operating grants recognised in the current period but not yet spent	99	138
Add: operating grants received for the provision of goods and services in a future period	135	184
Less: operating grants recognised in a previous reporting period now spent	(241)	(297)
Unexpended and held as restricted assets (operating grants)	315	322

Capital grants

Unexpended at the close of the previous reporting period	226	852
Add: capital grants recognised in the current period but not yet spent	514	226
Less: capital grants recognised in a previous reporting period now spent	(226)	(852)
Unexpended and held as restricted assets (capital grants)	514	226

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	5,954	5,993
Travel expenses	14	2
Employee leave entitlements (ELE)	904	716
Superannuation	672	712
Workers' compensation insurance	227	187
Fringe benefit tax (FBT)	23	26
Training costs (other than salaries and wages)	279	169
Protective clothing	22	21
Other	122	49
Total employee costs	8,217	7,875
Less: capitalised costs	(216)	(382)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>8,001</u>	<u>7,493</u>
Number of 'full-time equivalent' employees (FTE) at year end	86	84

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	5	6
Total interest bearing liability costs expensed	5	6
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>5</u>	<u>6</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(c) Materials and contracts		
Raw materials and consumables	3,233	4,069
Contractor and consultancy costs		
– Building, electrical, plumbing	116	253
– External plant hire	297	1,667
– Quarry	254	286
– Waste management	333	255
– Aerodrome Grounds Maintenance	48	40
Contractor and consultancy costs – other	453	810
Auditors remuneration ¹	62	61
Legal expenses:		
– Legal expenses: debt recovery	47	100
– Legal expenses: other	59	20
Total materials and contracts	4,902	7,561
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>4,902</u>	<u>7,561</u>

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	62	61
Remuneration for audit and other assurance services	62	61
Total Auditor-General remuneration	62	61
Total Auditor remuneration	62	61

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	1,200	1,223
Office equipment	159	62
Land improvements (depreciable)	2	1
Infrastructure:		
– Buildings – non-specialised	116	111
– Buildings – specialised	417	379
– Other structures	517	412
– Roads	2,514	2,455
– Bridges	146	146
– Footpaths	26	24
– Stormwater drainage	28	29
– Water supply network	247	243
– Sewerage network	375	343
Total gross depreciation and amortisation costs	5,747	5,428
Total depreciation and amortisation costs	5,747	5,428
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	5,747	5,428

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

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

Impairment of non-financial assets

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(e) Other expenses		
Advertising	65	62
Bad and doubtful debts	–	74
Bank charges	15	15
Commission	–	22
Contributions/levies to other levels of government	598	591
Councillor expenses – mayoral fee	21	19
Councillor expenses – councillors' fees	70	69
Councillors' expenses (incl. mayor) – other (excluding fees above)	19	22
Donations, contributions and assistance to other organisations (Section 356)	81	104
Election expenses	34	30
Electricity and heating	454	206
Farming costs	39	13
Insurance	292	349
Postage	29	25
Printing and stationery	64	76
Royalties	42	42
Street lighting	155	117
Subscriptions and publications	57	56
Telephone and communications	63	50
Valuation fees	26	24
Other	–	65
Total other expenses	2,124	2,031
TOTAL OTHER EXPENSES	2,124	2,031

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 \$ '000	2018 \$ '000
Property (excl. investment property)			
Proceeds from disposal – property		–	250
Less: carrying amount of property assets sold/written off		–	(244)
Net gain/(loss) on disposal		–	6
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		210	163
Less: carrying amount of plant and equipment assets sold/written off		(187)	(156)
Net gain/(loss) on disposal		23	7
Infrastructure	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(123)	(291)
Net gain/(loss) on disposal		(123)	(291)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		–	50
Less: carrying amount of real estate assets sold/written off		–	(61)
Net gain/(loss) on disposal		–	(11)
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		17,500	15,000
Less: carrying amount of investments sold/redeemed/matured		(17,500)	(15,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(100)	(289)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

	2019 \$ '000	2018 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	2,078	1,609
Cash-equivalent assets		
– Deposits at call	1,000	1,500
– Short-term deposits	4,500	11,500
Total cash and cash equivalents	7,578	14,609

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	17,500	–	15,000	–
Total Investments	17,500	–	15,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	25,078	–	29,609	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	17,500	–	15,000	–
Total	17,500	–	15,000	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total cash, cash equivalents and investments	25,078	—	29,609	—
attributable to:				
External restrictions	10,215	—	9,989	—
Internal restrictions	13,465	—	15,677	—
Unrestricted	1,398	—	3,943	—
	25,078	—	29,609	—

	2019 \$ '000	2018 \$ '000
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Details of restrictions

External restrictions – other

Specific purpose unexpended grants	829	548
Water supplies	2,704	2,787
Sewerage services	5,751	5,774
Domestic waste management	931	880
External restrictions – other	10,215	9,989
Total external restrictions	10,215	9,989

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
Internal restrictions		
Plant and vehicle replacement	2,666	2,652
Employees leave entitlement	895	1,205
Carry over works	157	55
Aerodrome	50	50
Caravan park	62	501
Cemetery	77	82
Common	50	29
Depot improvements	41	56
Development	449	469
Election expenses	14	14
Emergency services building maintenance	200	200
Financial assistance grant (in advance)	2,294	2,080
Footpath replacement	150	150
Kerb and gutter replacement	114	114
Levee reserve	723	912
Local environmental plan	25	25
Office equipment	160	380
Other community development	248	60
Premises refurbishment	650	700
Quarry	1,076	1,326
Quarry rehabilitation	140	130
Recreational facilities	159	198
Road reloaming	731	1,106
Road reserve sealed	881	1,078
Rural fire service	36	36
Saleyards	–	20
Showground	106	197
Single invitation contract	200	200
Sportsground	24	39
Stormwater drainage	–	20
Strategic plan review	20	20
Street lighting	40	35
Urban streets	254	765
Weir improvement	18	18
Bore Baths Establishment Reserve	500	500
SCC Grant Matching Component'	255	255
Total internal restrictions	13,465	15,677
TOTAL RESTRICTIONS	23,680	25,666

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Purpose				
Rates and annual charges	408	210	367	191
Interest and extra charges	35	46	41	27
User charges and fees	1,056	215	723	263
Accrued revenues				
– Interest on investments	127	–	114	–
Government grants and subsidies	2,144	–	507	–
Net GST receivable	148	–	–	–
Other debtors	–	–	34	–
Total	3,918	471	1,786	481
Less: provision of impairment				
Rates and annual charges	(136)	(143)	(136)	(143)
User charges and fees	(21)	(48)	(21)	(48)
Total provision for impairment – receivables	(157)	(191)	(157)	(191)
TOTAL NET RECEIVABLES	3,761	280	1,629	290

Externally restricted receivables

Water supply

– Rates and availability charges	77	–	36	–
– Other	310	–	274	–

Sewerage services

– Rates and availability charges	110	–	47	–
– Other	37	–	30	–

Total external restrictions	534	–	387	–
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Unrestricted receivables	3,227	280	1,242	290
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TOTAL NET RECEIVABLES	3,761	280	1,629	290
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	2019 \$ '000	2018 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	348	275
+ new provisions recognised during the year	–	74
– amounts already provided for and written off this year	–	(1)
Balance at the end of the period	348	348

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	306	—	306	—
Stores and materials	194	—	239	—
Trading stock	333	—	243	—
Total inventories at cost	833	—	788	—
TOTAL INVENTORIES	833	—	788	—

(b) Other assets

Prepayments	111	—	55	—
TOTAL OTHER ASSETS	111	—	55	—

(i) Other disclosures

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Notes				
(a) Details for real estate development				
Industrial/commercial	306	—	306	—
Total real estate for resale	306	—	306	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	306	—	306	—
Total costs	306	—	306	—
Total real estate for resale	306	—	306	—
Movements:				
Real estate assets at beginning of the year	306	—	367	—
– WDV of sales (expense)	—	—	(61)	—
Total real estate for resale	306	—	306	—

(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;

	2019 \$ '000	2018 \$ '000
Real estate for resale	191	306
	191	306

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	126	–	126	32	205	–	–	(126)	–	–	–	237	–	237
Plant and equipment	13,241	(6,801)	6,440	99	1,745	(187)	(1,200)	–	(553)	–	–	11,469	(5,125)	6,344
Office equipment	674	(569)	105	–	228	–	(159)	–	553	–	–	3,061	(2,334)	727
Land:														
– Crown land	838	–	838	–	–	–	–	–	–	–	–	838	–	838
– Operational land	2,344	–	2,344	–	–	–	–	–	–	–	–	2,344	–	2,344
– Community land	678	–	678	–	–	–	–	–	–	–	–	678	–	678
Land improvements – non-depreciable	36	–	36	–	–	–	–	–	–	–	–	36	–	36
Land improvements – depreciable	169	(91)	78	–	653	–	(2)	–	–	–	–	822	(93)	729
Infrastructure:														
– Buildings – non-specialised	2,755	(558)	2,197	430	20	–	(116)	56	–	–	109	3,512	(816)	2,696
– Buildings – specialised	27,125	(8,384)	18,741	277	255	–	(417)	–	–	(554)	–	27,953	(9,651)	18,302
– Other structures	17,059	(5,136)	11,923	1,098	102	–	(517)	41	–	(249)	–	18,351	(5,953)	12,398
– Roads	232,740	(42,493)	190,247	4,649	332	–	(2,514)	–	–	(10,248)	–	243,628	(61,162)	182,466
– Bridges	14,575	(2,046)	12,529	–	–	–	(146)	–	–	–	9,676	25,645	(3,586)	22,059
– Footpaths	1,957	(219)	1,738	52	–	–	(26)	–	–	(508)	–	1,699	(443)	1,256
– Bulk earthworks (non-depreciable)	5,559	–	5,559	–	1,027	–	–	13	–	–	–	6,599	–	6,599
– Stormwater drainage	2,459	(977)	1,482	61	–	–	(28)	–	–	–	6,106	11,894	(4,273)	7,621
– Water supply network	24,970	(7,390)	17,580	431	116	(44)	(247)	16	–	–	239	25,597	(7,506)	18,091
– Sewerage network	27,220	(14,756)	12,464	426	42	(79)	(375)	–	–	–	164	27,857	(15,215)	12,642
Total Infrastructure, property, plant and equipment	374,525	(89,420)	285,105	7,555	4,725	(310)	(5,747)	–	–	(11,559)	16,294	412,220	(116,157)	296,063

(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 \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	65	—	65	97	29	—	—	(65)	—	126	—	126
Plant and equipment	13,481	(6,185)	7,296	31	492	(156)	(1,223)	—	—	13,241	(6,801)	6,440
Office equipment	1,193	(1,026)	167	—	—	—	(62)	—	—	674	(569)	105
Land:												
– Operational land	1,866	—	1,866	—	—	(15)	—	—	493	2,344	—	2,344
– Community land	664	—	664	—	9	—	—	—	5	678	—	678
– Crown land	838	—	838	—	—	—	—	—	—	838	—	838
Land improvements – non-depreciable	—	—	—	36	—	—	—	—	—	36	—	36
Land improvements – depreciable	122	(89)	33	—	47	—	(1)	—	—	169	(91)	78
Infrastructure:												
– Buildings – non-specialised	4,307	(2,348)	1,959	84	—	(229)	(111)	—	494	2,755	(558)	2,197
– Buildings – specialised	28,724	(14,075)	14,649	142	52	—	(379)	—	4,277	27,125	(8,384)	18,741
– Other structures	16,071	(6,025)	10,046	246	37	—	(412)	—	2,006	17,059	(5,136)	11,923
– Roads	229,166	(40,038)	189,128	3,471	49	—	(2,455)	54	—	232,740	(42,493)	190,247
– Bridges	14,575	(1,901)	12,674	—	—	—	(146)	—	—	14,575	(2,046)	12,529
– Footpaths	1,901	(195)	1,706	56	—	—	(24)	—	—	1,957	(219)	1,738
– Bulk earthworks (non-depreciable)	4,281	—	4,281	—	1,278	—	—	—	—	5,559	—	5,559
– Stormwater drainage	2,459	(948)	1,511	—	—	—	(29)	—	—	2,459	(977)	1,482
– Water supply network	24,582	(7,234)	17,348	252	—	(126)	(243)	11	338	24,970	(7,390)	17,580
– Sewerage network	26,918	(14,588)	12,330	375	42	(165)	(343)	—	225	27,220	(14,756)	12,464
Total Infrastructure, property, plant and equipment	371,213	(94,652)	276,561	4,790	2,035	(691)	(5,428)	—	7,838	374,525	(89,420)	285,105

(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 to 30	Bulk earthworks	Infinite
Sealed roads: Structure	Infinite	Swimming pools	50
Unsealed roads: Structure	Infinite	Unsealed roads	20
Unsealed roads: surface	20 to 30	Other open space/recreational assets	20 to 50
Bridge: Box Culvert	60 to 100		
Bridge: Standard	100 to 175		
Road pavements	45 to 60		
Kerb, gutter and footpaths	40 to 100		

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Land under roads

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

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

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

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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant & vehicle assets. All rural fire service buildings on Council land have been recognised as assets.

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

	2019			2018		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	–	–	–	16	–	16
Infrastructure	25,597	7,506	18,091	24,970	7,390	17,580
Total water supply	25,597	7,506	18,091	24,986	7,390	17,596
Sewerage services						
Infrastructure	27,858	15,215	12,643	27,220	14,756	12,464
Total sewerage services	27,858	15,215	12,643	27,220	14,756	12,464
Domestic waste management						
Land						
– Operational land	29	–	29	29	–	29
– Improvements non-depreciable	61	–	61	12	–	12
Infrastructure	635	114	521	518	110	408
Total DWM	725	114	611	559	110	449
TOTAL RESTRICTED I,PP&E	54,180	22,835	31,345	52,765	22,256	30,509

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Payables				
Goods and services – operating expenditure	816	–	380	–
Goods and services – capital expenditure	175	–	842	–
Accrued expenses:				
– Borrowings	–	–	1	–
– Other expenditure accruals	118	–	572	–
Other payables	472	–	701	–
Security bonds, deposits and retentions	186	–	165	–
Total payables	1,767	–	2,661	–
Income received in advance				
Payments received in advance	205	–	889	–
Total income received in advance	205	–	889	–
Borrowings				
Loans – unsecured	41	41	46	83
Total borrowings	41	41	46	83
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>2,013</u>	<u>41</u>	<u>3,596</u>	<u>83</u>

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	72	–	114	–
Sewer	76	–	77	–
Payables and borrowings relating to externally restricted assets	148	–	191	–
Total payables and borrowings relating to restricted assets	148	–	191	–
Total payables and borrowings relating to unrestricted assets	1,865	41	3,405	83
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>2,013</u>	<u>41</u>	<u>3,596</u>	<u>83</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

	2019 \$ '000	2018 \$ '000
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(b) 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	164	135
Total payables and borrowings	164	135

(c) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000
Loan – unsecured	129	(47)	–	–	–	82
TOTAL	129	(47)	–	–	–	82

	as at 30/6/2017					as at 30/6/2018
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000
Loan – unsecured	179	(50)	–	–	–	129
TOTAL	179	(50)	–	–	–	129

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

	2019 \$ '000	2018 \$ '000
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	250	250
Credit cards/purchase cards	35	25
Total financing arrangements	285	275
Undrawn facilities as at balance date:		
– Bank overdraft facilities	500	250
– Credit cards/purchase cards	70	25
Total undrawn financing arrangements	570	275

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	875	–	934	–
Long service leave	1,100	128	1,004	92
Sub-total – aggregate employee benefits	1,975	128	1,938	92
<u>TOTAL PROVISIONS</u>	<u>1,975</u>	<u>128</u>	<u>1,938</u>	<u>92</u>

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

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

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

Provisions – employees benefits	1,086	1,036
	1,086	1,036

(c) Description of and movements in provisions

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
2019			
At beginning of year	934	1,096	2,030
Additional provisions	541	361	902
Amounts used (payments)	(600)	(229)	(829)
Total ELE provisions at end of period	875	1,228	2,103
2018			
At beginning of year	862	1,078	1,940
Additional provisions	490	225	715
Amounts used (payments)	(418)	(207)	(625)
Total ELE provisions at end of period	934	1,096	2,030

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

Self-insurance

Council does not self insure

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) Correction of errors relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(c) Changes in accounting policies due to adoption of new accounting standards (retrospective)

Council made no changes in accounting policies due to adoption of new accounting standards – retrospective

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

	Notes	2019 \$ '000	2018 \$ '000
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	7,578	14,609
Balance as per the Statement of Cash Flows		7,578	14,609
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,466	2,656
Adjust for non-cash items:			
Depreciation and amortisation		5,747	5,428
Net losses/(gains) on disposal of assets		100	289
Share of net (profits)/losses of associates/joint ventures using the equity method		1	—
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,122)	1,277
Increase/(decrease) in provision for impairment of receivables		—	73
Decrease/(increase) in inventories		(45)	(154)
Decrease/(increase) in other current assets		(56)	(24)
Increase/(decrease) in payables		436	(295)
Increase/(decrease) in accrued interest payable		(1)	—
Increase/(decrease) in other accrued expenses payable		(454)	241
Increase/(decrease) in other liabilities		(892)	929
Increase/(decrease) in provision for employee benefits		73	90
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		8,253	10,510

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
Joint ventures	(1)	–	52	53
Total	(1)	–	52	53

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

Council has no interest in any controlled entities (subsidiaries).

(b) Joint arrangements

(i) Joint ventures

Council has incorporated the following joint venture into its consolidated financial statements.

(a) Net carrying amounts – Council's share

	Nature of relationship	Measurement method	2019 \$ '000	2018 \$ '000
Northern Western Library Service	Joint venture	At cost	52	53
Total carrying amounts – material joint ventures			52	53

(b) Details

Principal activity		Place of business
Northern Western Library Service	Provision of Library Services	Coonamble

(c) Relevant interests and fair values

	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Northern Western Library Service	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

	Northern Western Library Service	
	2019	2018
	\$ '000	\$ '000
(d) Summarised financial information for joint ventures		
Statement of financial position		
Current assets		
Cash and cash equivalents	2	24
Non-current assets	208	190
Net assets	<u>210</u>	<u>214</u>
Reconciliation of the carrying amount		
Opening net assets (1 July)	214	213
Profit/(loss) for the period	(1)	1
Closing net assets	<u>213</u>	<u>214</u>
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	52	53
Statement of comprehensive income		
Income	57	242
Other expenses	(58)	(241)
Profit/(loss) from continuing operations	<u>(1)</u>	<u>1</u>
Profit/(loss) for the period	<u>(1)</u>	<u>1</u>
Total comprehensive income	(1)	1

(i) County Councils

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

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

(c) Associates

Council has no interest in any associates.

(d) Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

	2019	2018
	\$ '000	\$ '000

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	915	335
Other Software	–	107
Water Mains	–	206
Sewer Relining	–	342
Urban Roads Re-sealing Program	–	439
Other Structures	1,623	2,165
Total commitments	2,538	3,594

These expenditures are payable as follows:

Within the next year	2,538	3,594
Total payable	2,538	3,594

Sources for funding of capital commitments:

Future grants and contributions	1,461	2,080
Unexpended grants	630	200
Externally restricted reserves	–	548
Internally restricted reserves	447	766
Total sources of funding	2,538	3,594

Details of capital commitments

Completion of Stronger Country Communities and Drought Community Programs

(b) Operating lease commitments (non-cancellable)

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

Within the next year	21	86
Later than one year and not later than 5 years	84	97
Total non-cancellable operating lease commitments	105	183

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

5-year Photocopier rental agreement due for completion in 2023

Conditions relating to finance and operating leases:

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for x years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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.

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 \$ 217,976.79. The last valuation of the Scheme was performed by Mr Richard Boyfield, FAII on 31 December 2018 and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of additional contributions included in the total employer contribution advised above is \$84,000. Council's expected contribution to the plan for the next annual reporting period is \$228,492.20.

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.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$171,400 as at 30 June 2019.

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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Garbage Depot Reinstatement

Garbage is disposed of pits at the Coonamble Depot. When a new pit is required the old pit is reinstated at the same time as the digging of the new pit. As a result reinstatement costs are expensed each year. Should current practices change, it will be necessary to consider the need to establish a Garbage Depot Remediation provision.

(iii) Gravel Pits Reinstatement

Council's practice with regard to remediation of road reserve and private property gravel pits to construct water storage for future road maintenance or a farm dam in return for the use of material where feasible. If this is not feasible for whatever reason then the pit is scarified and seeded upon completion of works undertaken and expensed accordingly, therefor future remediation costs are zero.

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.

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

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

	Carrying value 2019 \$ '000	Carrying value 2018 \$ '000	Fair value 2019 \$ '000	Fair value 2018 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	7,578	14,609	23,078	14,609
Receivables	4,041	1,919	4,042	1,919
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,500	15,000	2,000	15,000
Total financial assets	29,119	31,528	29,120	31,528
Financial liabilities				
Payables	1,767	2,661	1,767	2,661
Loans/advances	82	129	82	129
Total financial liabilities	1,849	2,790	1,849	2,790

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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2019				
Possible impact of a 1% movement in interest rates	243	243	243	243
2018				
Possible impact of a 1% movement in interest rates	226	226	226	226

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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.

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2019						
Gross carrying amount	187	185	180	55	11	618
2018						
Gross carrying amount	–	331	157	60	10	558

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.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2019						
Gross carrying amount	3,346	148	35	4	238	3,771
Expected loss rate (%)	1.26%	4.24%	8.12%	0.00%	6.50%	1.77%
ECL provision	42	6	3	–	15	66
2018						
Gross carrying amount	1,344	106	196	3	60	1,709
Expected loss rate (%)	3.00%	4.24%	8.12%	0.00%	15.00%	4.08%
ECL provision	40	4	16	–	9	69

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2019							
Trade/other payables	0.00%	186	1,581	–	–	1,767	1,767
Loans and advances	7.75%	–	41	41	–	82	82
Total financial liabilities		186	1,622	41	–	1,849	1,849
2018							
Trade/other payables	0.00%	165	2,496	–	–	2,661	2,661
Loans and advances	7.75%	–	46	83	–	129	129
Total financial liabilities		165	2,542	83	–	2,790	2,790

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 13/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	6,357	6,314	(43)	(1)% U
User charges and fees	5,638	5,267	(371)	(7)% U
Interest and investment revenue	612	762	150	25% F
Council adopted a conservative approach for estimating income that would be generated from interest on Investments for the 2018/2019 financial year.				
Other revenues	1,106	1,103	(3)	0% U
Operating grants and contributions	6,453	8,535	2,082	32% F
Council adopted a conservative approach for estimating the level of grant funded income that was expected to be received in the 2018/2019 financial year. Council was also successful in obtaining additional grant funds throughout the year.				
Capital grants and contributions	1,810	4,365	2,555	141% F
Council was successful in obtaining additional grant funds throughout the 2018/2019 financial year.				
EXPENSES				
Employee benefits and on-costs	6,197	8,001	(1,804)	(29)% U
Council was successful in obtaining additional grant funding for programs to which it utilised Council staff to complete some of the works.				
Borrowing costs	6	5	1	17% F
Materials and contracts	6,271	4,902	1,369	22% F
Council was successful in obtaining additional grant funding for programs to which it utilised additional materials and contractors to complete the works				
Depreciation and amortisation	5,446	5,747	(301)	(6)% U
Other expenses	2,174	2,124	50	2% F
Net losses from disposal of assets	–	100	(100)	∞ U
Joint ventures and associates – net losses	–	1	(1)	∞ U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

	2019	2019	2019	
\$ '000	Budget	Actual	Variance	

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	7,080	8,253	1,173	17%	F
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Council adopted a conservative approach when budgeting for planned grant funded opportunities. Throughout the year Council was successful in obtaining additional grant funds

Net cash provided from (used in) investing activities	3,383	(15,237)	(18,620)	(550)%	U
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Council received additional Capital Grants throughout the 2018/2019 financial year. Council utilised these funds in the renewal and purchase of various infrastructure assets

Net cash provided from (used in) financing activities	(50)	(47)	3	(6)%	F
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

		Fair value measurement hierarchy				
2019	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9(a)					
Plant and equipment			—	—	6,344	6,344
Office Equipment			—	—	727	727
Crown land			—	—	838	838
Operational land			—	—	2,344	2,344
Community land			—	—	678	678
Buildings – non-specialised		30/06/18	—	1,329	1,367	2,696
Buildings – specialised		30/06/18	—	—	18,302	18,302
Other Structures		30/06/18	—	—	12,398	12,398
Roads		30/06/19	—	—	182,466	182,466
Bridges		30/06/19	—	—	22,059	22,059
Footpaths		30/06/19	—	—	1,256	1,256
Stormwater Drainage		30/06/19	—	—	7,621	7,621
Water Supply network			—	—	18,091	18,091
Sewerage network			—	—	12,642	12,642
Bulk Earthworks			—	—	6,599	6,599
Land Improvements			—	—	765	765
Total infrastructure, property, plant and equipment			—	1,329	294,497	295,826

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy			Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment	9(a)				
Plant and equipment			—	—	6,440
Office Equipment			—	—	105
Crown land			—	—	838
Operational land			—	—	2,344
Community land			—	—	678
Buildings – non-specialised			—	1,327	870
Buildings – specialised			—	—	18,741
Other Structures			—	—	11,923
Roads			—	—	190,247
Bridges			—	—	12,529
Footpaths			—	—	1,738
Stormwater Drainage			—	—	1,482
Water Supply network			—	—	17,580
Sewerage network			—	—	12,464
Bulk Earthworks			—	—	5,559
Land Improvements			—	—	114
Total infrastructure, property, plant and equipment			—	1,327	283,652
					284,979

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

Plant and Equipment, Office Equipment and Furniture and Fittings

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

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

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

Operational and Community Land

Operational and Community Land are based on either the Land Value provided by the Valuer-General or an where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer value as these are representative of the actual market values in the Coonamble Shire LGA. As these rates were not considered to be observable market evidence they have been classified a level 3.

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

Buildings - Non-Specialised and Specialised

Non-Specialised and Specialised Buildings were valued utilising APV Valuers & Asset Management consultants during the 2017/2018 financial year. A desktop valuation was carried out as at the 30/06/2019 by APV Valuers & Asset Management to ensure the fair value of the asset class was recorded.

Depending on the specific asset the valuation approach may have included the adoption of a singular or multiple technique.

- The Market approach has been applied where there is a principal Market which provides observable evidence of the Fair Value of the asset
- The income approach has been applied for assets where the income generating capability of the asset provides the best estimate of the assets Fair Value
- The Cost approach was used for assets which are not commonly traded. Typically these include assets that public and not-for-profit sector entities use to provide services to the public for no or minimal charge

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

Other Structures

Other Structures were also revalued through the 2017/2018 financial year utilising APV Valuers & Asset Management consultants. A desktop valuation was carried out by APV Valuers & Asset Management consultants to ensure the fair value of the asset class was recorded.

The various asset types identified included Airport Assets, Fences, Hardstand and Internal Roads, Landscaping, Lighting, Miscellaneous, Park Assets, Pool Assets, Saleyards and Sporting Equipment.

Depending on the specific asset the valuation approach may have included the adoption of a singular or multiple technique.

- The Market approach has been applied where there is a principal Market which provides observable evidence of the Fair Value of the asset
- The income approach has been applied for assets where the income generating capability of the asset provides the best estimate of the assets Fair Value
- The Cost approach was used for assets which are not commonly traded. Typically these include assets that public and not-for-profit sector entities use to provide services to the public for no or minimal charge

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Roads

Roads were revalued during the 2018/2019 financial year utilising APV Valuers and Asset Management Consultants, with input from Council's engineering department. Roads comprise road carriageway, roadside shoulders and kerb and gutter. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this class.

Bridges

Bridges were revalued during the 2018/2019 financial year externally by APV Valuers and Asset Management Consultants, with input from Council's engineering department. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value.

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

Footpaths

Footpaths were revalued externally by APV Valuers and Asset Management Consultants during the 2018/2019 financial year, with input from Council staff relating to costings.

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

Drainage Infrastructure

Drainage Infrastructure Assets were revalued during the 2018/2019 financial year by APV Valuers and Asset Management Consultants, with input from Council's engineering department.

Assets within this class comprise culverts, open channels, storm water pipes and pits and other storm water structures.

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

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

Water Supply Network

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

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

The asset class has been revalued this year, the assumptions of this revaluation remain the same as in prior years.

Sewerage Network

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water.

The asset class has been revalued this year, the assumptions of this revaluation remain the same as in prior years.

Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued externally by APV Valuers & Asset Management consultants. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Previously these assets had been valued internally by Council staff.

Bulk Earthworks/Land Improvements

Assets within this class comprise Bulk Earthworks, turf surfaces, irrigation and other miscellaneous land improvements etc. All assets in this class were valued in-house by experienced engineering staff.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

	Water supply network \$ '000	Sewerage network \$ '000	Plant and equipment \$ '000	Operational / Crown Land \$ '000	Community / Crown Land \$ '000
2018					
Opening balance	17,348	12,330	7,463	1,954	1,414
Transfers from/(to) another asset class	11	—	—	—	—
Purchases (GBV)	252	417	523	—	9
Disposals (WDV)	(126)	(165)	(156)	(15)	—
Depreciation and impairment	(243)	(343)	(1,285)	—	—
Revaluation increment to ARR	338	225	—	493	5
Closing balance	17,580	12,464	6,545	2,432	1,428
2019					
Opening balance	17,580	12,464	6,545	2,432	1,428
Purchases (GBV)	547	468	2,072	—	—
Disposals (WDV)	(44)	(79)	(187)	—	—
Depreciation and impairment	(247)	(375)	(1,359)	—	—
Other movement	16	—	—	—	—
Revaluation increment to ARR	239	164	—	—	—
Closing balance	18,091	12,642	7,071	2,432	1,428

	Land improve- ments \$ '000	Bulk earthworks \$ '000	Buildings non- specialised \$ '000	Building specialised \$ '000	Other structures \$ '000
2018					
Opening balance	33	4,281	1,959	14,649	10,046
Transfers from/(to) level 2 FV hierarchy 19 4(b)	—	—	(1,327)	—	—
Purchases (GBV)	82	1,278	84	194	283
Disposals (WDV)	—	—	(229)	—	—
Depreciation and impairment	(1)	—	(111)	(379)	(412)
Revaluation increment to ARR	—	—	494	4,277	2,006
Closing balance	114	5,559	870	18,741	11,923
2019					
Opening balance	114	5,559	870	18,741	11,923
Transfers from/(to) level 2 FV hierarchy 19 4(b)	—	—	(2)	—	—
Purchases (GBV)	653	1,027	450	532	1,200
Depreciation and impairment	(2)	—	(116)	(417)	(517)
Other movement	—	13	56	—	41
Revaluation increment to ARR	—	—	109	(554)	(249)
Closing balance	765	6,599	1,367	18,302	12,398

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

		Roads infrastructure \$ '000	Stormwater drainage \$ '000	Total \$ '000
2018				
Opening balance		203,508	1,511	276,550
Transfers from/(to) level 2 FV hierarchy	19 4(b)	—	—	(1,327)
Transfers from/(to) another asset class		54	—	11
Purchases (GBV)		3,577	—	6,699
Disposals (WDV)		—	—	(691)
Depreciation and impairment		(2,625)	(29)	(5,428)
Other movement		—	—	126
Revaluation increment to ARR		—	—	7,838
Closing balance		204,514	1,482	283,778
2019				
Opening balance		204,514	1,482	283,778
Transfers from/(to) level 2 FV hierarchy	19 4(b)	—	—	(2)
Transfers from/(to) another asset class		—	—	(126)
Purchases (GBV)		5,033	61	12,043
Disposals (WDV)		—	—	(310)
Depreciation and impairment		(2,686)	(28)	(5,747)
Other movement		—	—	363
Revaluation increment to ARR		(1,080)	6,106	4,735
Closing balance		205,781	7,621	294,734

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

Following the desktop revaluation of Council Buildings and other structures as at 30/06/2019, by external consultants a number of buildings , 8 in total, were valued based on observable market evidence (level 2). Level 2 input was adjusted accordingly

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.

	Fair value (30/6/19) \$ '000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Buildings non specialised	2,696	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Buildings Specialised	18,302	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Other Structures	12,398	Values provided by external consultant	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Road Infrastructure	205,781	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

	Fair value (30/6/19) \$ '000	Valuation technique/s	Unobservable inputs
Stormwater drainage	7,621	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Water Supply	18,091	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Sewerage network	12,642	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Plant & Equipment	7,071	Cost approach used to approximate fair value	Gross replacement cost, Remaining useful life, Residual value
Operational land	2,344	Land values obtained from the NSW Valuer General	Land value based on price per square meter
Community land	678	Land values obtained from the NSW Valuer General	Land value based on price per square meter
Crown Land	838	Land values obtained from the NSW Valuer General	Land value based on price per square meter
Bulk Earthworks	6,599	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value
Land Improvements	765	Cost approach used to approximate fair value	Gross replacement cost, Asset condition, Remaining useful life, Residual value

(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:

	2019 \$ '000	2018 \$ '000
Compensation:		
Short-term benefits	819	778
Post-employment benefits	105	92
Other long-term benefits	22	23
Termination benefits	313	49
Total	1,259	942

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions (continued)

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2019						
Supply of Product and Contract Services	1	44	—		—	—
Aerodrome Grounds Maintenance Contract	2	44	—		—	—
Quarry Sales	3	64	31		—	—
Building renovations & repairs	4	57	—		—	—
Private Works	5	33	33		—	—
2018						
Supply of Product and Contract Services	1	7	7		—	—
Supply of Refreshment to Council		1	—		—	—
Aerodrome Grounds Maintenance Contract	2	44	—		—	—
Hire of Plant & Equipment		4	—		—	—
Supply of materials		1	—		—	—
Quarry Sales	3	116	25		—	—
Building renovations & repairs	4	—	—		—	—
Private Works	5	—	—		—	—

1 Council purchases refreshments for Council meetings from a local cafe of which a KMP is part owner. All goods are purchased at normal retail prices

2 Council has a contractual arrangement with the Coonamble Aeroclub for the maintenance of the Coonamble Aerodrome grounds. The president of this organisation is a son of a KMP

3 Council supplies various materials from its Quarry operations to the public. A KMP is an owner operator of a business that purchases product from the Quarry. All product is sold as per Council's adopted fee's and charges

4 Council received grant funding to carry out various building infrastructure works throughout the Council , expressions of interest were sought and quotations received. One of the local contractors awarded the works is a son of a KMP

5 As the result of a fire damage a number of buildings in the Coonamble CBD were demolished by Council and the sites cleaned up. The demolition and disposal costs were then passed on to the various property owners. A KMP is an owner of one of the affected properties.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions (continued)

(c) Other related party transactions

	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2019						
Library Services	1	56	1	Membership of Library Co-op	—	—
2018						
Library Services	1	55	—		—	—

- 1 Council is a member of a Joint venture being the North Western Library Co-operative with three other Councils, each council contributes and equal amount to the joint venture each year for the operation of the service which is to purchase books and e-resources for the benefit of the residents and ratepayers in the four local government areas.

Note 21. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	5,183	591	661
User charges and fees	4,093	1,026	148
Interest and investment revenue	508	102	152
Other revenues	1,068	35	–
Grants and contributions provided for operating purposes	8,512	12	11
Grants and contributions provided for capital purposes	4,365	–	–
Total income from continuing operations	23,729	1,766	972
Expenses from continuing operations			
Employee benefits and on-costs	7,543	284	174
Borrowing costs	5	–	–
Materials and contracts	3,915	705	282
Depreciation and amortisation	5,124	247	376
Other expenses	1,930	194	–
Net losses from the disposal of assets	(23)	44	79
Share of interests in joint ventures and associates using the equity method	1	–	–
Total expenses from continuing operations	18,495	1,474	911
Operating result from continuing operations	5,234	292	61
Net operating result for the year	5,234	292	61
Net operating result attributable to each council fund	5,234	292	61
Net operating result for the year before grants and contributions provided for capital purposes	869	292	61

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	(877)	2,704	5,751
Investments	17,500	–	–
Receivables	3,227	387	147
Inventories	833	–	–
Other	111	–	–
Total current assets	20,794	3,091	5,898
Non-current assets			
Receivables	280	–	–
Infrastructure, property, plant and equipment	265,330	18,091	12,642
Investments accounted for using the equity method	52	–	–
Total non-current assets	265,662	18,091	12,642
TOTAL ASSETS	286,456	21,182	18,540
LIABILITIES			
Current liabilities			
Payables	1,666	25	76
Income received in advance	158	47	–
Borrowings	41	–	–
Provisions	1,975	–	–
Total current liabilities	3,840	72	76
Non-current liabilities			
Borrowings	41	–	–
Provisions	128	–	–
Total non-current liabilities	169	–	–
TOTAL LIABILITIES	4,009	72	76
Net assets	282,447	21,110	18,464
EQUITY			
Accumulated surplus	153,186	14,114	12,497
Revaluation reserves	129,261	6,996	5,967
Council equity interest	282,447	21,110	18,464
Total equity	282,447	21,110	18,464

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	1,202	5.47%	8.00%	18.25%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	21,981				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	13,385	50.80%	61.58%	55.13%	>60.00%
Total continuing operating revenue ¹	26,346				
3. Unrestricted current ratio					
Current assets less all external restrictions	18,843	7.28x	5.13x	6.10x	>1.50x
Current liabilities less specific purpose liabilities	2,590				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,954	133.73x	131.98x	158.36x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	52				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	420	6.27%	5.18%	7.30%	<10.00%
Rates, annual and extra charges collectible	6,700				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	25,078	17.33 mths	18.39 mths	19.90 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,447				

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators 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}	4.41%	9.65%	16.53%	(6.97)%	6.28%	(8.06)%	>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	45.20%	57.72%	99.32%	99.21%	98.87%	98.83%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	7.28x	5.13x	42.93x	27.17x	77.61x	75.99x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	114.96x	151.67x	∞	∞	∞	27.50x	>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	5.61%	4.85%	7.78%	6.96%	10.27%	7.30%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.69	14.32	27.43	26.61	151.34	165.76	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

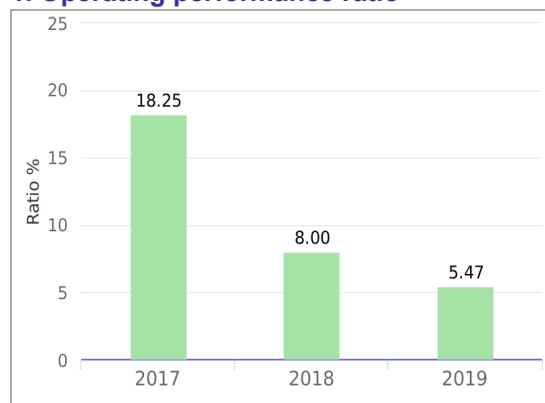
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.47%

Council's operating performance ratio exceeds the industry benchmark. It is noted that the prepayment of the 2019/20 Financial Assistance Grant has inflated the 2018/2019 operating result

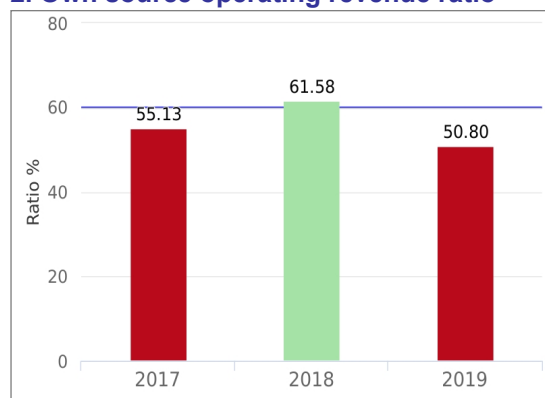
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 50.80%

During the 2018/2019 Council received significant additional income in the form of Government grants and contributions. Council's 2018/2019 result does not achieve the industry benchmark of 60% due to these additional funds.

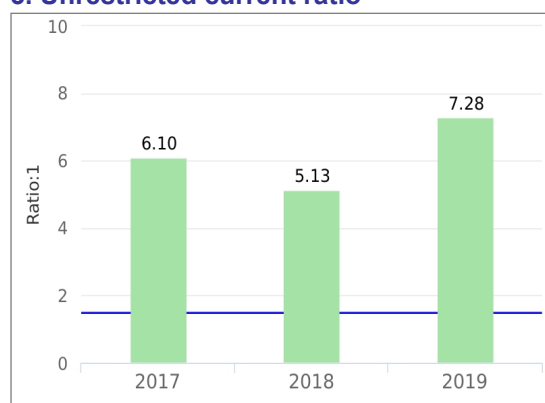
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 7.28x

Council's unrestricted current ratio exceeds the industry benchmark of 1.5 which indicates that Council is capable to satisfy its debts as and when they fall due

Benchmark: — > 1.50x

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

Ratio achieves benchmark

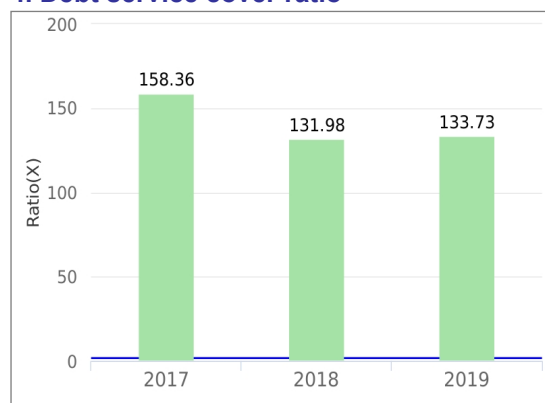
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 133.73x

The Debt service ratio indicates that Council has sufficient operating cash to service its debts

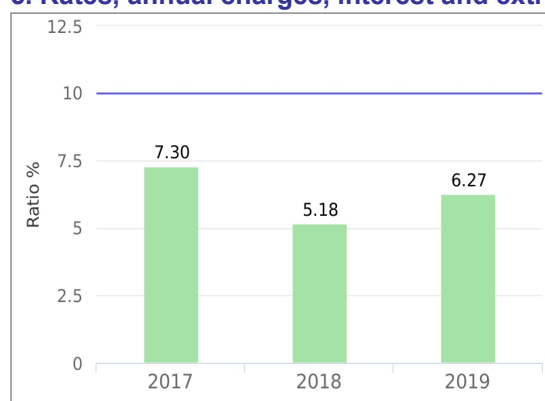
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 6.27%

The 2018/2019 result is a slight improvement on the previous year. It is noted that Council's ratio is better than the industry standard for Rural Councils.

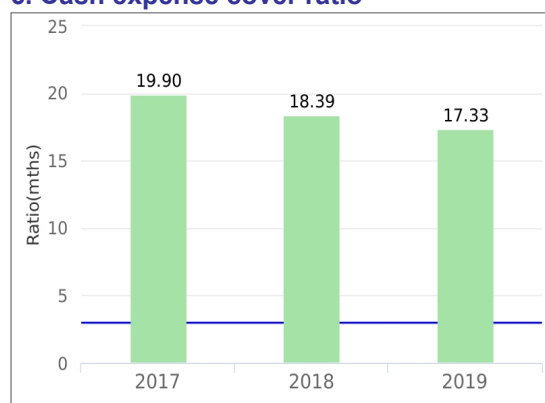
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 17.33 mths

The ratio is well above the industry standard of 3 months which indicates that Council has sufficient liquidity to mitigate any unforeseen future events. It is noted that 2018/2019 ratio has declined from the previous result

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Council information and contact details

Principal place of business:

80 Castlereagh Street
Coonamble NSW 2829

Contact details

Mailing Address:

PO Box 249
Coonamble NSW 2829

Telephone: 02 68271900

Facsimile: 02 68221626

Opening hours:

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

Internet: www.coonambleshire.nsw.gov.au

Email: council@coonambleshire.nsw.gov.au

Officers

General Manager

Hein Basson

Responsible Accounting Officer

Bruce Quarmby

Auditors

Auditor General of NSW

Elected members

Mayor

Al Karanouh

Councillors

Cr. Paul Wheelhouse (Deputy Mayor)

Cr. Karen Churchill

Cr. Pat Cullen

Cr. Barbara Deans

Cr. Bill Fisher

Cr. Robert Thomas

Other information

ABN: 19 499 848 443



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Coonamble Shire Council

To the Councillors of Coonamble Shire Council

Opinion

I have audited the accompanying financial statements of Coonamble 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:

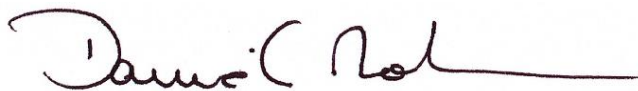
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY



Cr Al Karanouh
Mayor
Coonamble Shire Council
PO Box 249
COONAMBLE NSW 2829

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1925822/1717

28 October 2019

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Coonamble 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	6.31	6.17	↑ 2.3
Grants and contributions revenue	12.90	9.73	↑ 32.6
Operating result for the year	5.47	2.66	↑ 106
Net operating result before capital grants and contributions	1.10	1.67	↓ 34.1

Council's operating result (\$5.47 million including the effect of depreciation and amortisation expense of \$5.75 million) was \$2.81 million higher than the 2017–18 result. This was mainly due to an increase in capital grants for the year. Offsetting the increase in grant receipts was a reduction in revenue from RMS works on State roads.

The net operating result before capital grants and contributions (\$1.1 million) was \$0.57 million lower than the 2017–18 result. This was mostly due to the decrease in RMS works noted above.

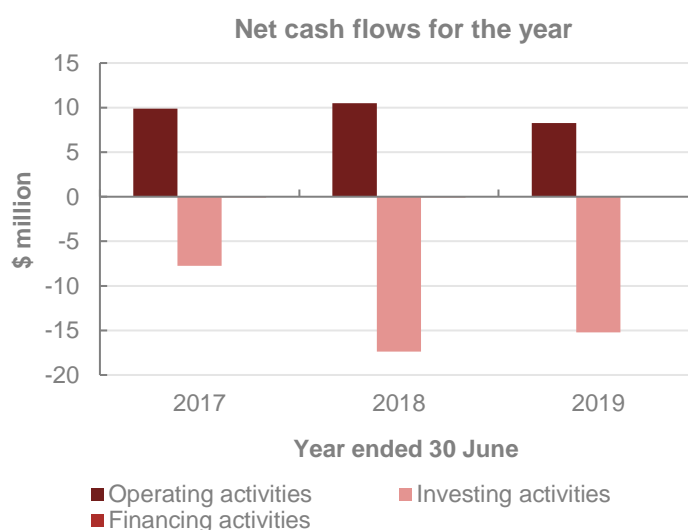
Rates and annual charges revenue (\$6.31 million) increased by \$0.14 million (2.3 per cent) in 2018–2019.

Grants and contributions revenue (\$12.9 million) increased by \$3.17 million (32.6 per cent) in 2018–2019 due to:

- Increased financial assistance grants of \$402,000
- An increase in capital grants of \$3.4 million; primarily for drought assistance
- An offsetting decrease in specific purpose operating grants of \$632,000.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$7 million to \$7.6 million at the close of the year.
- The decrease can be largely attributed to increased capital expenditure for the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	10.2	10.0	• External restrictions include unspent specific purpose grants, domestic waste management charges, and water and sewerage funds.
Internal restrictions	13.5	15.7	
Unrestricted	1.4	3.9	
Cash and investments	25.1	29.6	• Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.

Debt

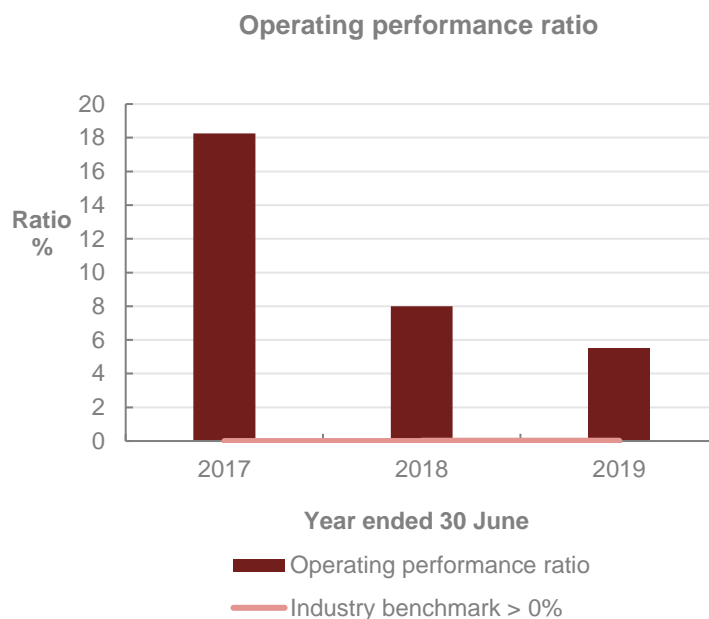
After repaying principal and interest of \$52,000, total debt as at 30 June 2019 was \$82,000 (2018: \$129,000).

PERFORMANCE

Operating performance ratio

- Council's operating performance indicator of 5.5 per cent in 2018–19 (8 per cent in 2017–18) exceeded the industry benchmark.

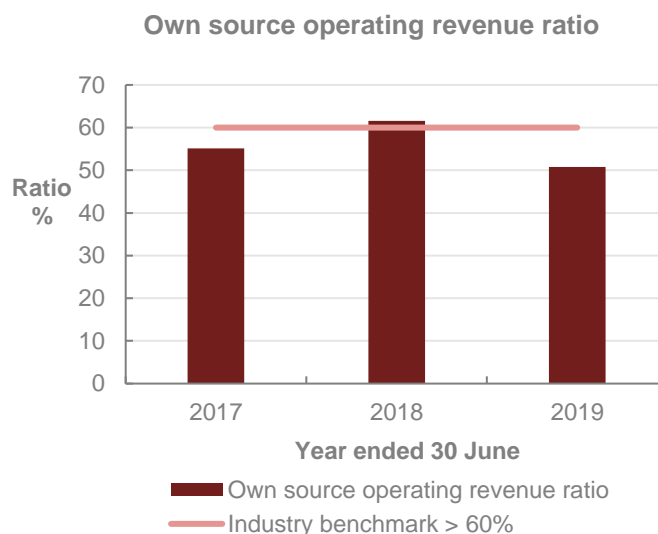
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 50.8 per cent in 2018–19 (61.6 per cent in 2017–18) failed to meet the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.

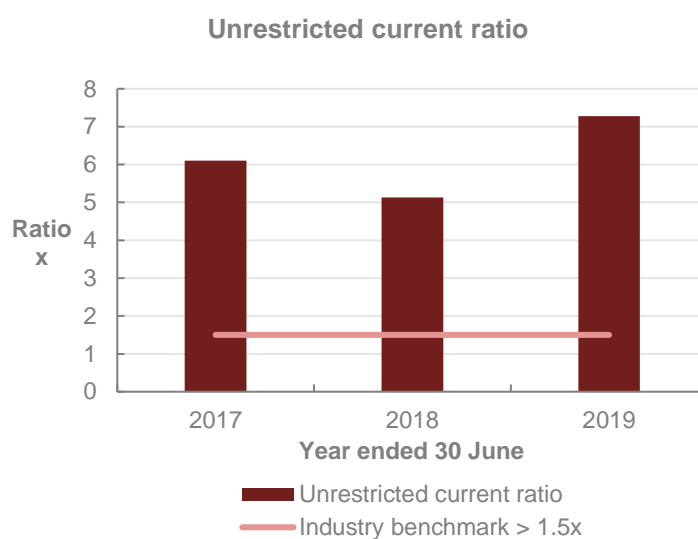
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- This ratio indicated that Council had 7.3 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities.
- Council's unrestricted current ratio increased to 7.3 as at 30 June 2019 (5.1 for 2018) and exceeded the industry benchmark.

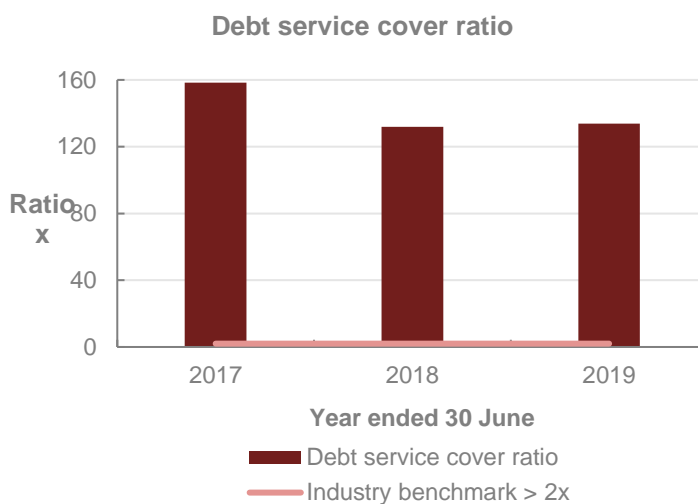
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio for 2018–19 was 133.7 (132 in 2017–18) which is above the industry benchmark.

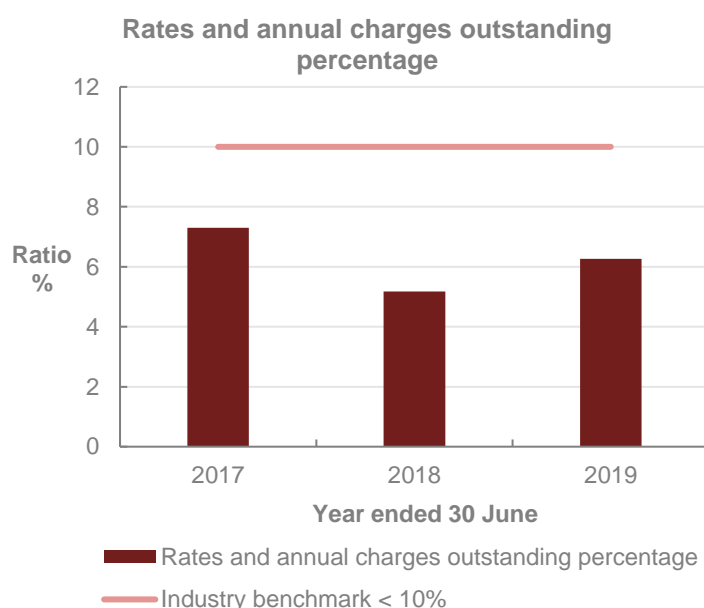
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's indicator of 6.3 per cent as at 30 June 2019 (5.2 per cent as at 30 June 2018) met the benchmark.
- Management attribute the deterioration of this ratio to hardship caused by the drought.

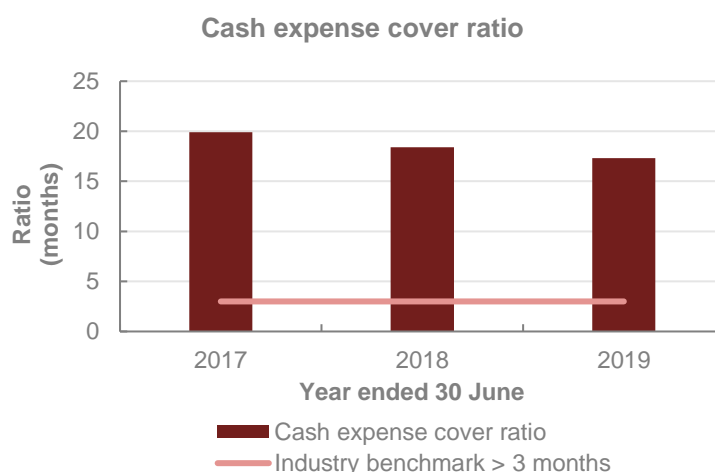
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 17.3 months for 2018–19 (18.4 months for 2017–18) exceeded the benchmark.

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's asset renewal additions for the year were \$7.6 million compared \$4.8 million for the prior year
- The level of asset renewals during the year represented 131 percent of the total depreciation expense (\$5.7 million) for the year.

OTHER MATTERS

New accounting standards implemented

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

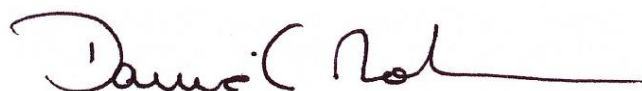
Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Hein Basson, General Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Coonamble 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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Background

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

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

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

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

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

Coonamble Shire Council

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 11 September 2019.


Al Karanouh
Mayor
25 October 2019
Bill Fisher
Councillor
25 October 2019
Hein Basson
General Manager
25 October 2019
Bruce Quarmby
Responsible Accounting Officer
25 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	591	509
User charges	1,026	934
Interest	102	46
Grants and contributions provided for non-capital purposes	12	12
Other income	35	19
Total income from continuing operations	1,766	1,520
Expenses from continuing operations		
Employee benefits and on-costs	284	293
Materials and contracts	705	807
Depreciation, amortisation and impairment	247	243
Water purchase charges	194	157
Loss on sale of assets	44	126
Total expenses from continuing operations	1,474	1,626
Surplus (deficit) from continuing operations before capital amounts	292	(106)
Surplus (deficit) from continuing operations after capital amounts	292	(106)
Surplus (deficit) from all operations before tax	292	(106)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(80)	–
SURPLUS (DEFICIT) AFTER TAX	212	(106)
Plus accumulated surplus	13,822	13,928
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	80	–
Closing accumulated surplus	14,114	13,822
Return on capital %	1.6%	(0.6)%
Subsidy from Council	–	569
Calculation of dividend payable:		
Surplus (deficit) after tax	212	(106)
Surplus for dividend calculation purposes	212	–
Potential dividend calculated from surplus	106	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	661	644
User charges	148	136
Interest	152	66
Grants and contributions provided for non-capital purposes	11	10
Total income from continuing operations	972	856
Expenses from continuing operations		
Employee benefits and on-costs	174	204
Materials and contracts	282	213
Depreciation, amortisation and impairment	376	343
Loss on sale of assets	79	165
Total expenses from continuing operations	911	925
Surplus (deficit) from continuing operations before capital amounts	61	(69)
Surplus (deficit) from continuing operations after capital amounts	61	(69)
Surplus (deficit) from all operations before tax	61	(69)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(17)	–
SURPLUS (DEFICIT) AFTER TAX	44	(69)
Plus accumulated surplus	12,436	12,505
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	17	–
Closing accumulated surplus	12,497	12,436
Return on capital %	0.5%	(0.6)%
Subsidy from Council	106	397
Calculation of dividend payable:		
Surplus (deficit) after tax	44	(69)
Surplus for dividend calculation purposes	44	–
Potential dividend calculated from surplus	22	–

Income Statement – Quarry

for the year ended 30 June 2019

	2019 Category 2 \$ '000	2018 Category 2 \$ '000
Income from continuing operations		
User charges	2,227	3,104
Total income from continuing operations	2,227	3,104
Expenses from continuing operations		
Employee benefits and on-costs	471	566
Materials and contracts	1,486	1,735
Depreciation, amortisation and impairment	254	204
Other expenses	–	120
Total expenses from continuing operations	2,211	2,625
Surplus (deficit) from continuing operations before capital amounts	16	479
Surplus (deficit) from continuing operations after capital amounts	16	479
Surplus (deficit) from all operations before tax	16	479
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(4)	(132)
SURPLUS (DEFICIT) AFTER TAX	12	347
Plus accumulated surplus	6,162	5,683
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	4	132
Closing accumulated surplus	6,178	6,162
Return on capital %	0.9%	40.8%
Subsidy from Council	8	–

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	2,704	2,787
Receivables	387	310
Total current assets	3,091	3,097
Non-current assets		
Infrastructure, property, plant and equipment	18,091	17,596
Total non-current assets	18,091	17,596
TOTAL ASSETS	21,182	20,693
LIABILITIES		
Current liabilities		
Payables	25	68
Income received in advance	47	46
Total current liabilities	72	114
TOTAL LIABILITIES	72	114
NET ASSETS	21,110	20,579
EQUITY		
Accumulated surplus	14,114	13,822
Revaluation reserves	6,996	6,757
TOTAL EQUITY	21,110	20,579

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	5,751	5,774
Receivables	147	77
Total current assets	5,898	5,851
Non-current assets		
Infrastructure, property, plant and equipment	12,642	12,464
Total non-current assets	12,642	12,464
TOTAL ASSETS	18,540	18,315
LIABILITIES		
Current liabilities		
Payables	76	72
Borrowings	–	5
Total current liabilities	76	77
TOTAL LIABILITIES	76	77
NET ASSETS	18,464	18,238
EQUITY		
Accumulated surplus	12,497	12,436
Revaluation reserves	5,967	5,802
TOTAL EQUITY	18,464	18,238

Statement of Financial Position – Quarry

as at 30 June 2019

	2019 Category 2 \$ '000	2018 Category 2 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	3,909	4,695
Receivables	94	75
Inventories	333	243
Total current assets	4,336	5,013
Non-current assets		
Infrastructure, property, plant and equipment	1,856	1,175
Total non-current assets	1,856	1,175
TOTAL ASSETS	6,192	6,188
LIABILITIES		
Current liabilities		
Payables	14	26
Total current liabilities	14	26
TOTAL LIABILITIES	14	26
NET ASSETS	6,178	6,162
EQUITY		
Accumulated surplus	6,178	6,162
TOTAL EQUITY	6,178	6,162

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)

Council does not operate any Category 1 business activities.

Category 2

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

a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing Coonamble Shire.

b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing Coonamble Shire.

c. Quarry Operations

Extraction and production of road making materials.

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

Note 1. Significant Accounting Policies (continued)

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.

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/is not 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.

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

Note 1. Significant Accounting Policies (continued)

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
- 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

Coonamble Shire Council

To the Councillors of Coonamble Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Coonamble 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
- Quarry.

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:

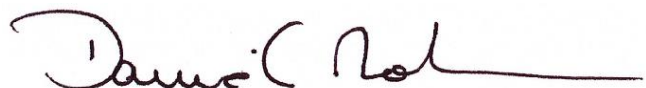
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.

A handwritten signature in dark ink, reading "David Nolan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Coonamble 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

		Calculation 2019/20 \$ '000	Calculation 2018/19 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	4,711	4,602
Plus or minus adjustments ²	b	2	1
Notional general income	$c = a + b$	4,713	4,603
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	127	106
Sub-total	$k = (c + g + h + i + j)$	4,840	4,709
Plus (or minus) last year's carry forward total	l	5	6
Less valuation objections claimed in the previous year	m	(1)	—
Sub-total	$n = (l + m)$	4	6
Total permissible income	$o = k + n$	4,844	4,715
Less notional general income yield	p	4,836	4,711
Catch-up or (excess) result	$q = o - p$	8	4
Plus income lost due to valuation objections claimed ³	r	—	1
Less unused catch-up ⁴	s	(1)	—
Carry forward to next year ⁵	$t = q + r + s$	7	5

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) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (5) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Coonamble Shire Council

To the Councillors of Coonamble Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Coonamble 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:

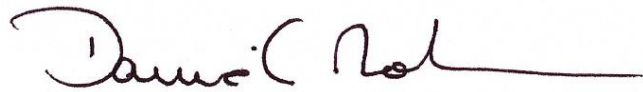
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

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	Buildings	631	631	290	185	20,998	31,465	18.5%	34.4%	46.3%	0.8%	0.0%
	Sub-total	631	631	290	185	20,998	31,465	18.5%	34.4%	46.3%	0.8%	0.0%
Other structures	Other structures	424	424	100	76	12,398	18,351	11.3%	23.8%	62.9%	2.0%	0.0%
	Sub-total	424	424	100	76	12,398	18,351	11.3%	23.8%	62.9%	2.0%	0.0%
Roads	Sealed roads	2,096	2,096	595	594	84,546	125,805	23.1%	72.0%	4.4%	0.5%	0.0%
	Unsealed roads	4,020	4,020	895	997	92,451	110,822	8.6%	12.0%	79.4%	0.0%	0.0%
	Bridges	—	—	23	—	22,059	25,645	76.3%	23.7%	0.0%	0.0%	0.0%
	Footpaths	57	57	90	112	1,256	1,699	80.1%	19.4%	0.4%	0.0%	0.0%
	Other road assets	135	135	10	30	5,469	—	53.8%	32.9%	12.2%	1.1%	0.0%
	Bulk earthworks	—	—	5	23	6,599	6,599	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	6,308	6,308	1,618	1,756	212,380	270,570	24.4%	40.8%	34.6%	0.2%	0.0%
Water supply network	Water supply network	220	220	222	544	18,091	25,597	35.0%	5.0%	60.0%	0.0%	0.0%
	Sub-total	220	220	222	544	18,091	25,597	35.0%	5.0%	60.0%	0.0%	0.0%
Sewerage network	Sewerage network	160	160	106	370	12,642	27,857	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	160	160	106	370	12,642	27,857	0.0%	100.0%	0.0%	0.0%	0.0%
Stormwater drainage	Stormwater drainage	132	132	20	2	7,621	11,894	3.0%	92.0%	4.7%	0.3%	0.0%
	Sub-total	132	132	20	2	7,621	11,894	3.0%	92.0%	4.7%	0.3%	0.0%
Other infrastructure assets	Land Improvements	—	—	8	8	765	858	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	8	8	765	858	0.0%	100.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		7,875	7,875	2,364	2,941	284,895	386,592	21.6%	43.0%	35.1%	0.3%	0.0%

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

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

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	7,555	172.25%	113.25%	108.72%	>=100.00%
Depreciation, amortisation and impairment	4,386				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	7,875	2.77%	0.80%	0.98%	<2.00%
Net carrying amount of infrastructure assets	284,130				
Asset maintenance ratio					
Actual asset maintenance	2,941	124.41%	172.40%	262.65%	>100.00%
Required asset maintenance	2,364				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	7,875	2.04%	0.62%	0.74%	
Gross replacement cost	386,592				

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

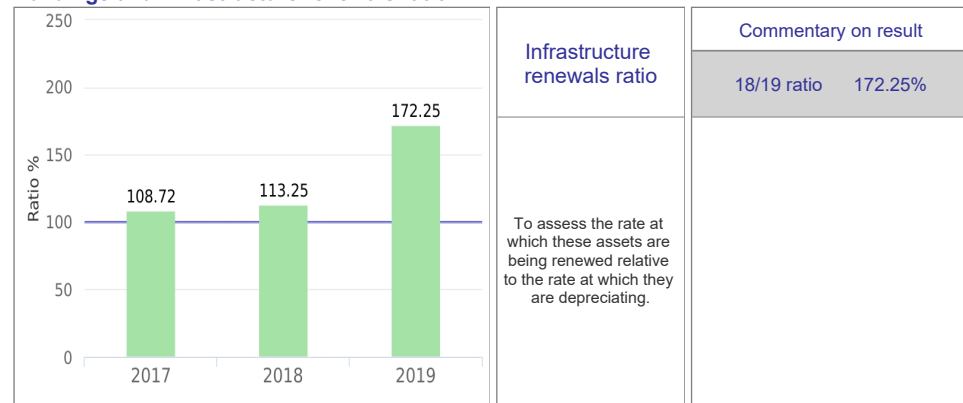
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



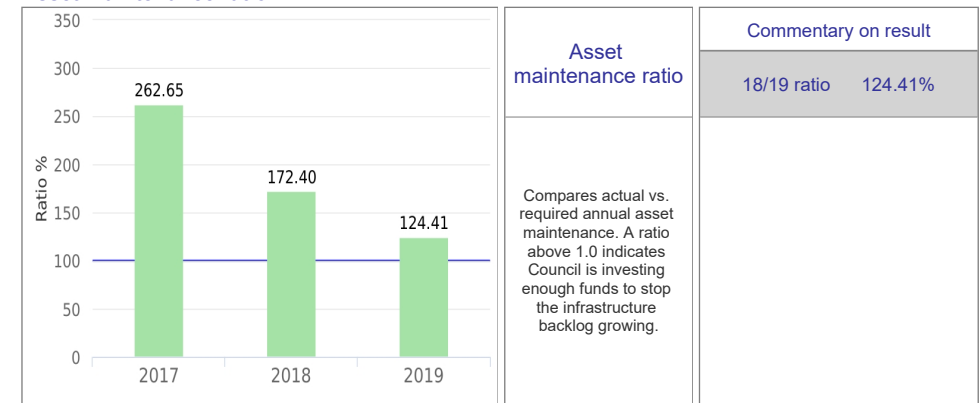
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



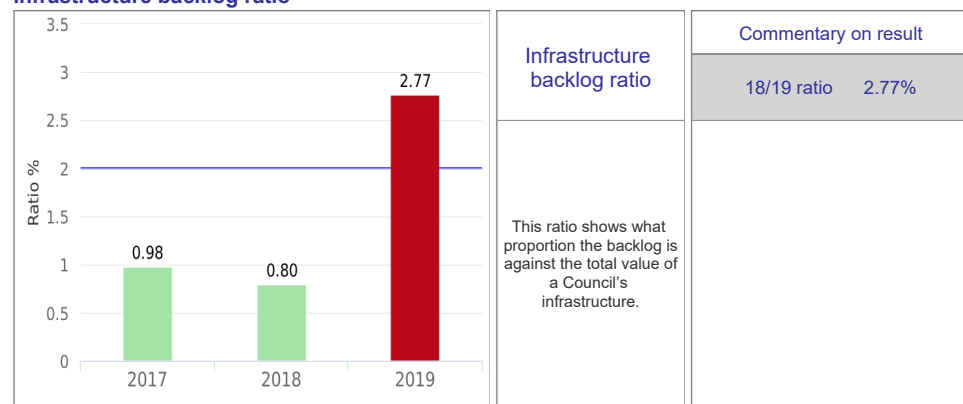
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio ¹



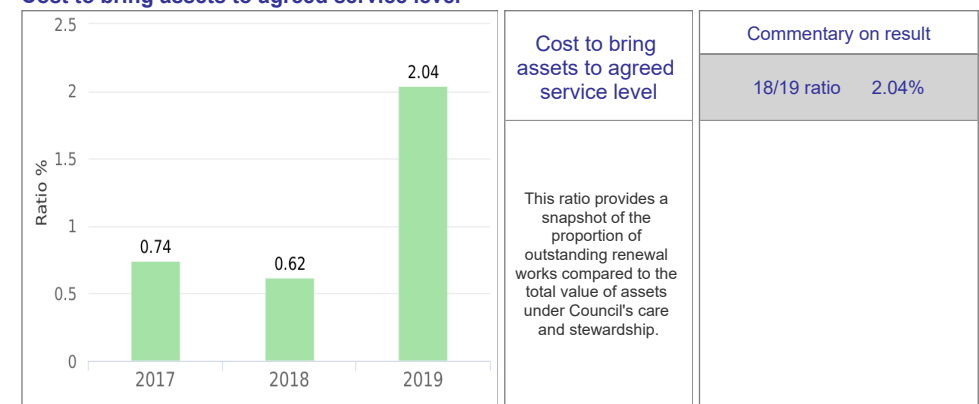
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



(1) Excludes Work In Progress (WIP)

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	177.95%	114.29%	174.49%	103.70%	113.60%	109.33%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.96%	0.66%	1.22%	1.37%	1.27%	2.81%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	99.56%	168.75%	245.05%	196.40%	349.06%	189.62%	>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	2.25%	0.53%	0.86%	0.96%	0.57%	1.29%	

(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.