

Gwydir Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Gwydir Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

33 Miatland Street
Bingara NSW 2404

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.gwydirshire.com.

Gwydir Shire Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Gwydir 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 26 September 2019.



Cr Catherine Egan
Deputy Mayor
26 September 2019



Cr David Coulton
Councillor
26 September 2019



Max Eastcott
General Manager
26 September 2019



Helen Thomas
Responsible Accounting Officer
26 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
10,479	Rates and annual charges	3a	10,314	10,128
3,201	User charges and fees	3b	3,491	3,376
101	Interest and investment revenue	3c	263	216
2,977	Other revenues	3d	4,170	3,739
13,042	Grants and contributions provided for operating purposes	3e,3f	9,709	9,333
4,545	Grants and contributions provided for capital purposes	3e,3f	5,114	2,738
34,345	Total income from continuing operations		33,061	29,530
Expenses from continuing operations				
12,515	Employee benefits and on-costs	4a	12,078	11,606
516	Borrowing costs	4b	615	519
6,790	Materials and contracts	4c	6,102	5,261
6,411	Depreciation and amortisation	4d	8,265	7,185
2,779	Other expenses	4e	2,050	2,191
50	Net losses from the disposal of assets	5	120	3,140
–	Revaluation decrement / impairment of IPP&E	4d	–	6,021
29,061	Total expenses from continuing operations		29,230	35,923
5,284	Operating result from continuing operations		3,831	(6,393)
5,284	Net operating result for the year		3,831	(6,393)
5,284	Net operating result attributable to council		3,831	(6,393)
739	Net operating result for the year before grants and contributions provided for capital purposes		(1,283)	(9,131)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		3,831	(6,393)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	342	(8,474)
Total items which will not be reclassified subsequently to the operating result		342	(8,474)
Total other comprehensive income for the year		342	(8,474)
Total comprehensive income for the year		4,173	(14,867)
Total comprehensive income attributable to Council		4,173	(14,867)

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	3,787	3,485
Investments	6(b)	8,606	5,842
Receivables	7	1,894	2,374
Inventories	8a	804	220
Other	8b	–	3
Total current assets		<u>15,091</u>	<u>11,924</u>
Non-current assets			
Infrastructure, property, plant and equipment	9	410,006	405,441
Total non-current assets		<u>410,006</u>	<u>405,441</u>
TOTAL ASSETS		<u>425,097</u>	<u>417,365</u>
LIABILITIES			
Current liabilities			
Payables	10	3,415	2,543
Income received in advance	10	163	164
Borrowings	10	1,274	991
Provisions	11	2,725	2,698
Total current liabilities		<u>7,577</u>	<u>6,396</u>
Non-current liabilities			
Borrowings	10	8,266	7,686
Provisions	11	3,842	2,044
Total non-current liabilities		<u>12,108</u>	<u>9,730</u>
TOTAL LIABILITIES		<u>19,685</u>	<u>16,126</u>
Net assets		<u>405,412</u>	<u>401,239</u>
EQUITY			
Accumulated surplus	12	277,731	273,900
Revaluation reserves	12	127,681	127,339
Council equity interest		<u>405,412</u>	<u>401,239</u>
Total equity		<u>405,412</u>	<u>401,239</u>

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		273,900	127,339	401,239	280,293	135,813	416,106
Net operating result for the year		3,831	–	3,831	(6,393)	–	(6,393)
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	342	342	–	(8,474)	(8,474)
Other comprehensive income		–	342	342	–	(8,474)	(8,474)
Total comprehensive income		3,831	342	4,173	(6,393)	(8,474)	(14,867)
Equity – balance at end of the reporting period		277,731	127,681	405,412	273,900	127,339	401,239

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
10,609	Rates and annual charges		10,315	9,985
3,350	User charges and fees		3,803	3,391
259	Investment and interest revenue received		280	236
13,217	Grants and contributions		15,678	11,257
–	Bonds, deposits and retention amounts received		–	2
2,129	Other		5,161	4,622
<u>Payments</u>				
(11,986)	Employee benefits and on-costs		(11,967)	(11,704)
(5,629)	Materials and contracts		(6,592)	(5,876)
(506)	Borrowing costs		(486)	(381)
–	Bonds, deposits and retention amounts refunded		(55)	–
(1,620)	Other		(2,751)	(2,737)
9,823	Net cash provided (or used in) operating activities	13b	13,386	8,795
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		12,000	3,016
945	Sale of infrastructure, property, plant and equipment		263	535
<u>Payments</u>				
–	Purchase of investment securities		(14,764)	(5,842)
(10,372)	Purchase of infrastructure, property, plant and equipment		(11,219)	(8,209)
–	Purchase of real estate assets		(179)	–
(9,427)	Net cash provided (or used in) investing activities		(13,899)	(10,500)
Cash flows from financing activities				
<u>Receipts</u>				
–	Proceeds from borrowings and advances		2,023	–
<u>Payments</u>				
(1,002)	Repayment of borrowings and advances		(1,208)	(1,327)
(1,002)	Net cash flow provided (used in) financing activities		815	(1,327)
(606)	Net increase/(decrease) in cash and cash equivalents		302	(3,032)
4,300	Plus: cash and cash equivalents – beginning of year	13a	3,485	6,517
3,694	Cash and cash equivalents – end of the year	13a	3,787	3,485
Additional Information:				
8,500	plus: Investments on hand – end of year	6(b)	8,606	5,842
12,194	Total cash, cash equivalents and investments		12,393	9,327

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 21 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 17 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2018.

Classification and Measurement of financial assets

There is no impact to the financial statements other than a the change in classification name to amortised cost.

Impairment of financial assets

Council has reviewed its receivables which has resulted in an increase in the impairment provision. The transactions which relate to the increase mainly occurred in the 2019 financial year. The majority of receivables are rates and charges and amounts due from government for grant programs. Rates and charges are secured against the property and there no adjustment is required to the impairment provision for rates.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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) estimated tip remediation provisions – refer Note 11
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Waste management
- Naroo Aged Care

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

Council has an agreement for the rental of multi function printers/copiers. The agreement does not individually list the rental cost for each item of equipment however, the suppliers have provided the outright purchase prices for the printers/copiers. These are considered to be low value assets and therefore will be exempt from the requirements and as such council will not record a lease liability.

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

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

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

Councils has assessed each revenue stream particularly the impact 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.

AASB 15 will have no impact on rates and charges paid in advance as council has always accounted for these as a liability. There may be a very minor impact in relation to grants as council is currently auspicing several Stronger Country Communities grants where the good/services will not be retained by council, unspent grants as at 30 June total \$56,809.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

The majority of capital grants are paid in arrears based on actual expenditure and therefore council will have met all obligations prior to receiving the grant payment. There were however a number of grants, totalling \$302,815, under the Stronger Country Communities program and \$353,377 for the upgrade of the kitchen at Naroo which were unspent as at 30 June 2019 and under the terms of the funding agreement would be shown as a liability and the income taken up when the works have been completed.

Council considers there could be similar grants that would be deferred as at 30 June 2020 but at the time of completing the 2019 financial statements, Council is unable to estimate the dollar impact as at 1 July 2019.

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

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

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

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

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Social	4,218	3,267	4,580	4,531	(362)	(1,264)	1,942	1,777	13,945	14,093
Economic	9,790	8,153	10,223	9,154	(433)	(1,001)	3,048	3,623	340,664	343,000
Environment	2,946	2,873	2,648	2,652	298	221	185	76	20,212	16,147
Civic Leadership	667	557	1,536	1,367	(869)	(810)	–	–	3,941	4,078
Governance	15,440	14,680	10,243	18,219	5,197	(3,539)	6,807	4,352	46,335	40,047
Total functions and activities	33,061	29,530	29,230	35,923	3,831	(6,393)	11,982	9,828	425,097	417,365

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:

Social

Includes aged and disability services, social services, library, emergency services, parks and urban spaces, public health.

Economic

Includes Gwydir Learning Region, shire roads, asset management, sewerage services, marketing & promotion.

Environment

Includes development and land use management, water supply, environmental protection, waste operations and circular economy.

Civic Leadership

Includes organisational development & recreational facilities.

Governance

Includes technical services, governance, financial operations, information services, compliance, town utilities and plant operations.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	1,227	1,200
Farmland	6,256	6,134
Business	215	210
Less: pensioner rebates (mandatory)	(89)	(88)
Rates levied to ratepayers	7,609	7,456
Pensioner rate subsidies received	48	48
Total ordinary rates	7,657	7,504
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	652	692
Stormwater management services	36	36
Water supply services	686	686
Sewerage services	626	624
Waste management services (non-domestic)	727	653
Less: pensioner rebates (mandatory)	(151)	(148)
Annual charges levied	2,576	2,543
Pensioner subsidies received:		
– Water	24	24
– Sewerage	20	20
– Domestic waste management	37	37
Total annual charges	2,657	2,624
TOTAL RATES AND ANNUAL CHARGES	10,314	10,128

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, which are held as a liability - rates in advance.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	666	774
Sewerage services	69	65
Total specific user charges	735	839
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	13	3
Planning and building regulation	61	77
Private works – section 67	161	269
Registration fees	8	19
Section 603 certificates	9	11
Total fees and charges – statutory/regulatory	252	379
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	376	362
Cemeteries	35	41
Child care	3	4
RMS (formerly RTA) charges (state roads not controlled by Council)	1,698	1,429
Tourism	5	6
Gwydir learning region	30	26
Home and community care / community transport	119	66
Pre-school services	107	46
Roxy theatre	46	56
Community fitness	34	30
Other	51	92
Total fees and charges – other	2,504	2,158
TOTAL USER CHARGES AND FEES	3,491	3,376

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	23	22
– Cash and investments	76	78
Distribution income relating to investments held at fair value through other comprehensive income	164	116
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>263</u>	<u>216</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	14	13
General Council cash and investments	75	51
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	6	–
Water fund operations	17	18
Sewerage fund operations	80	77
Domestic waste management operations	71	57
Total interest and investment revenue	<u>263</u>	<u>216</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	247	244
Fines – other	8	5
Legal fees recovery – rates and charges (extra charges)	7	9
Commissions and agency fees	115	94
Diesel rebate	94	76
Insurance claims recoveries	16	16
Sales – general	54	45
Emergency services reimbursements	118	88
Employee related	89	74
Festivals	13	8
Medical centres	6	–
Naroo	2,438	2,442
Sewer operations	1	12
Tourism	53	35
Waste management revenues	16	95
Water supplies	33	4
Insurance Incentives	55	63
Companion Animals Reimbursement	6	52
Workers Compensation Premium Adjustment	–	129
Other – governance	3	25
Container Deposit reimbursement	45	–
Namoi Joint Organisation reimbursement	239	153
Crown Land Assets Reconciliation	373	–
Other	141	70
<u>TOTAL OTHER REVENUE</u>	<u>4,170</u>	<u>3,739</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.

Fines are recognised as revenue when the penalty has been paid.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	2,335	2,124	–	–
Payment in advance - future year allocation				
Financial assistance	2,421	2,207	–	–
Total general purpose	4,756	4,331	–	–
Specific purpose				
Aged care	–	–	361	42
Child care	30	27	–	–
Community care	288	306	–	–
Community centres	14	14	–	–
Economic development	–	30	–	–
Employment and training programs	32	21	–	–
Library	45	47	–	–
Library – per capita	–	–	–	200
Noxious weeds	69	100	–	–
NSW rural fire services	175	173	–	–
Recreation and culture	–	66	566	34
Street lighting	20	20	–	–
Transport (other roads and bridges funding)	–	–	2,881	1,625
Family first – DOCS	102	100	–	–
Preschool	261	274	–	–
Tharawonga operational	328	295	–	–
Transport (3x3, flood works, roads to recovery)	890	1,794	–	–
Innovation	–	110	–	–
Drought Communities	305	–	433	–
Stronger Country Communities	315	–	–	219
Crown Lands	76	–	–	–
Other	35	–	–	–
Total specific purpose	2,985	3,377	4,241	2,120
Total grants	7,741	7,708	4,241	2,120
Grant revenue is attributable to:				
– Commonwealth funding	6,506	6,641	2,256	801
– State funding	1,235	1,060	1,985	1,319
– Other funding	–	7	–	–
	7,741	7,708	4,241	2,120

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	238	256
Total developer contributions – cash		–	–	238	256
Total developer contributions	20	–	–	238	256
Other contributions:					
Cash contributions					
Recreation and culture		6	–	10	27
Roads and bridges		–	–	15	–
RMS contributions (regional roads, block grant)		1,924	1,606	592	292
Sewerage (excl. section 64 contributions)		–	–	2	–
Other		38	19	16	–
Self help roadwork contributions		–	–	–	9
Total other contributions – cash		1,968	1,625	635	328
Non-cash contributions					
Community services		–	–	–	34
Total other contributions – non-cash		–	–	–	34
Total other contributions		1,968	1,625	635	362
Total contributions		1,968	1,625	873	618
TOTAL GRANTS AND CONTRIBUTIONS		9,709	9,333	5,114	2,738

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 in note 3(g).

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

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

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	229	227
Add: operating grants recognised in the current period but not yet spent	252	143
Less: operating grants recognised in a previous reporting period now spent	(91)	(141)
Unexpended and held as restricted assets (operating grants)	390	229
Capital grants		
Unexpended at the close of the previous reporting period	237	–
Add: capital grants recognised in the current period but not yet spent	656	237
Less: capital grants recognised in a previous reporting period now spent	(37)	–
Unexpended and held as restricted assets (capital grants)	856	237
Contributions		
Unexpended at the close of the previous reporting period	256	–
Add: contributions recognised in the current period but not yet spent	6	256
Unexpended and held as restricted assets (contributions)	262	256

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	9,458	9,501
Travel expenses	184	223
Employee leave entitlements (ELE)	1,960	1,723
Superannuation	1,184	1,216
Workers' compensation insurance	529	371
Fringe benefit tax (FBT)	29	29
Training costs (other than salaries and wages)	248	195
Protective clothing	40	27
Other	30	28
Total employee costs	13,662	13,313
Less: capitalised costs	(1,584)	(1,707)
TOTAL EMPLOYEE COSTS EXPENSED	12,078	11,606

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		485	381
Total interest bearing liability costs expensed		485	381
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	81	82
Amortisation of discounts and premiums: – unwinding discount on reduced interest loan		49	56
Total other borrowing costs		130	138
TOTAL BORROWING COSTS EXPENSED		615	519

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	11,245	9,166
Contractor and consultancy costs		
– Consultants	345	163
– Domestic waste management contract	99	94
– Health services	12	2
– Pools	122	111
– Road infrastructure contractors	997	630
– Other	2,818	1,502
Auditors remuneration ²	73	73
Legal expenses:		
– Legal expenses: debt recovery	18	12
– Legal expenses: other	10	45
Total materials and contracts	<u>15,739</u>	<u>11,798</u>
Less: capitalised costs	(9,637)	(6,537)
TOTAL MATERIALS AND CONTRACTS	<u>6,102</u>	<u>5,261</u>

Accounting policy for operating leases

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

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	69	69
Remuneration for audit and other assurance services	<u>69</u>	<u>69</u>
Total Auditor-General remuneration	<u>69</u>	<u>69</u>

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

Audit and review of financial statements	4	4
Remuneration for audit and other assurance services	<u>4</u>	<u>4</u>
Total remuneration of non NSW Auditor-General audit firms	<u>4</u>	<u>4</u>
Total Auditor remuneration	<u>73</u>	<u>73</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		935	918
Office equipment		69	57
Furniture and fittings		50	51
Infrastructure:			
– Buildings – non-specialised		888	545
– Buildings – specialised		754	460
– Other structures		296	317
– Roads		4,380	3,959
– Bridges		11	12
– Footpaths		20	19
– Stormwater drainage		35	46
– Water supply network		385	303
– Sewerage network		187	194
– Swimming pools		113	154
Other assets:			
– Other		9	9
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9,11	103	103
– Quarry assets	9,11	30	38
Total gross depreciation and amortisation costs		8,265	7,185
Total depreciation and amortisation costs		8,265	7,185
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings – non-specialised		–	1,986
– Sewerage network		–	4,035
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	6,021
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	6,021
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		8,265	13,206

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

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

Impairment of non-financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

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

\$ '000	2019	2018
(e) Other expenses		
Advertising	31	52
Bad and doubtful debts	117	19
Bank charges	39	44
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	345	277
Councillor expenses – mayoral fee	27	27
Councillor expenses – councillors' fees	113	110
Donations, contributions and assistance to other organisations (Section 356)	121	122
Electricity and heating	576	589
Insurance	542	503
Street lighting	78	79
Subscriptions and publications	157	143
Telephone and communications	204	194
Valuation fees	32	31
Reinstatement of Provision	(332)	–
Other	–	1
Total other expenses	2,050	2,191
TOTAL OTHER EXPENSES	2,050	2,191

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		81	319
Less: carrying amount of property assets sold/written off		(42)	(168)
Net gain/(loss) on disposal		39	151
Plant and equipment			
	9		
Proceeds from disposal – plant and equipment		159	216
Less: carrying amount of plant and equipment assets sold/written off		(255)	(236)
Net gain/(loss) on disposal		(96)	(20)
Infrastructure			
	9		
Proceeds from disposal – infrastructure		23	–
Less: carrying amount of infrastructure assets sold/written off		(86)	(3,271)
Net gain/(loss) on disposal		(63)	(3,271)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		12,000	3,016
Less: carrying amount of investments sold/redeemed/matured		(12,000)	(3,016)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(120)	(3,140)

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	523	226
Cash-equivalent assets		
– Deposits at call	264	259
– Short-term deposits	3,000	3,000
Total cash and cash equivalents	3,787	3,485

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	8,606	–	5,842	–
Total Investments	<u>8,606</u>	<u>–</u>	<u>5,842</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>12,393</u>	<u>–</u>	<u>9,327</u>	<u>–</u>

Financial assets designated as at fair value through other comprehensive income

At 1 July 2018, Council designated the investments shown below as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes. In 2018, these investments were classified as available for sale.

Total	<u>–</u>	<u>–</u>
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No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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 as

- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

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 as dividend income - other comprehensive income in the profit and loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

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.

(d) Available for sale financial assets

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	12,393	–	9,327	–
attributable to:				
External restrictions	7,438	–	6,103	–
Internal restrictions	4,906	–	3,137	–
Unrestricted	49	–	87	–
	<u>12,393</u>	<u>–</u>	<u>9,327</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	274	–
Aged care bonds	290	290

External restrictions – included in liabilities

	<u>564</u>	<u>290</u>
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External restrictions – other

Developer contributions – general	262	256
Specific purpose unexpended grants	1,246	466
Water supplies	560	417
Sewerage services	3,292	3,202
Domestic waste management	1,514	1,472

External restrictions – other

	<u>6,874</u>	<u>5,813</u>
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Total external restrictions

	<u>7,438</u>	<u>6,103</u>
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Internal restrictions

Infrastructure replacement	250	–
Employees leave entitlement	900	849
Deposits, retentions and bonds	44	99
Advance Payment Financial Assistance Grant	2,421	1,207
Other waste	1,291	982

Total internal restrictions

	<u>4,906</u>	<u>3,137</u>
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TOTAL RESTRICTIONS

	<u>12,344</u>	<u>9,240</u>
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	344	–	345	–
Interest and extra charges	50	–	63	–
User charges and fees	266	–	323	–
Accrued revenues				
– Interest on investments	2	–	6	–
– Other income accruals	134	–	116	–
Government grants and subsidies	434	–	1,038	–
Developer Contributions	244	–	–	–
Net GST receivable	203	–	134	–
Sundry trade debtors	246	–	332	–
Other debtors	95	–	24	–
Total	2,018	–	2,381	–
Less: provision for impairment				
User charges and fees	(5)	–	–	–
Sundry debtors	(119)	–	(7)	–
Total provision for impairment – receivables	(124)	–	(7)	–
TOTAL NET RECEIVABLES	1,894	–	2,374	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	42	–	39	–
– Other	237	–	303	–
Sewerage services				
– Rates and availability charges	31	–	30	–
– Other	37	–	35	–
Developer Contributions	238	–	–	–
Total external restrictions	585	–	407	–
Unrestricted receivables	1,309	–	1,967	–
TOTAL NET RECEIVABLES	1,894	–	2,374	–

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	7	7
+ new provisions recognised during the year	117	–
Balance at the end of the period	124	7

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.

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	576	–	–	–
Stores and materials	228	–	220	–
Total inventories at cost	804	–	220	–
<u>TOTAL INVENTORIES</u>	<u>804</u>	<u>–</u>	<u>220</u>	<u>–</u>
(b) Other assets				
Prepayments	–	–	3	–
<u>TOTAL OTHER ASSETS</u>	<u>–</u>	<u>–</u>	<u>3</u>	<u>–</u>

(i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development				
Residential	576	–	–	–
Total real estate for resale	576	–	–	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	397	–	–	–
Development costs	179	–	–	–
Total costs	576	–	–	–
Total real estate for resale	576	–	–	–
Movements:				
– Purchases and other costs	179	–	–	–
– Transfers in from (out to) Note 9	397	–	–	–
Total real estate for resale	576	–	–	–

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

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

\$ '000	2019	2018
Real estate for resale	451	–
	451	–

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.

Land held for resale/capitalisation of borrowing costs

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

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

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

Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	2,810	–	2,810	5,696	–	–	–	(851)	–	–	–	7,655	–	7,655
Plant and equipment	16,478	(8,321)	8,157	–	1,649	(255)	(935)	325	–	–	–	17,737	(8,796)	8,941
Office equipment	801	(513)	288	–	62	–	(69)	–	–	–	–	864	(583)	281
Furniture and fittings	1,260	(511)	749	–	–	–	(50)	–	–	–	–	1,260	(561)	699
Land:														
– Operational land	4,952	–	4,952	–	236	(42)	–	28	–	(397)	–	4,777	–	4,777
– Community land	2,557	–	2,557	–	373	–	–	–	–	–	–	2,930	–	2,930
Infrastructure:														
– Buildings – non-specialised	41,690	(24,157)	17,533	178	–	(41)	(888)	21	–	–	–	41,664	(24,861)	16,803
– Buildings – specialised	34,268	(18,151)	16,117	224	–	(22)	(754)	32	–	–	–	34,497	(18,900)	15,597
– Other structures	5,618	(1,261)	4,357	268	–	(3)	(296)	78	–	–	–	5,941	(1,537)	4,404
– Roads	324,381	(43,515)	280,866	2,382	–	–	(4,380)	218	–	–	–	326,965	(47,879)	279,086
– Bridges	38,547	(393)	38,154	–	–	–	(11)	–	–	–	–	38,547	(404)	38,143
– Footpaths	3,190	(504)	2,686	–	–	–	(20)	–	–	–	–	3,190	(524)	2,666
– Stormwater drainage	3,860	(2,027)	1,833	–	–	–	(35)	–	–	–	29	3,922	(2,095)	1,827
– Water supply network	22,405	(7,359)	15,046	130	–	(20)	(385)	143	–	–	236	23,001	(7,851)	15,150
– Sewerage network	12,392	(7,412)	4,980	21	–	–	(187)	6	–	–	77	12,617	(7,720)	4,897
– Swimming pools	2,707	(201)	2,506	–	–	–	(113)	–	–	–	–	2,708	(315)	2,393
Other assets:														
– Other	184	(37)	147	–	–	–	(9)	–	–	–	–	184	(46)	138
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	1,462	(103)	1,359	–	–	–	(103)	–	2,049	–	–	3,305	–	3,305
– Quarry assets	397	(53)	344	–	–	–	(30)	–	–	–	–	397	(83)	314
Total Infrastructure, property, plant and equipment	519,959	(114,518)	405,441	8,899	2,320	(383)	(8,265)	–	2,049	(397)	342	532,161	(122,155)	410,006

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	1,912	–	1,912	2,221	–	–	–	–	(1,323)	–	–	–	2,810	–	2,810
Plant and equipment	16,151	(7,718)	8,433	–	912	(190)	(918)	–	–	(80)	–	–	16,478	(8,321)	8,157
Office equipment	1,124	(833)	291	–	99	(45)	(57)	–	–	–	–	–	801	(513)	288
Furniture and fittings	1,254	(460)	794	–	6	–	(51)	–	–	–	–	–	1,260	(511)	749
Land:															
– Operational land	5,279	–	5,279	–	–	(5)	–	–	–	–	(322)	–	4,952	–	4,952
– Community land	2,557	–	2,557	–	–	–	–	–	–	–	–	–	2,557	–	2,557
Infrastructure:															
– Buildings – non-specialised	31,346	(7,483)	23,863	221	–	(681)	(545)	(1,986)	–	–	(3,339)	–	41,690	(24,157)	17,533
– Buildings – specialised	30,176	(5,116)	25,060	137	–	–	(460)	–	–	(3,042)	(5,578)	–	34,268	(18,151)	16,117
– Other structures	4,817	(725)	4,092	187	–	–	(317)	–	45	350	–	–	5,618	(1,261)	4,357
– Roads	323,492	(41,238)	282,254	4,213	–	(2,754)	(3,959)	–	1,112	–	–	–	324,381	(43,515)	280,866
– Bridges	38,547	(381)	38,166	–	–	–	(12)	–	–	–	–	–	38,547	(393)	38,154
– Footpaths	3,188	(485)	2,703	–	2	–	(19)	–	–	–	–	–	3,190	(504)	2,686
– Stormwater drainage	3,755	(2,466)	1,289	41	–	–	(46)	–	–	–	–	549	3,860	(2,027)	1,833
– Water supply network	16,993	(5,284)	11,709	80	–	–	(303)	–	67	2,692	–	801	22,405	(7,359)	15,046
– Sewerage network	12,954	(3,435)	9,519	96	–	–	(194)	(4,035)	99	80	(585)	–	12,392	(7,412)	4,980
– Swimming pools	2,679	(47)	2,632	28	–	–	(154)	–	–	–	–	–	2,707	(201)	2,506
Other assets:															
– Other	183	(27)	156	–	–	–	(9)	–	–	–	–	–	184	(37)	147
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
– Tip assets	1,462	–	1,462	–	–	–	(103)	–	–	–	–	–	1,462	(103)	1,359
– Quarry assets	398	(16)	382	–	–	–	(38)	–	–	–	–	–	397	(53)	344
Total Infrastructure, property, plant and equipment	498,267	(75,714)	422,553	7,224	1,019	(3,675)	(7,185)	(6,021)	–	–	(9,824)	1,350	519,959	(114,518)	405,441

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 20	Playground equipment	5 to 15
Office furniture	9 to 30	Benches, seats etc.	10 to 20
Vehicles, plant and equipment	5 to 50	Other Structures	5 to 100
Water and sewer assets		Buildings	
Dams and reservoirs	15 to 100	Buildings	15 to 100
Bores	10 to 30		
Reticulation pipes: PVC	100	Stormwater assets	
Pumps and telemetry	15 to 100	Drains	50 to 100
Treatment plant	10 to 100	Culverts	100
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	infinite
Sealed roads: structure	20 to 100	Swimming pools	60
Unsealed roads	9 to 100	Other Assets	10 to 100
Bridge: concrete	100		
Bridge: other	100		
Road pavements	60		
Kerb and gutter	80		
Footpaths	80 to 117		

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

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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 continue to recognise some of the rural fire service assets including land, buildings, some of the plant and vehicles. However, some fire fighting trucks (referred to as the Red Fleet) have not been recognised.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	188	–	27	–
Accrued expenses:				
– Borrowings	68	–	69	–
– Salaries and wages	443	–	299	–
– Other expenditure accruals	162	–	36	–
Security bonds, deposits and retentions	44	–	99	–
Aged care deposits and bonds	2,415	–	1,934	–
Sundry	21	–	25	–
Other	74	–	54	–
Total payables	3,415	–	2,543	–
Income received in advance				
Payments received in advance	163	–	164	–
Total income received in advance	163	–	164	–
Borrowings				
Loans – secured ¹	1,274	8,266	991	7,686
Total borrowings	1,274	8,266	991	7,686
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>4,852</u>	<u>8,266</u>	<u>3,698</u>	<u>7,686</u>

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 16.

\$ '000	2019	2018
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	1,615	1,234
Total payables and borrowings	1,615	1,234

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019
	Opening Balance					Closing balance
Loans – secured	8,677	814	–	49	–	9,540
TOTAL	8,677	814	–	49	–	9,540

\$ '000	as at 30/6/2017	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018
	Opening Balance					Closing balance
Loans – secured	9,948	(1,327)	–	56	–	8,677
TOTAL	9,948	(1,327)	–	56	–	8,677

\$ '000	2019	2018
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	100	100
Credit cards/purchase cards	100	100
Total financing arrangements	200	200

Drawn facilities as at balance date:

– Credit cards/purchase cards	30	36
Total drawn financing arrangements	30	36

Undrawn facilities as at balance date:

– Bank overdraft facilities	100	100
– Credit cards/purchase cards	70	64
Total undrawn financing arrangements	170	164

(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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	1,129	–	1,077	–
Long service leave	1,596	103	1,621	103
Sub-total – aggregate employee benefits	2,725	103	2,698	103
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	3,739	–	1,941
Sub-total – asset remediation/restoration	–	3,739	–	1,941
<u>TOTAL PROVISIONS</u>	<u>2,725</u>	<u>3,842</u>	<u>2,698</u>	<u>2,044</u>

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

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

Provisions – employees benefits	1,525	1,498
	1,525	1,498

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	1,941	1,941
Remeasurement effects	1,716	1,716
Unwinding of discount	82	82
Total other provisions at end of period	3,739	3,739
2018		
At beginning of year	1,859	1,859
Unwinding of discount	82	82
Total other provisions at end of period	1,941	1,941

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

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

Accounting policy for provisions

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

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

Rehabilitation

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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

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

The cost estimate for landfill rehabilitation has been based on phytocapping treatment which is yet to be approved by the EPA that recommends clay compaction. Estimated costs will increase if the EPA does not approve the different rehabilitation treatment.

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

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	3,787	3,485
Balance as per the Statement of Cash Flows		3,787	3,485
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,831	(6,393)
Adjust for non-cash items:			
Depreciation and amortisation		8,265	7,185
Net losses/(gains) on disposal of assets		120	3,140
Non-cash capital grants and contributions		–	(34)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		–	6,021
Unwinding of discount rates on reinstatement provisions		130	138
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		363	(1,287)
Increase/(decrease) in provision for impairment of receivables		117	–
Decrease/(increase) in inventories		(8)	4
Decrease/(increase) in other current assets		3	7
Increase/(decrease) in payables		161	21
Increase/(decrease) in accrued interest payable		(1)	–
Increase/(decrease) in other accrued expenses payable		270	92
Increase/(decrease) in other liabilities		441	256
Increase/(decrease) in provision for employee benefits		27	(355)
Increase/(decrease) in other provisions		(333)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		13,386	8,795
(c) Non-cash investing and financing activities			
Donation of vehicle		–	34
Total non-cash investing and financing activities		–	34

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Commitments

\$ '000	2019	2018
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Warialda Bypass Project	–	998
Purchase of Road Reclaimer	–	342
Purchase of Wheel Loader	148	–
Total commitments	148	1,340
These expenditures are payable as follows:		
Within the next year	148	1,340
Total payable	148	1,340
Sources for funding of capital commitments:		
Unrestricted general funds	148	417
Future grants and contributions	–	923
Total sources of funding	148	1,340

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 273,443. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$116,600. Council's expected contribution to the plan for the next annual reporting period is \$260,454.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

Based on a Past Services Liabilities methodology, the share of surplus than can be attributed to Council is 0.29%.

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

(v) The Community Mutual Group

Council provides bank guarantees to the value of \$263,460 to provide additional assistance to borrowers for home loans relating to properties within the local government area. The guarantees are provided to The Community Mutual Group.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	3,787	3,485	3,787	3,485
Receivables	1,894	2,374	1,894	2,374
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	8,606	5,842	8,606	5,842
Total financial assets	14,287	11,701	14,287	11,701
Financial liabilities				
Payables	3,415	2,543	3,415	2,584
Loans/advances	9,540	8,677	9,540	8,636
Total financial liabilities	12,955	11,220	12,955	11,220

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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

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

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	861	861	(861)	(861)
Possible impact of a 1% movement in interest rates	38	38	(38)	(38)
2018				
Possible impact of a 10% movement in market values	584	584	(584)	(584)
Possible impact of a 1% movement in interest rates	35	35	(35)	(35)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

Council makes suitable provision for doubtful receivables as required.

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	310	34	–	–	–	344
2018						

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
Gross carrying amount	307	38	–	–	–	345

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	1,433	78	125	–	38	1,674
Expected loss rate (%)	0.00%	0.00%	95.00%	0.00%	14.00%	7.41%
ECL provision	–	–	119	–	5	124
2018						
Gross carrying amount	1,962	45	–	29	–	2,036
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	7	7

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	44	3,371	–	–	3,415	3,415
Loans and advances	6.59%	–	1,795	6,361	3,648	11,804	9,540
Total financial liabilities		44	5,166	6,361	3,648	15,219	12,955

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	99	2,444	–	–	2,543	2,543
Loans and advances	6.14%	–	1,547	4,852	4,304	10,703	8,677
Total financial liabilities		99	3,991	4,852	4,304	13,246	11,220

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28/06/2018 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	10,479	10,314	(165)	(2)% U
User charges and fees	3,201	3,491	290	9% F
Interest and investment revenue	101	263	162	160% F
Interest on investments was higher than budget due to additional funds being invested.				
Other revenues	2,977	4,170	1,193	40% F
Other revenues were greater than the budget forecast due to additional income from Naroo \$233k, \$373k Crown Land adjustment and reimbursements for council costs associated with the Joint Organisation \$239k.				
Operating grants and contributions	13,042	9,709	(3,333)	(26)% U
Council had budgeted for all projects under the Stronger Country Communities and Drought Communities Programs to be completed in the financial year. A number of the projects are still are not complete and as funding is only received based on the milestones in the grant agreements not all funding was received in the financial year.				
Capital grants and contributions	4,545	5,114	569	13% F
Council received additional funding for Regional Roads \$581k and \$361k for capital upgrade of the kitchen at Naroo.				
EXPENSES				
Employee benefits and on-costs	12,515	12,078	437	3% F
Borrowing costs	516	615	(99)	(19)% U
Council had not budgeted for the the discount (non cash) adjustment on the remediation liabilities for landfill and quarries \$81k.				
Materials and contracts	6,790	6,102	688	10% F
Council received additional funding for roads which increased materials and contract costs.				
Depreciation and amortisation	6,411	8,265	(1,854)	(29)% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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Council revalued a number of assets classes in 2018 which significantly increased the asset value and subsequent depreciation expense. The 2019 budget had already been adopted prior to the completion of the revaluation.

Other expenses	2,779	2,050	729	26%	F
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Council had budgeted for additional insurance and communication costs however the costs were not incurred.

Restatement of the landfill remediation provision also resulted in an adjustment of \$333k.

Net losses from disposal of assets	50	120	(70)	(140)%	U
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Proceeds from the sale of plant & equipment was less than originally budgeted.

Revaluation decrement / impairment of IPP&E	-	-	-	∞	F
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STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	9,823	13,386	3,563	36%	F
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Additional revenue from Naroo operations and capital grants increased the cash provided from operating activities.

Net cash provided from (used in) investing activities	(9,427)	(13,899)	(4,472)	47%	U
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Council income from the sale of assets was less than original budget and there were additional capital purchases.

Net cash provided from (used in) financing activities	(1,002)	815	1,817	(181)%	F
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Council took out 2 loans totalling \$2,023k which were not in the original budget. Loan principal repayments were also lower than original budget.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets at fair value through other comprehensive income'		30/06/19	–	8,606	–	8,606
Total financial assets			–	8,606	–	8,606
Infrastructure, property, plant and equipment						
	9					
Plant & Equipment		30/06/19	–	–	8,941	8,941
Office Equipment		30/06/19	–	–	281	281
Furniture & Fittings		30/06/19	–	–	699	699
Operational Land		30/06/18	–	–	4,777	4,777
Community Land		30/06/16	–	–	2,930	2,930
Buildings Specialised		30/06/18	–	–	15,597	15,597
Buildings Non-Specialised		30/06/18	–	–	16,803	16,803
Other Structures		30/06/16	–	–	4,404	4,404
Roads		30/06/15	–	–	279,086	279,086
Bridges		30/06/15	–	–	38,143	38,143
Footpaths		30/06/15	–	–	2,666	2,666
Stormwater Drainage		30/06/18	–	–	1,827	1,827
Water Supply Network		30/06/18	–	–	15,150	15,150
Sewerage Network		30/06/18	–	–	4,897	4,897
Swimming Pools		30/06/16	–	–	2,393	2,393
Other		30/06/16	–	–	138	138
Tip Asset		30/06/17	–	–	3,305	3,305
Quarry Asset		30/06/17	–	–	314	314
Work in Progress		30/06/19	–	–	7,655	7,655
Total infrastructure, property, plant and equipment			–	–	410,006	410,006

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Financial assets at fair value through other comprehensive income'		30/06/18	–	5,842	–	5,842
Total financial assets			–	5,842	–	5,842
Infrastructure, property, plant and equipment						
	9					
Plant & Equipment		30/06/18	–	–	8,157	8,157
Office Equipment		30/06/18	–	–	288	288
Furniture & Fittings		30/06/18	–	–	749	749
Operational Land		30/06/18	–	–	4,952	4,952
Community Land		30/06/16	–	–	2,557	2,557
Buildings Specialised		30/06/18	–	–	16,117	16,117
Buildings Non-Specialised		30/06/18	–	–	17,533	17,533
Other Structures		30/06/16	–	–	4,357	4,357
Roads		30/06/15	–	–	280,866	280,866
Bridges		30/06/15	–	–	38,154	38,154
Footpaths		30/06/15	–	–	2,686	2,686
Stormwater Drainage		30/06/18	–	–	1,833	1,833
Water Supply Network		30/06/18	–	–	15,046	15,046
Sewerage Network		30/06/18	–	–	4,980	4,980
Swimming Pools		30/06/16	–	–	2,506	2,506
Other		30/06/16	–	–	147	147
Tip Asset		30/06/17	–	–	1,359	1,359
Quarry Asset		30/06/17	–	–	344	344
Work in Progress		30/06/18	–	–	2,810	2,810
Total infrastructure, property, plant and equipment			–	–	405,441	405,441

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

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

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

All assets have been valued at level 3 fair values

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

Highest and best use.

There were no assets valued where it was assumed that the highest and best use was other than its current use.

Valuation techniques and inputs.

Asset	Level of valuation input	Valuation technique	Gross (RC or MV) (\$, 000)	Accumulated Depreciation (\$,000)	Fair Value (\$, 000)
Land					
Saleable land	3	Market	4,777		4,777
Non saleable land	3	Cost	2,930		2,930

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

Total					
Buildings (cost approach)					
Specialised buildings	3	Cost	34,497	18,900	15,597
Total					
Buildings (market/income approach)					
Residential Buildings	3	Market	41,664	24,861	16,803
Total					

Plant & Equipment, Office equipment, Furniture & Fittings and Other Structures

Plant & Equipment, Office equipment and Furniture & 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 assets. Examples of assets within the classes are as follows:

*Plant & Equipment	Trucks, tractors, ride-on-mowers, earthmoving equipment and motor vehicles.
*Office Equipment	Electronic whiteboards and computer equipment
*Furniture & Fittings	Chairs, desks and filing cabinets.
*Other structures	Fences, small sheds, water tanks and street bins

The key unobservable inputs to the valuations are the remaining useful life and residual value. Council reviews the value of these

Community land

All valuations of Community land are based upon the land valuations issued by the Valuer-General on a regular basis.

Valuation techniques used to derive fair values - land and buildings

The council engages external, independent and qualified valuers to determine the fair value of the entities land and buildings on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim evaluation using appropriate indices.

As at 30 June 2018 a comprehensive revaluation was undertaken Scott Fullerton Valuers for Operational Land and Building Asset Classes.

The main level 3 inputs used are derived and evaluated as follows –

1. Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the
2. The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements.

Land

Level 3 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

Level 3 valuation inputs

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Infrastructure assets

Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than its current use.

The following methods are used to determine the fair value measurements.

Infrastructure assets

Level 3 valuation inputs

Infrastructure assets were valued using the cost approach using professionally qualified internal staff. The 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. The unit rates were based on inputs such as estimates of residual value, useful life, pattern of consumption and asset condition and required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Swimming Pools

The fair value amount for this asset has been derived from assets originally classed in Other Structures. Swimming pools were valued as part of Other Structures on 30 June 2016 by APV Valuers. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at level 3. This has been no change to the valuation process during the reporting period.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Roads, Bridges, Bulk Earthworks and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. The valuation of the infrastructure assets has been undertaken internally by Council's Engineering Department by experienced Engineers. This valuation relies on key unobservable inputs such as unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The valuation process also relied on the skill and experience of the Engineers. The key unobservable inputs and no active market places this asset category at Level 3. The last valuation was undertaken internally by Council's Engineers on 30 June 2015. There has been no change to the valuation process during the reporting year.

Stormwater Drainage

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

This class of assets includes culverts, mains, open drains, trash screens, GPT. The valuation is based on Modern Engineering Equivalent Replacement Asset (MEERA) and standard unit costs. The reference rates are obtained from the NSW Reference Rates Tables issued by NSW Office of Water. The last valuation was undertaken on 30 June 2018. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Remediation Assets

This class of asset includes the various landfill sites within the local government areas. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs. There has been changes to the valuation process during the reporting period. Also included in this group are the various gravel pits (quarries) operated by Council. The remediation cost include final site management and works to comply with environmental requirements. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs. There has been changes to the valuation process during the reporting period.

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

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

\$ '000	Total IPP&E
2018	
Opening balance	422,553
Purchases (GBV)	8,243
Disposals (WDV)	(3,675)
Depreciation and impairment	(7,185)
FV gains – other comprehensive income	(8,474)
Revaluation Decrements to P&L	(6,021)
Restate Provision	–
Closing balance	405,441
2019	
Opening balance	405,441
Transfers from/(to) another asset class	(397)
Purchases (GBV)	11,219
Disposals (WDV)	(383)
Depreciation and impairment	(8,265)
FV gains – other comprehensive income	342
Restate Provision	2,049
Closing balance	410,006

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.			
Infrastructure, property, plant and equipment			
Plant & Equipment	8,941	Cost	Gross Replacement Costs, Useful Life, Residual Value
Office equipment	281	Cost	Gross Replacement Costs, Useful Life, Residual Value
Furniture and fittings	699	Cost	Gross Replacement Costs, Useful Life, Residual Value
Operational land	4,777	Relevant sales in the area	Land Value
Community land	2,930	Land Values issued by Valuer General	Land Value
Buildings specialised	15,597	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Buildings non-specialised	16,803	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Other structures	4,404	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Roads	279,088	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Bridges	38,143	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Footpaths	2,666	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Stormwater drainage	1,827	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Asset Condition
Water supply network	15,150	Modern Engineering Equivalent Replacement Assets (MEERA) and Standard unit costs	Replacement Costs, Useful Life, Asset Condition
Sewerage network	4,897	Depreciated Replacement Cost	Replacement Costs, Useful Life, Asset Condition
Swimming pools	2,393	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life
Other	138	Depreciated Replacement Cost	Gross Replacement Costs, Useful Life
Tip asset	3,305	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition
Quarry asset	314	Unit Rates and Condition Assessment	Replacement Costs, Useful Life, Asset Condition

(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 19. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	803	842
Post-employment benefits	158	366
Total	961	1,208

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2019					
Employee Expenses relating to close family members of KMP	129	–	Council staff award	–	–
Supply of Gravel cartage	217	–	7 days on invoice	–	–
Purchase of vacant land	85	–		–	–
2018					
Employee Expenses relating to close family members of KMP	120	–	Council staff award	–	–
Supply of Gravel cartage	183	–	7 days on invoice	–	–
Purchase of vacant land	–	–		–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S7.11 not under plans	256	238	–	6	–	–	500	–
Total contributions	256	238	–	6	–	–	500	–

S7.11 Contributions – not under a plan

CONTRIBUTIONS NOT UNDER A PLAN

Roads	256	238	–	6	–	–	500	–
Total	256	238	–	6	–	–	500	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Financial result and financial position by fund

\$ '000	Waste 2019	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund				
Income from continuing operations				
Rates and annual charges	1,438	7,498	723	655
User charges and fees	–	2,372	1,049	70
Interest and investment revenue	71	95	17	80
Other revenues	80	4,054	35	1
Grants and contributions provided for operating purposes	–	9,709	–	–
Grants and contributions provided for capital purposes	–	5,112	–	2
Total income from continuing operations	1,589	28,840	1,824	808
Expenses from continuing operations				
Employee benefits and on-costs	393	10,944	457	284
Borrowing costs	5	467	143	–
Materials and contracts	784	4,536	544	238
Depreciation and amortisation	186	7,460	423	196
Other expenses	(318)	2,094	229	45
Net losses from the disposal of assets	–	100	20	–
Total expenses from continuing operations	1,050	25,601	1,816	763
<u>Operating result from continuing operations</u>	<u>539</u>	<u>3,239</u>	<u>8</u>	<u>45</u>
<u>Net operating result for the year</u>	<u>539</u>	<u>3,239</u>	<u>8</u>	<u>45</u>
Net operating result attributable to each council fund	539	3,239	8	45
Net operating result for the year before grants and contributions provided for capital purposes	539	(1,873)	8	43

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 21. Financial result and financial position by fund (continued)

\$ '000	Waste 2019	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund				
ASSETS				
Current assets				
Cash and cash equivalents	855	1,770	170	992
Investments	1,950	3,966	390	2,300
Receivables	86	1,461	279	68
Inventories	–	783	20	1
Total current assets	2,891	7,980	859	3,361
Non-current assets				
Infrastructure, property, plant and equipment	3,954	384,073	16,516	5,463
Total non-current assets	3,954	384,073	16,516	5,463
TOTAL ASSETS	6,845	392,053	17,375	8,824
LIABILITIES				
Current liabilities				
Payables	1	3,386	28	–
Income received in advance	–	163	–	–
Borrowings	8	1,085	181	–
Provisions	–	2,725	–	–
Total current liabilities	9	7,359	209	–
Non-current liabilities				
Borrowings	49	6,599	1,618	–
Provisions	3,306	536	–	–
Total non-current liabilities	3,355	7,135	1,618	–
TOTAL LIABILITIES	3,364	14,494	1,827	–
Net assets	3,481	377,559	15,548	8,824
EQUITY				
Accumulated surplus	2,880	253,537	12,748	8,566
Revaluation reserves	601	124,022	2,800	258
Council equity interest	3,481	377,559	15,548	8,824
Total equity	3,481	377,559	15,548	8,824

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 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,163)	(4.16)%	0.11%	16.52%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	27,947				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	18,109	54.77%	58.69%	57.18%	>60.00%
Total continuing operating revenue ¹	33,061				
3. Unrestricted current ratio					
Current assets less all external restrictions	6,596	1.56x	1.73x	2.04x	>1.50x
Current liabilities less specific purpose liabilities	4,228				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,717	4.23x	4.19x	6.81x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,823				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	394	3.71%	3.90%	4.42%	<10.00%
Rates, annual and extra charges collectible	10,623				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	3,787	1.97 mths	1.90 mths	4.80 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,922				

(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 22(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	(4.87)%	(0.48)%	1.54%	0.24%	5.33%	17.61%	>0.00%
Total continuing operating revenue excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	51.01%	54.84%	98.68%	100.00%	97.28%	100.00%	>60.00%
Total continuing operating revenue							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.67x	1.73x	4.11x	3.01x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.73x	4.83x	1.61x	1.18x	∞	∞	>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	3.40%	3.59%	6.13%	6.51%	5.23%	4.93%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	1.51	1.28	1.28	1.16	20.99	30.89	>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 28a above.

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

I have audited the accompanying financial statements of Gwydir 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 17 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.



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

21 October 2019
SYDNEY



Cr John Coulton
Mayor
Gwydir Shire Council
PO Box 5
BINGARA NSW 2404

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D1924222/1736

21 October 2019

Dear Mayor Coulton

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





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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	10.3	10.1	 2.0
Grants and contributions revenue	14.8	12.1	 22.3
Operating result for the year	3.8	(6.4)	 159
Net operating result before capital grants and contributions	(1.3)	(9.1)	 85.7

Council's operating result of \$3.8 million was \$10.2 million higher than the 2017–18 result. This was mainly due a \$3.0 million reduction in the net loss on disposal of assets, a reduction in the revaluation increment of \$6.0 million (correction of previous buildings and sewer network valuations in the prior year) and additional grant revenues of \$2.7 million (see comments below).

The reduction in expenditure and higher capital grant income was partially offset by increases in depreciation and amortisation expense of \$1.1 million due to the changes in remaining useful lives following revaluation of buildings, water and sewer network assets in the prior year; increases in materials and contract costs of \$841,000 associated with increased grant funding and outsourcing some project works; and increases in employee costs of \$472,000 associated with the reduction in employee costs capitalised on Council projects.

The net operating deficit before capital grants and contributions of \$1.3 million was \$7.8 million lower than the 2017–18 result. This is mainly due to the reasons above excluding the increase in capital grants.

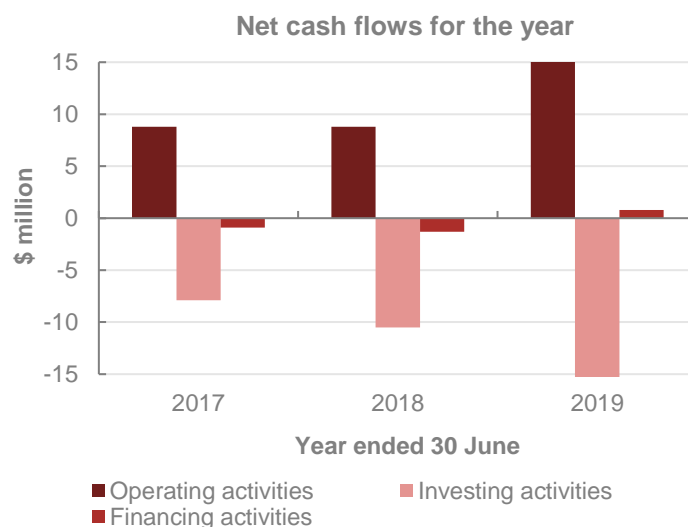
Rates and annual charges revenue of \$10.3 million increased by \$186,000 or 2.0 per cent in 2018–2019 due to rate peg increases.

Grants and contributions revenue of \$14.8 million increased by \$2.7 million or 22.3 per cent in 2018–2019 mainly due to:

- increases in aged care contributions for infrastructure works of \$300,000
- increases in recreation and culture grants of \$500,000 arising from building better community grant opportunities for sporting ground and community hall upgrades
- increase in capital grants for Warialda bypass of \$1.3 million
- grant funding for building stronger country communities of \$700,000
- increases in RMS contributions for various regional roads of \$600,000
- reduction in roads to recovery funding of \$900,000 due to the completion of the three year funding cycle.

STATEMENT OF CASH FLOWS

Cash from operations increased by \$6.6 million due to higher grants and contributions. Cash outflows from investing increased by \$5.4 million due to increases in capital expenditure funded by increases in capital grants. Council also moved additional cash into investments during the year. Cash from financing activities increased by \$2.1 million due to additional borrowings to fund capital projects.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	7.4	6.1	<ul style="list-style-type: none"> Major external cash restrictions include water, sewer and domestic waste operations reserves as well as grants for specific purposes. The main increase was in unexpended grants related to projects to be completed in the coming year, including the Warialda Bypass.
Internal restrictions	4.9	3.1	
Unrestricted	0.1	0.1	
Cash and investments	12.4	9.3	<ul style="list-style-type: none"> Major internal restrictions related to reserves to fund future capital works, increase reserves to fund waste management plans and employee leave entitlements. Council has also restricted the financial assistance grant instalments received in advance. Council has a policy of limiting unrestricted cash at year end.

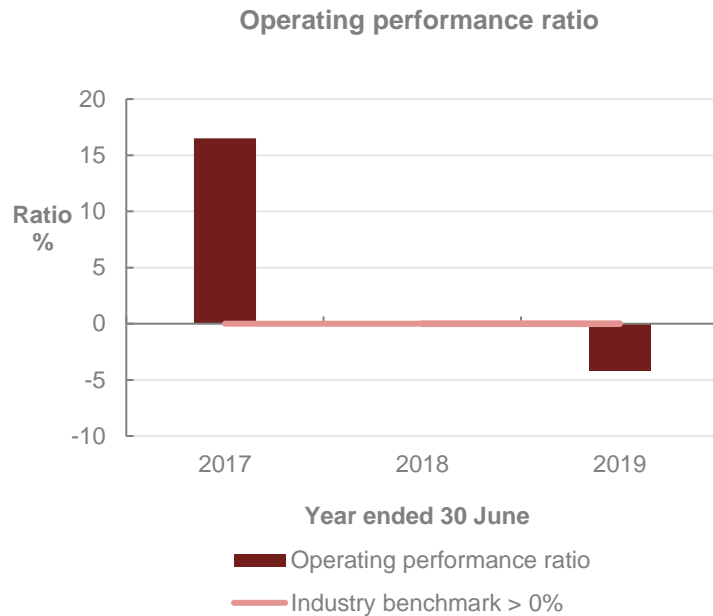
PERFORMANCE

Operating performance ratio

The 2018–19 operating performance ratio (-4.16) arose due to a negative net operating result, caused by higher levels of capital grant income and adjusted operating expenses compared to 2017–18.

Adjusted operating expenses increased after excluding losses on disposal of assets and the revaluation decrement in 2017–18.

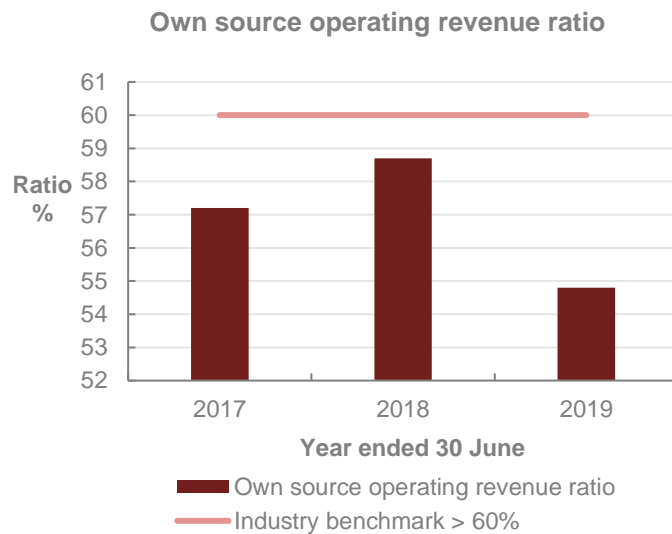
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

The own source operating revenue ratio has reduced compared to the 2017–18 year due to increases in grants in the current year.

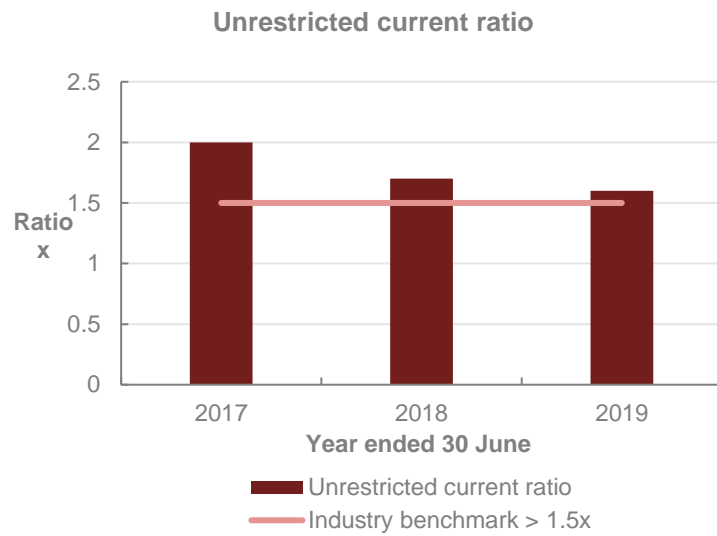
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

Council remains above the former OLG benchmark. The reduction in the unrestricted current ratio is due to Council utilising cash reserves for capital works in the current year.

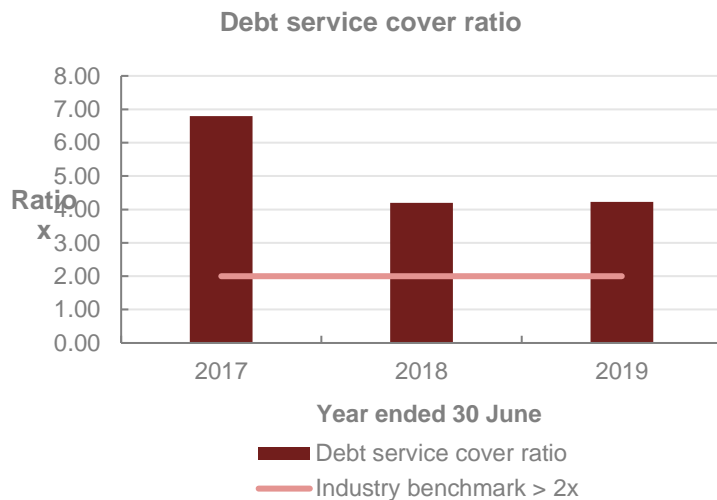
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio remains above the former OLG benchmark and remained consistent with the prior year.

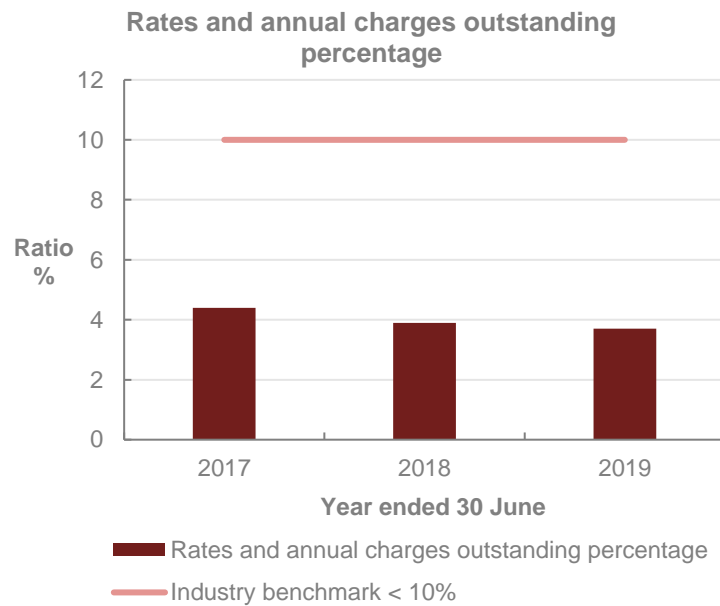
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding ratio has remained stable compared to the past two years and remains well within the former OLG benchmark.

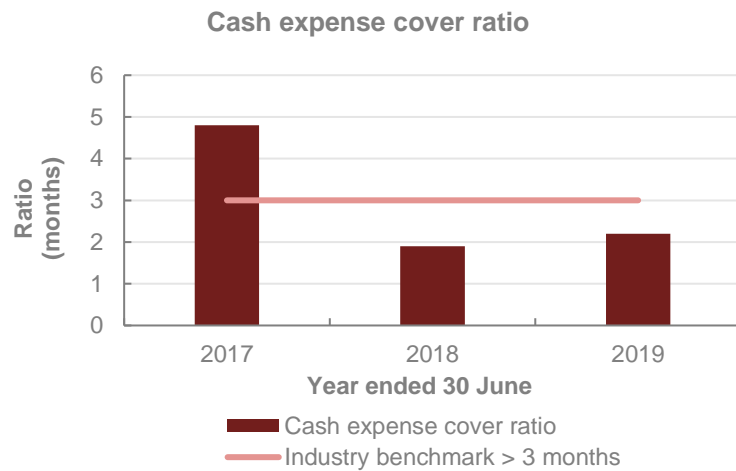
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The cash expense cover ratio remains comparable to 2017–18. The reduction from 2016–17 is due to Council moving cash into managed funds in the past two years.

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



Infrastructure, property, plant and equipment renewals

Council's Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$8.9 million. This increased by \$1.7 million compared to 2017–18 due to Council increasing its road renewal works in accordance with its infrastructure management plans. Renewal expenditure exceeded depreciation for the year by \$634,000.

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' changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in 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.



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Max Eastcott, General Manager
Mr Nicolas Tobin, Chair of Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Gwydir Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



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).

Gwydir 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 26 September 2019.



Cr Catherine Egan
Deputy Mayor
26 September 2019



Cr David Coulton
Councillor
26 September 2019



Max Eastcott
General Manager
26 September 2019



Helen Thomas
Responsible Accounting Officer
26 September 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	723	722
User charges	1,046	956
Fees	3	3
Interest	17	18
Other income	35	2
Total income from continuing operations	1,824	1,701
Expenses from continuing operations		
Employee benefits and on-costs	457	446
Borrowing costs	143	162
Materials and contracts	544	535
Depreciation, amortisation and impairment	423	331
Loss on sale of assets	20	–
Other expenses	229	223
Total expenses from continuing operations	1,816	1,697
Surplus (deficit) from continuing operations before capital amounts	8	4
Surplus (deficit) from continuing operations after capital amounts	8	4
Surplus (deficit) from all operations before tax	8	4
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(2)	(1)
SURPLUS (DEFICIT) AFTER TAX	6	3
Plus accumulated surplus	12,740	12,736
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	2	1
Closing accumulated surplus	12,748	12,740
Return on capital %	0.9%	1.0%
Subsidy from Council	67	269
Calculation of dividend payable:		
Surplus (deficit) after tax	6	3
Surplus for dividend calculation purposes	6	3
Potential dividend calculated from surplus	3	1

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	655	653
User charges	70	70
Interest	80	77
Other income	1	12
Total income from continuing operations	806	812
Expenses from continuing operations		
Employee benefits and on-costs	284	307
Materials and contracts	238	116
Depreciation, amortisation and impairment	196	4,237
Other expenses	45	44
Total expenses from continuing operations	763	4,704
Surplus (deficit) from continuing operations before capital amounts	43	(3,892)
Grants and contributions provided for capital purposes	2	–
Surplus (deficit) from continuing operations after capital amounts	45	(3,892)
Surplus (deficit) from all operations before tax	45	(3,892)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(12)	–
SURPLUS (DEFICIT) AFTER TAX	33	(3,892)
Plus accumulated surplus	8,521	12,413
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	12	–
Closing accumulated surplus	8,566	8,521
Return on capital %	0.8%	(71.6)%
Subsidy from Council	29	4,035
Calculation of dividend payable:		
Surplus (deficit) after tax	33	(3,892)
Less: capital grants and contributions (excluding developer contributions)	(2)	–
Surplus for dividend calculation purposes	31	–
Potential dividend calculated from surplus	16	–

Income Statement – Waste business activity

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
Access charges	1,438	1,407
User charges	–	17
Interest	71	57
Other income	80	95
Total income from continuing operations	1,589	1,576
Expenses from continuing operations		
Employee benefits and on-costs	393	434
Borrowing costs	5	6
Materials and contracts	784	595
Depreciation, amortisation and impairment	186	183
Other expenses	(318)	2
Total expenses from continuing operations	1,050	1,220
Surplus (deficit) from continuing operations before capital amounts	539	356
Surplus (deficit) from continuing operations after capital amounts	539	356
Surplus (deficit) from all operations before tax	539	356
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(148)	(98)
SURPLUS (DEFICIT) AFTER TAX	391	258
Plus accumulated surplus	2,341	1,985
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	148	98
Closing accumulated surplus	2,880	2,341
Return on capital %	13.8%	18.1%

Income Statement – Naroo aged care

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Rentals	2,437	2,383
Interest	8	7
Other income	1	56
Total income from continuing operations	2,446	2,446
Expenses from continuing operations		
Employee benefits and on-costs	2,079	2,032
Borrowing costs	150	(10)
Materials and contracts	385	539
Depreciation, amortisation and impairment	192	119
Other expenses	113	71
Total expenses from continuing operations	2,919	2,751
Surplus (deficit) from continuing operations before capital amounts	(473)	(305)
Grants and contributions provided for capital purposes	361	–
Surplus (deficit) from continuing operations after capital amounts	(112)	(305)
Surplus (deficit) from all operations before tax	(112)	(305)
SURPLUS (DEFICIT) AFTER TAX	(112)	(305)
Plus accumulated surplus	(359)	(54)
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	(471)	(359)
Return on capital %	(7.5)%	(7.0)%
Subsidy from Council	380	434

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	170	157
Investments	390	260
Receivables	279	342
Inventories	20	21
Total current assets	859	780
Non-current assets		
Infrastructure, property, plant and equipment	16,516	16,549
Total non-current assets	16,516	16,549
TOTAL ASSETS	17,375	17,329
LIABILITIES		
Current liabilities		
Payables	28	–
Borrowings	181	259
Total current liabilities	209	259
Non-current liabilities		
Borrowings	1,618	1,766
Total non-current liabilities	1,618	1,766
TOTAL LIABILITIES	1,827	2,025
NET ASSETS	15,548	15,304
EQUITY		
Accumulated surplus	12,748	12,740
Revaluation reserves	2,800	2,564
TOTAL EQUITY	15,548	15,304

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	992	1,202
Investments	2,300	2,000
Receivables	68	65
Inventories	1	2
Total current assets	3,361	3,269
Non-current assets		
Infrastructure, property, plant and equipment	5,463	5,433
Total non-current assets	5,463	5,433
TOTAL ASSETS	8,824	8,702
NET ASSETS	8,824	8,702
EQUITY		
Accumulated surplus	8,566	8,521
Revaluation reserves	258	181
TOTAL EQUITY	8,824	8,702

Statement of Financial Position – Waste business activity

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	855	904
Investments	1,950	1,550
Receivables	86	79
Total current assets	2,891	2,533
Non-current assets		
Infrastructure, property, plant and equipment	3,954	1,999
Total non-current assets	3,954	1,999
TOTAL ASSETS	6,845	4,532
LIABILITIES		
Current liabilities		
Payables	1	–
Borrowings	8	7
Total current liabilities	9	7
Non-current liabilities		
Borrowings	49	58
Provisions	3,306	1,525
Total non-current liabilities	3,355	1,583
TOTAL LIABILITIES	3,364	1,590
NET ASSETS	3,481	2,942
EQUITY		
Accumulated surplus	2,880	2,341
Revaluation reserves	601	601
TOTAL EQUITY	3,481	2,942

Statement of Financial Position – Naroo aged care as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	290	290
Receivables	75	72
Total current assets	365	362
Non-current assets		
Infrastructure, property, plant and equipment	4,318	4,510
Total non-current assets	4,318	4,510
TOTAL ASSETS	4,683	4,872
LIABILITIES		
Current liabilities		
Bank overdraft	1,051	1,413
Payables	–	1
Borrowings	155	42
Aged care bonds	2,415	1,934
Total current liabilities	3,621	3,390
Non-current liabilities		
Borrowings	2,431	2,739
Other Liabilities	117	117
Total non-current liabilities	2,548	2,856
TOTAL LIABILITIES	6,169	6,246
NET ASSETS	(1,486)	(1,374)
EQUITY		
Accumulated surplus	(471)	(359)
Revaluation reserves	(1,015)	(1,015)
TOTAL EQUITY	(1,486)	(1,374)

Gwydir Shire Council

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)

Naroo Aged Care Facility

Comprising the whole of the operations and assets of the aged care facility located at Warialda.

Category 2

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

Gwydir Water Supply -

Comprising the whole of the operations and net assets of the water supply systems servicing the towns of Bingara, Warialda, Gravesend and North Star.

Gwydir Sewerage Services -

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems servicing the towns of Bingara and Warialda

Gwydir Waste Management Services -

Comprising the whole of the operations and assets of the waste management service carried out by the Waste Management contract servicing all towns and villages within Gwydir Shire

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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- 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).

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

Note 1. Significant Accounting Policies (continued)

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

Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Gwydir 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
- Sewerage
- Waste
- Naroo aged care.

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.



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

21 October 2019
SYDNEY

Gwydir Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*To be the recognised leader in Local Government through
continuous learning and sustainability.*



Special Schedules

for the year ended 30 June 2019

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

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	7,822	7,662
Plus or minus adjustments ²	b	(25)	(2)
Notional general income	c = a + b	7,797	7,660
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	211	176
Sub-total	k = (c + g + h + i + j)	8,008	7,836
Plus (or minus) last year's carry forward total	l	15	1
Sub-total	n = (l + m)	15	1
Total permissible income	o = k + n	8,023	7,837
Less notional general income yield	p	8,007	7,822
Catch-up or (excess) result	q = o - p	16	15
Carry forward to next year ⁶	t = q + r + s	16	15

Notes

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



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Gwydir Shire Council

To the Councillors of Gwydir Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

21 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
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	980	–	464	464	16,803	41,664	7.0%	19.0%	65.0%	6.0%	3.0%
	Buildings – specialised	578	–	252	252	15,597	34,497	9.0%	26.0%	53.0%	12.0%	0.0%
	Sub-total	1,558	–	716	716	32,400	76,161	7.9%	22.2%	59.6%	8.7%	1.6%
Other structures	Other structures	–	–	–	–	4,404	5,941	65.0%	27.0%	8.0%	0.0%	0.0%
	Sub-total	–	–	–	–	4,404	5,941	65.0%	27.0%	8.0%	0.0%	0.0%
Roads	Sealed roads	1,508	–	1,519	1,519	182,315	217,858	45.0%	46.0%	6.0%	3.0%	0.0%
	Unsealed roads	946	–	1,180	1,180	94,220	105,947	85.0%	5.0%	4.0%	3.0%	3.0%
	Bridges	–	–	3	3	38,142	38,547	47.0%	49.0%	4.0%	0.0%	0.0%
	Footpaths	284	–	12	12	2,666	3,190	2.0%	21.0%	60.0%	17.0%	0.0%
	Kerb & Guttering	182	–	5	5	2,552	3,160	14.0%	53.0%	17.0%	14.0%	2.0%
	Sub-total	2,920	–	2,719	2,719	319,895	368,702	56.1%	34.4%	5.8%	2.9%	0.8%
Water supply network	Water supply network	226	–	457	457	15,150	23,001	64.0%	29.0%	3.0%	2.0%	2.0%
	Sub-total	226	–	457	457	15,150	23,001	64.0%	29.0%	3.0%	2.0%	2.0%
Sewerage network	Sewerage network	881	–	159	159	4,897	12,617	11.0%	51.0%	0.0%	38.0%	0.0%
	Sub-total	881	–	159	159	4,897	12,617	11.0%	51.0%	0.0%	38.0%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Stormwater drainage	Stormwater drainage	176	–	16	16	1,827	3,922	1.0%	90.0%	0.0%	9.0%	0.0%
	Sub-total	176	–	16	16	1,827	3,922	1.0%	90.0%	0.0%	9.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	158	158	2,393	2,706	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	–	–	158	158	2,393	2,706	0.0%	0.0%	100.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	5,761	–	4,225	4,225	380,966	493,050	47.2%	32.8%	14.3%	4.7%	1.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	8,899	125.89%	60.05%	113.48%	>=100.00%
Depreciation, amortisation and impairment	7,069				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	5,761	1.51%	1.34%	3.11%	<2.00%
Net carrying amount of infrastructure assets	380,966				
Asset maintenance ratio					
Actual asset maintenance	4,225	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance	4,225				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	-	-	-	-	
Gross replacement cost	493,050				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	135.25%	94.00%	32.10%	26.40%	10.71%	2.27%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.29%	1.25%	1.49%	1.47%	17.99%	7.51%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	—	—	—	—	—	—	

(1) 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.