

Leeton Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Preserving the Past, Enhancing the Future"



Leeton Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Preserving the Past, Enhancing the Future"



LEETON
SHIRE COUNCIL

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

23-25 Chelmsford Place
Leeton NSW 2705

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.leeton.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Leeton 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 28 October 2019.



Cr Paul Maytom
Mayor



Cr George Weston
Councillor



Jacqueline Kruger
General Manager



Jacqueline Hawkins
Responsible Accounting Officer

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 ¹ \$ '000
Income from continuing operations				
<u>Revenue:</u>				
12,485	Rates and annual charges	3a	12,614	12,294
7,074	User charges and fees	3b	8,975	9,005
1,047	Interest and investment revenue	3c	1,460	1,027
891	Other revenues	3d	1,232	613
5,374	Grants and contributions provided for operating purposes	3e,3f	5,313	7,727
11,021	Grants and contributions provided for capital purposes	3e,3f	3,258	999
<u>Other income:</u>				
328	Net gains from the disposal of assets	5	—	187
—	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	—	210
38,220	Total income from continuing operations		32,852	32,062
Expenses from continuing operations				
11,661	Employee benefits and on-costs	4a	10,773	10,335
124	Borrowing costs	4b	90	101
7,447	Materials and contracts	4c	7,469	7,877
6,255	Depreciation and amortisation	4d	5,850	5,914
3,219	Other expenses	4e	2,595	2,496
—	Net losses from the disposal of assets	5	163	—
28,706	Total expenses from continuing operations		26,940	26,723
9,514	Operating result from continuing operations		5,912	5,339
9,514	Net operating result for the year		5,912	5,339
9,514	Net operating result attributable to council		5,912	5,339
(1,507)	Net operating result for the year before grants and contributions provided for capital purposes		2,654	4,340

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
Net operating result for the year (as per Income Statement)		5,912	5,339
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	9(a)	847	3,537
Impairment (loss) reversal relating to IPP&E	9(a)	512	–
Other movements in reserves – Intangible Assets Revaluation	10	2,316	1,791
Total items which will not be reclassified subsequently to the operating result		3,675	5,328
Total comprehensive income for the year		9,587	10,667
 Total comprehensive income attributable to Council		 9,587	 10,667

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

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

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$ '000	2018 ¹ \$ '000
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	3,564	2,788
Investments	6(b)	32,110	29,610
Receivables	7	4,176	2,496
Inventories	8a	691	1,529
Other	8b	47	—
Total current assets		40,588	36,423
Non-current assets			
Investments	6(b)	9,200	9,500
Receivables	7	84	71
Infrastructure, property, plant and equipment	9(a)	207,001	203,133
Intangible assets	10	8,343	6,027
Total non-current assets		224,628	218,731
TOTAL ASSETS		265,216	255,154
LIABILITIES			
Current liabilities			
Payables	11	1,437	2,061
Income received in advance	11	1,591	345
Borrowings	11	325	309
Provisions	12	2,323	2,171
Total current liabilities		5,676	4,886
Non-current liabilities			
Borrowings	11	1,309	1,634
Provisions	12	156	146
Total non-current liabilities		1,465	1,780
TOTAL LIABILITIES		7,141	6,666
Net assets		258,075	248,488
EQUITY			
Accumulated surplus		125,414	119,502
Revaluation reserves		132,661	128,986
Council equity interest		258,075	248,488
Total equity		258,075	248,488

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	2019			2018 ¹		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		119,502	128,986	248,488	114,163	123,658	237,821
Net operating result for the year		5,912	—	5,912	5,339	—	5,339
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	—	847	847	—	3,537	3,537
– Impairment (loss) reversal relating to IPP&E	9(a)	—	512	512	—	—	—
– Gain (loss) on revaluation of Intangible Assets		—	2,316	2,316	—	1,791	1,791
Other comprehensive income		—	3,675	3,675	—	5,328	5,328
Total comprehensive income		5,912	3,675	9,587	5,339	5,328	10,667
Equity – balance at end of the reporting period		125,414	132,661	258,075	119,502	128,986	248,488

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
Cash flows from operating activities				
	<u>Receipts</u>			
12,485	Rates and annual charges		12,535	11,990
7,169	User charges and fees		9,853	8,871
1,047	Investment and interest revenue received		1,334	1,109
15,427	Grants and contributions		7,376	8,495
891	Other		1,308	674
	<u>Payments</u>			
(11,926)	Employee benefits and on-costs		(10,740)	(10,320)
(7,672)	Materials and contracts		(8,005)	(7,551)
(124)	Borrowing costs		(95)	(106)
(3,012)	Other		(2,611)	(2,465)
14,285	Net cash provided (or used in) operating activities	14b	10,955	10,697
Cash flows from investing activities				
	<u>Receipts</u>			
3,350	Sale of investment securities		–	–
90	Sale of real estate assets		826	329
328	Sale of infrastructure, property, plant and equipment		215	456
25	Deferred debtors receipts		–	180
	<u>Payments</u>			
(21,208)	Purchase of investment securities		(2,200)	(3,000)
–	Purchase of infrastructure, property, plant and equipment		(8,689)	(7,805)
–	Purchase of real estate assets		(21)	(3)
(5)	Deferred debtors and advances made		(1)	–
(17,420)	Net cash provided (or used in) investing activities		(9,870)	(9,843)
Cash flows from financing activities				
	<u>Receipts</u>			
1,200	Proceeds from borrowings and advances		–	–
	<u>Payments</u>			
(296)	Repayment of borrowings and advances		(309)	(295)
904	Net cash flow provided (used in) financing activities		(309)	(295)
(2,231)	Net increase/(decrease) in cash and cash equivalents		776	559
2,947	Plus: cash and cash equivalents – beginning of year	14a	2,788	2,229
716	Cash and cash equivalents – end of the year	14a	3,564	2,788
Additional Information:				
22,960	plus: Investments on hand – end of year	6(b)	41,310	39,110
23,676	Total cash, cash equivalents and investments		44,874	41,898

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

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

(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.

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- estimated fair values of infrastructure, property, plant and equipment - refer Note 9
- estimated value of intangible assets (water licences) – refer Note 10
- employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- Impairment of receivables

Council has made no significant judgements about the impairment of a number of its receivables – refer Note 7.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service.

(b) The Trust Fund

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

Trust monies and property subject to Council's control have been included in these reports.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

AASB 16 Leases

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

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

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

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

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

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$13,500 - refer Note 15.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Of these commitments, approximately \$NIL relate to short-term leases and \$13,500 to low value leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

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

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

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

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

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The impact of AASB 15 is expected to be immaterial based on council-specific analysis performed to date.

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

The specific impacts of AASB 1058 for Council are expected to be immaterial after council-specific analysis performed to date.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

As per 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.

The specific impacts of AASB2018-8 for Council are expected to be immaterial after council-specific analysis performed to date.

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

Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	–	–	1,178	1,169	(1,178)	(1,169)	–	–	–	–
Administration	12,676	12,314	2,865	1,820	9,811	10,494	3,763	4,034	34,147	27,132
Public order and safety	334	137	583	578	(249)	(441)	257	–	1,206	1,127
Health	20	19	124	163	(104)	(144)	–	–	–	–
Environment	2,786	2,698	2,651	2,789	135	(91)	50	26	6,248	5,334
Community services and education	1,683	1,691	2,006	1,957	(323)	(266)	96	114	4,831	4,820
Housing and community amenities	542	702	948	1,139	(406)	(437)	60	58	10,860	9,834
Water supplies	5,843	4,926	3,767	3,735	2,076	1,191	–	38	41,023	38,581
Sewerage services	3,092	3,031	2,676	2,351	416	680	80	86	38,340	37,367
Recreation and culture	1,332	814	3,821	3,728	(2,489)	(2,914)	836	289	27,470	30,206
Mining, manufacturing and construction	58	58	158	11	(100)	47	–	–	595	360
Transport and communication	4,461	3,746	5,493	5,219	(1,032)	(1,473)	2,578	3,508	97,933	96,581
Economic affairs	25	1,926	670	2,064	(645)	(138)	–	5	2,563	3,812
Total functions and activities	32,852	32,062	26,940	26,723	5,912	5,339	7,720	8,158	265,216	255,154

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Governance

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

Administration

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

Public order and safety

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

Health

Includes inspection, food control, administration.

Environment

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

Community services and education

Includes administration social protection (welfare); migrant, youth services; aged and disabled persons services; child care; and other family and children services.

Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for aged persons.

Water supplies

Includes the supply of water services.

Sewerage services

Includes the supply of sewerage services.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits.

Transport and communication

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

Economic affairs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Rates and annual charges		
Ordinary rates		
Residential	3,837	3,745
Farmland	2,850	2,788
Business	420	408
Less: pensioner rebates (mandatory)	(90)	(96)
Less: pensioner rebates (Council policy)	(170)	(173)
Rates levied to ratepayers	6,847	6,672
Pensioner rate subsidies received	90	97
Total ordinary rates	6,937	6,769
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,143	1,040
Stormwater management services	120	90
Water supply services	1,463	1,447
Sewerage services	2,388	2,346
Waste management services (non-domestic)	166	161
Other	8	–
Recycling	542	526
Trade waste	16	14
Less: pensioner rebates (mandatory)	(90)	(69)
Less: pensioner rebates (Council policy)	(169)	(125)
Annual charges levied	5,587	5,430
Pensioner subsidies received:		
– Water	36	38
– Sewerage	30	31
– Domestic waste management	24	26
Total annual charges	5,677	5,525
TOTAL RATES AND ANNUAL CHARGES	12,614	12,294

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	3,532	3,046
Sewerage services	332	306
Total specific user charges	3,864	3,352
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	56	53
Inspection services	10	13
Private works – section 67	53	302
Regulatory/ statutory fees	27	25
Registration fees	24	17
Section 10.7 certificates (EP&A Act)	26	22
Section 603 certificates	25	24
Tapping fees	30	21
Town planning	110	135
Total fees and charges – statutory/regulatory	361	612
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	210	243
Child care	1,510	1,514
Fire and emergency services levy (FESL) implementation	–	2
Lease rentals	260	247
Leaseback fees – Council vehicles	83	70
Library and art gallery	15	13
RMS (formerly RTA) charges (state roads not controlled by Council)	1,374	1,663
Swimming centres	107	120
Tourism	10	14
Waste disposal tipping fees	722	675
Golf course	264	281
Roxy theatre	109	109
Stadium	52	41
User group contributions	18	34
Other	16	15
Total fees and charges – other	4,750	5,041
TOTAL USER CHARGES AND FEES	8,975	9,005

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	49	43
– Cash and investments	1,404	979
– Deferred debtors	7	5
TOTAL INTEREST AND INVESTMENT REVENUE	1,460	1,027

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

Overdue rates and annual charges (general fund)	25	22
General Council cash and investments	785	414

Restricted investments/funds – external:

Development contributions		
– Section 7.11	3	3
– Section 64	1	1
Water fund operations	365	302
Sewerage fund operations	206	196
Domestic waste management operations	75	82
Stormwater Levy	–	7
Total interest and investment revenue	1,460	1,027

Accounting policy for interest and investment revenue

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

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

(d) Other revenues

Fines – other	31	24
Legal fees recovery – rates and charges (extra charges)	35	31
Commissions and agency fees	1	3
Diesel rebate	48	51
Insurance claims recoveries	16	3
Recycling income (non-domestic)	90	51
Sales – general	891	299
Child care operations	11	15
Community transport reimbursement	–	8
Donations and sponsorship received	2	14
Insurance rebates	22	55
RFS reimbursements	–	(1)
Other	85	60
TOTAL OTHER REVENUE	1,232	613

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,655	1,517	–	–
Financial assistance – local roads component	533	508	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,718	1,556	–	–
Financial assistance – local roads component	551	523	–	–
Total general purpose	4,457	4,104	–	–
Specific purpose				
Sewerage services	–	–	80	55
Child care	83	109	–	–
Community care	4	–	–	–
Economic development	300	5	–	–
Employment and training programs	4	5	–	–
Environmental programs	–	2	–	–
Heritage and cultural	9	12	7	338
Library	7	1	–	–
Library – per capita	38	40	–	–
Library – special projects	7	8	–	–
LIRS subsidy	61	71	–	–
Noxious weeds	50	39	–	–
NSW rural fire services	76	76	181	–
Recreation and culture	–	15	746	189
Storm/flood damage	–	1,948	783	–
Street lighting	60	58	–	–
Transport (roads to recovery)	–	941	462	–
Transport (other roads and bridges funding)	32	31	199	110
Youth services	3	1	–	–
Other	71	–	–	–
Total specific purpose	805	3,362	2,458	692
Total grants	5,262	7,466	2,458	692
Grant revenue is attributable to:				
– Commonwealth funding	4,482	5,097	1,324	283
– State funding	769	2,368	1,134	409
– Other funding	11	1	–	–
	5,262	7,466	2,458	692

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

		Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
	Notes				
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S94 – contributions towards amenities/services		–	–	2	5
S94A – fixed development consent levies		–	–	134	114
S 64 – water supply contributions		–	–	55	16
S 64 – sewerage service contributions		–	–	15	12
Total developer contributions – cash		–	–	206	147
Total developer contributions	21	–	–	206	147
Other contributions:					
Cash contributions					
Other councils – joint works/services		–	21	40	–
Recreation and culture		–	–	10	20
Roads and bridges		–	–	66	–
RMS contributions (regional roads, block grant)		44	240	352	119
Sewerage (excl. section 64 contributions)		–	–	29	10
Water supplies (excl. section 64 contributions)		–	–	97	11
Other		7	–	–	–
Total other contributions – cash		51	261	594	160
Total other contributions		51	261	594	160
Total contributions		51	261	800	307
TOTAL GRANTS AND CONTRIBUTIONS		5,313	7,727	3,258	999

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

Operating grants

Unexpended at the close of the previous reporting period	2,380	577
Add: operating grants recognised in the current period but not yet spent	60	6
Add: operating grants received for the provision of goods and services in a future period	2,269	2,079
Less: operating grants recognised in a previous reporting period now spent	(2,377)	(282)
Unexpended and held as restricted assets (operating grants)	2,332	2,380

Unexpended operating grants include:

Crown Land Plans of Management Grant unspent amount of \$49,767.

Minor grants totalling \$10,262 - Be Connected Grant, Library Priority Grant and Small Arts Adventure.

Financial Assistance Grants of \$2,268,985 received in advance for the 2019/20 reporting year.

Capital grants

Unexpended at the close of the previous reporting period	199	—
Add: capital grants recognised in the current period but not yet spent	545	183
Add: capital grants received for the provision of goods and services in a future period	884	16
Less: capital grants recognised in a previous reporting period now spent	(199)	—
Unexpended and held as restricted assets (capital grants)	1,429	199

Unexpended capital grants include but are not limited to:

Grant Funding for the Showground Grandstand has not been fully spent with \$231K remaining.

The Roxy Theatre Upgrade grant of \$450K was received in advance as the project is not due to start until 2019/20.

The CBD Enhancement Phase 2 grant of \$197K was received in advance as the project is not due to commence until 2019/20.

Contributions

Unexpended at the close of the previous reporting period	280	—
Add: contributions recognised in the current period but not yet spent	132	280
Unexpended and held as restricted assets (contributions)	412	280

These contributions are mainly Developer Contributions that are set aside to spend at a later date.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

	2019 \$ '000	2018 \$ '000
(a) Employee benefits and on-costs		
Salaries and wages	8,878	8,228
Employee termination costs (where material – other than vested leave paid)	–	369
Travel expenses	62	32
Employee leave entitlements (ELE)	977	898
Superannuation	990	912
Workers' compensation insurance	125	80
Fringe benefit tax (FBT)	29	30
Payroll tax	41	44
Training costs (other than salaries and wages)	169	135
Protective clothing	30	27
Relocation Cost	7	5
Other	81	84
Total employee costs	11,389	10,844
Less: capitalised costs	(616)	(509)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>10,773</u>	<u>10,335</u>
Number of 'full-time equivalent' employees (FTE) at year end	122	117
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	136	136

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

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

Interest on loans	90	101
Total interest bearing liability costs expensed	90	101
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>90</u>	<u>101</u>

Accounting policy for borrowing costs

Borrowing costs are expensed when incurred.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(c) Materials and contracts		
Raw materials and consumables	5,476	6,322
Contractor and consultancy costs		
– Garbage collection charges	798	791
– Contractor and consultancy costs – Administration	416	179
– Contractor and consultancy costs – Building & Planning	22	48
– Contractor and consultancy costs – Engineering	60	87
– Other contractor and consultancy costs	206	78
Auditors remuneration ¹	103	44
Legal expenses:		
– Legal expenses: planning and development	13	9
– Legal expenses: debt recovery	35	31
– Legal expenses: other	36	34
Film and other hire expenses	72	45
Water purchases	232	209
Total materials and contracts	7,469	7,877
TOTAL MATERIALS AND CONTRACTS	7,469	7,877

Accounting policy for operating leases

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

1. 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	55	41
Remuneration for audit and other assurance services	55	41
Total Auditor-General remuneration	55	41

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

Other audit and assurance services	3	3
Internal Audit	45	–
Remuneration for audit and other assurance services	48	3
Total remuneration of non NSW Auditor-General audit firms	48	3
Total Auditor remuneration	103	44

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

	2019 \$ '000	2018 \$ '000
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	602	723
Office Furniture and Equipment	39	54
Land improvements (depreciable)	28	42
Infrastructure:		
– Buildings – non-specialised	5	5
– Buildings – specialised	830	871
– Other structures	326	254
– Roads	2,222	2,171
– Bridges	37	37
– Footpaths	68	67
– Stormwater drainage	108	107
– Water supply network	889	927
– Sewerage network	690	655
Other assets:		
– Other	6	1
Total gross depreciation and amortisation costs	5,850	5,914
Total depreciation and amortisation costs	5,850	5,914
Impairment / revaluation decrement of IPP&E		
Infrastructure:		
– Buildings – specialised	–	(194)
– Other structures	–	(16)
– Roads	(512)	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)	(512)	(210)
Amounts taken through revaluation reserve	512	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement	–	(210)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	5,850	5,704

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

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

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

	2019 \$ '000	2018 \$ '000
(e) Other expenses		
Advertising	93	51
Bad and doubtful debts	–	2
Bank charges	65	1
Commissions / agency fees	28	81
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	15	20
– NSW fire brigade levy	30	30
– NSW rural fire service levy	111	114
Councillor expenses – mayoral fee	25	25
Councillor expenses – councillors' fees	108	104
Councillors' expenses (incl. mayor) – other (excluding fees above)	58	45
Donations, contributions and assistance to other organisations (Section 356):		
– Annual donations	13	14
– Discretionary donations, contributions and assistance	14	15
Electricity and heating	569	564
Insurance	352	322
Licences and permits	26	22
Office expenses (including computer expenses)	279	310
Postage	38	39
Printing and stationery	81	72
Regional arts board	11	3
Street lighting	309	285
Subscriptions and publications	116	99
Telephone and communications	197	179
Valuation fees	54	95
Rental	3	4
Total other expenses	2,595	2,496
TOTAL OTHER EXPENSES	2,595	2,496

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 \$ '000	2018 \$ '000
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		215	456
Less: carrying amount of plant and equipment assets sold/written off		(330)	(384)
Net gain/(loss) on disposal		(115)	72
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		826	329
Less: carrying amount of real estate assets sold/written off		(874)	(214)
Net gain/(loss) on disposal		(48)	115
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(163)	187

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

	2019 \$ '000	2018 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	597	687
Cash-equivalent assets		
– Deposits at call	2,967	2,101
Total cash and cash equivalents	3,564	2,788

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Investments				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	32,110	9,200	29,610	9,500
Total Investments	32,110	9,200	29,610	9,500
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	35,674	9,200	32,398	9,500
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	29,110	8,500	29,610	6,500
NCD's, FRN's (with maturities > 3 months)	3,000	700	–	3,000
Total	32,110	9,200	29,610	9,500

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Financial assets through profit or loss

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

Recognition and de-recognition

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

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

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total cash, cash equivalents and investments	35,674	9,200	32,398	9,500
Attributable to:				
External restrictions	21,199	9,200	15,478	9,500
Internal restrictions	14,144	–	14,798	–
Unrestricted	331	–	2,122	–
	35,674	9,200	32,398	9,500

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

External restrictions

Developer contributions – general	390	247
Developer contributions – water fund	22	17
Specific purpose unexpended grants	1,564	500
Water supplies	15,314	12,599
Water supplies – retention	1	1
Water supplies – carry over works	793	110
Sewerage services	7,674	7,189
Sewerage services – carry over works	614	220
Domestic waste management	3,361	3,475
Stormwater management	358	312
Deposits, retention and bonds	308	308
External restrictions	30,399	24,978

Total external restrictions

Internal restrictions

Plant and vehicle replacement	1,565	1,176
Infrastructure replacement	2,692	2,658
Employees leave entitlement	2,113	2,113
Unfinished Works	1,878	1,486
Golf Club Committee	15	15
Buildings	496	296
Childcare centre	231	231
Community services – Youth	16	16
Financial assistance advance payment	–	2,079
Emergency services	30	30
Aged housing	162	95
Insurance	41	41
Workers compensation equalisation	397	397
Aerodrome	185	165
Roads general	2,205	1,962
Roxy theatre	102	102
Stadium	12	12
Sportsgrounds improvements	215	215
Swimming pool	994	994

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
Land development	615	615
Renewable Energy Efficiencies	100	100
Other	80	–
Total internal restrictions	14,144	14,798
TOTAL RESTRICTIONS	44,543	39,776

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Purpose				
Rates and annual charges	528	—	449	—
Interest and extra charges	79	—	54	—
User charges and fees	890	—	522	—
Accrued revenues				
– Interest on investments	629	—	528	—
– Other income accruals	103	—	209	—
Deferred debtors	68	84	80	71
Government grants and subsidies	1,649	—	454	—
Net GST receivable	245	—	215	—
Other debtors – Rental Bonds	1	—	1	—
Total	4,192	84	2,512	71
Less: provision of impairment				
Rates and annual charges	(11)	—	(11)	—
User charges and fees	(5)	—	(5)	—
Total provision for impairment – receivables	(16)	—	(16)	—
TOTAL NET RECEIVABLES	4,176	84	2,496	71
Externally restricted receivables				
Water supply				
– Rates and availability charges	63	—	53	—
– Other	448	4	306	—
Sewerage services				
– Specific purpose grants	64	—	59	—
– Rates and availability charges	94	—	256	—
– Other	32	8	67	4
Domestic waste management	59	—	137	—
Total external restrictions	760	12	878	4
Unrestricted receivables	3,416	72	1,618	67
TOTAL NET RECEIVABLES	4,176	84	2,496	71

	2019 \$ '000	2018 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	16	16
Balance at the end of the period	16	16

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	603	—	1,456	—
Stores and materials	88	—	73	—
Total inventories at cost	691	—	1,529	—
<u>TOTAL INVENTORIES</u>	<u>691</u>	<u>—</u>	<u>1,529</u>	<u>—</u>
(b) Other assets				
Prepayments	47	—	—	—
<u>TOTAL OTHER ASSETS</u>	<u>47</u>	<u>—</u>	<u>—</u>	<u>—</u>
	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total unrestricted assets	738	—	1,529	—
TOTAL INVENTORIES AND OTHER ASSETS	738	—	1,529	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Notes				
(a) Details for real estate development				
Residential	40	—	40	—
Industrial/commercial	540	—	1,381	—
Other properties	23	—	35	—
Total real estate for resale	603	—	1,456	—

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	129	—	280	—
Development costs	474	—	1,176	—
Total costs	603	—	1,456	—
Total real estate for resale	603	—	1,456	—

Movements:

Real estate assets at beginning of the year	1,456	—	1,667	—
– Purchases and other costs	21	—	3	—
– WDV of sales (expense)	(874)	—	(214)	—
Total real estate for resale	603	—	1,456	—

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

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

	2019 \$ '000	2018 \$ '000
Real estate for resale	63	1,421
	63	1,421

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

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period									as at 30/6/2019		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Reinstatement costs for impaired assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment reversal (recognised in equity) \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	820	–	820	1,465	593	–	–	–	–	(190)	–	–	2,688	–	2,688
Plant and equipment	5,970	–	5,970	1,455	87	–	(330)	(602)	–	–	–	–	7,131	(550)	6,581
Office Furniture & Equipment	275	–	275	60	34	–	–	(39)	–	–	–	–	368	(39)	329
Land:															
– Operational land	3,832	–	3,832	–	–	–	–	–	–	–	641	–	4,473	–	4,473
– Community land	8,671	–	8,671	–	–	–	–	–	–	–	(641)	–	8,029	–	8,029
Land improvements – depreciable	1,524	(511)	1,013	105	23	–	–	(28)	–	–	–	–	1,651	(539)	1,112
Infrastructure:															
– Buildings – non-specialised	197	–	197	35	–	–	–	(5)	–	–	–	–	232	(5)	227
– Buildings – specialised	24,981	–	24,981	185	–	–	–	(830)	–	–	–	–	25,166	(830)	24,336
– Other structures	6,980	–	6,980	316	88	–	–	(326)	–	102	–	–	7,485	(326)	7,159
– Roads	101,643	(28,968)	72,675	2,355	132	863	–	(2,222)	512	–	–	–	104,131	(29,815)	74,316
– Bridges	3,725	(647)	3,078	–	–	–	–	(37)	–	–	–	–	3,724	(684)	3,040
– Footpaths	6,159	(1,130)	5,029	4	226	–	–	(68)	–	–	–	–	6,390	(1,198)	5,192
– Bulk earthworks (non-depreciable)	8,705	–	8,705	–	–	–	–	–	–	–	–	–	8,706	–	8,706
– Stormwater drainage	10,100	(2,192)	7,908	363	35	–	–	(108)	–	–	–	–	10,498	(2,300)	8,198
– Water supply network	56,915	(32,524)	24,391	69	74	–	–	(889)	–	56	–	390	58,025	(33,933)	24,092
– Sewerage network	63,708	(35,135)	28,573	31	57	–	–	(690)	–	32	–	457	64,837	(36,377)	28,460
Other assets:															
– Other assets	39	(4)	35	34	–	–	–	(6)	–	–	–	–	73	(10)	63
– Other	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Infrastructure, property, plant and equipment	304,244	(101,111)	203,133	6,477	1,349	863	(330)	(5,850)	512	–	–	847	313,607	(106,606)	207,001

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Reinstatement costs for impaired assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	Other movements Reclass \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	172	–	172	–	648	–	–	–	–	–	–	–	820	–	820
Plant and equipment	8,054	(3,671)	4,383	–	1,846	–	(373)	(723)	–	–	–	837	5,970	–	5,970
Office equipment	717	(503)	214	16	85	–	–	(54)	–	–	–	15	275	–	275
Land:															
– Operational land	2,665	–	2,665	–	–	–	–	–	–	86	–	1,081	3,832	–	3,832
– Community land	6,635	–	6,635	–	–	–	–	–	–	(86)	–	2,122	8,671	–	8,671
Land improvements – depreciable	1,780	(648)	1,132	19	38	–	–	(42)	–	(134)	–	–	1,524	(511)	1,013
Infrastructure:															
– Buildings – non-specialised	275	(120)	155	–	–	–	–	(5)	–	–	–	47	197	–	197
– Buildings – specialised	48,130	(19,341)	28,789	216	24	–	–	(871)	194	–	(3,372)	–	24,981	–	24,981
– Other structures	9,762	(4,516)	5,246	6	132	–	–	(254)	16	134	–	1,699	6,980	–	6,980
– Roads	99,146	(28,199)	70,947	2,290	207	1,402	–	(2,171)	–	–	–	–	101,643	(28,968)	72,675
– Bridges	3,724	(609)	3,115	–	–	–	–	(37)	–	–	–	–	3,725	(647)	3,078
– Footpaths	6,075	(1,064)	5,011	34	51	–	–	(67)	–	–	–	–	6,159	(1,130)	5,029
– Bulk earthworks (non-depreciable)	8,705	–	8,705	–	–	–	–	–	–	–	–	–	8,705	–	8,705
– Stormwater drainage	10,058	(2,085)	7,973	42	–	–	–	(107)	–	–	–	–	10,100	(2,192)	7,908
– Water supply network	55,353	(30,947)	24,406	217	182	–	–	(927)	–	–	–	513	56,915	(32,524)	24,391
– Sewerage network	62,083	(33,761)	28,322	309	2	–	–	(655)	–	–	–	595	63,708	(35,135)	28,573
Other assets:															
– Other	–	–	–	–	–	–	–	(1)	–	–	–	–	–	–	–
– Other assets	15	(6)	9	–	30	–	(3)	–	–	–	–	–	39	(4)	35
Total Infrastructure, property, plant and equipment	323,349	(125,470)	197,879	3,149	3,245	1,402	(376)	(5,914)	210	–	(3,372)	6,909	304,244	(101,111)	203,133

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 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) or Department of Industry - Water.

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 5		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 150
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	100
Water Treatment Plants	30 to 70	Culverts	100
Sewer Treatment Plants	25 to 90		
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	45 to 80		
Pumps and telemetry	10 to 25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	60
Unsealed roads	20 to 150	Other open space/recreational assets	15 to 200
Bridge: concrete	100	Other infrastructure	15 to 100
Other Road assets	40 to 100		
Road pavements	60		
Kerb, gutter and footpaths	100		

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land:	All purchases are capitalised, but land resumed for public works need not be capitalised if the resumption costs are less than \$5,000.
Buildings and Land Improvements:	Capital expenses totalling less than \$2,000 need not be capitalised.
Plant & Equipment and Office Furniture & Equipment:	Capital expenses totalling less than \$1,000 need not be capitalised.
Water & Sewer Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Stormwater Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Transport Assets:	Capital expense totalling less than \$10,000 on any road or other asset need not be capitalised.
Other Infrastructure Assets:	Capital expenses on swimming pools less than \$10,000 or on any other recreational asset less than \$1,000 need not be capitalised

Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019			2018		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
Water supply						
WIP	123	–	123	56	–	56
Plant and equipment	137	14	123	97	–	97
Office equipment	9	3	6	9	–	9
Buildings	844	34	810	844	–	844
Other structures	41	1	40	41	–	41
Infrastructure	58,025	33,933	24,092	56,915	32,524	24,391
Total water supply	59,179	33,985	25,194	57,962	32,524	25,438
Sewerage services						
WIP	1,422	–	1,422	455	–	455
Plant and equipment	281	28	253	277	–	277
Land						
Buildings	190	13	177	190	–	190
Other structures	159	3	156	159	–	159
Infrastructure	64,837	36,377	28,460	63,708	35,135	28,573
Total sewerage services	66,889	36,421	30,468	64,789	35,135	29,654
Domestic waste management						
Plant and equipment	305	38	267	463	–	463
Land						
– Operational land	494	–	494	494	–	494
Total DWM	799	38	761	957	–	957
TOTAL RESTRICTED I,PP&E	126,867	70,444	56,423	123,708	67,659	56,049

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

	Notes	2019 \$ '000	2018 \$ '000
(ii) Reversal of impairment losses previously recognized in the Income Statement:			
Racecourse Grandstand – Revaluation 2017/18		–	194
Whitton Museum Shelter – Revaluation 2017/18		–	16
Total impairment reversals		–	210
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4d	–	210
(iv) Reversals of impairment losses previously recognised direct to equity (ARR):			
Reinstatement of Flood Damaged roads		863	1,402
Total impairment reversals		863	1,402
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)		863	1,402

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

	2019 \$ '000	2018 \$ '000
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	6,027	4,236
Net book value – opening balance	6,027	4,236
Movements for the year		
– Revaluation	2,316	1,791
Closing values at 30 June		
Gross book value	8,343	6,027
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>8,343</u>	<u>6,027</u>
The net book value of intangible assets represents:		
Water Licences	8,343	6,027
	8,343	6,027

Accounting policy for intangible assets

Water Licences

Council holds a number of high and general security water licences which it recognises as an intangible asset.

The water licences are individually tradable on the open water licence sales market.

The licences were obtained principally through land acquisitions where the water licence was attached to the land.

The water licences are individually tradable separated from the land and can be sold on a permanent or temporary transfer basis. At present Council only trades the water entitlement associated with the water licences on a temporary basis. Income received from the sale of water entitlements are disclosed as other revenue.

The licences are recorded in Council's accounts at fair value based on market valuations obtained from the open water licence sales market at balance date.

No amortisation costs are applicable, as high and general security water licences have an indefinite life.

Water licences purchased are initially recorded at cost and are revalued at least every 5 years based on market evidence.

Water licences are tested for impairment annually based on market sales evidence. If the recoverable amount is less than the carrying amount the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Payables				
Goods and services	760	–	1,281	–
Accrued expenses:				
– Borrowings	29	–	34	–
– Salaries and wages	214	–	343	–
– Other expenditure accruals	125	–	94	–
Security bonds, deposits and retentions	309	–	309	–
Total payables	1,437	–	2,061	–
Income received in advance				
Payments received in advance	1,591	–	345	–
Total income received in advance	1,591	–	345	–
Borrowings				
Loans – secured ¹	325	1,309	309	1,634
Total borrowings	325	1,309	309	1,634
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,353</u>	<u>1,309</u>	<u>2,715</u>	<u>1,634</u>

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

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	1	–	1	–
Sewer	–	–	(67)	(114)
Payables and borrowings relating to externally restricted assets	1	–	(66)	(114)
Total payables and borrowings relating to restricted assets	1	–	(66)	(114)
Total payables and borrowings relating to unrestricted assets	3,352	1,309	2,781	1,748
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,353</u>	<u>1,309</u>	<u>2,715</u>	<u>1,634</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000
Loans – secured	1,943	(309)	–	–	–	1,634
TOTAL	1,943	(309)	–	–	–	1,634

	as at 30/6/2017					as at 30/6/2018
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000
Loans – secured	2,238	(295)	–	–	–	1,943
TOTAL	2,238	(295)	–	–	–	1,943

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

(c) Financing arrangements

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

Bank overdraft facilities ¹	545	545
Credit cards/purchase cards	50	50
Total financing arrangements	595	595

Drawn facilities as at balance date:

– Credit cards/purchase cards	13	11
Total drawn financing arrangements	13	11

Undrawn facilities as at balance date:

– Bank overdraft facilities	545	545
– Credit cards/purchase cards	37	39
Total undrawn financing arrangements	582	584

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Councils Loans are secured by future cash flows.

Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured by future cashflows of Council.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Provisions				
Employee benefits				
Annual leave	723	–	662	–
Long service leave	1,600	111	1,509	105
ELE on-costs	–	45	–	41
Sub-total – aggregate employee benefits	2,323	156	2,171	146
<u>TOTAL PROVISIONS</u>	<u>2,323</u>	<u>156</u>	<u>2,171</u>	<u>146</u>

(a) Provisions relating to restricted assets

Internally restricted assets

Child Care Centre	49	95	50	109
Provisions relating to internally restricted assets	49	95	50	109
Total provisions relating to restricted assets	49	95	50	109
Total provisions relating to unrestricted assets	2,274	61	2,121	37
<u>TOTAL PROVISIONS</u>	<u>2,323</u>	<u>156</u>	<u>2,171</u>	<u>146</u>

	2019	2018
	\$ '000	\$ '000

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,392	1,309
	1,392	1,309

(c) Description of and movements in provisions

	ELE provisions			
	Annual leave \$ '000	Long service leave \$ '000	ELE on-costs \$ '000	Total \$ '000
2019				
At beginning of year	662	1,614	41	2,317
Remeasurement effects	61	97	–	158
Other	–	–	4	4
Total ELE provisions at end of period	723	1,711	45	2,479
2018				
At beginning of year	738	1,736	–	2,474
Remeasurement effects	(76)	(122)	–	(198)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	ELE on-costs \$ '000	
Other	—	—	41	41
Total ELE provisions at end of period	662	1,614	41	2,317

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

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

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.

Employee Leave Entitlements

Employee leave entitlements and on-costs represent those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Available for sale investments revaluation reserve (2018 only)

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

Water Licences

The reserve for high security water licences is used to record increments/decrements in the value of tradeable water licences.

(b) Correction of errors relating to a previous reporting period

Council has no prior year adjustments.

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

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

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

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

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

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

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

Classification of financial assets

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

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

All financial assets of council have remained at amortised cost.

Impairment of financial assets

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

Council has reviewed its receivables and does not expect losses greater than the current provision for impairment (shown in Note 17). The majority of receivables, other than rates are current and due from the government. Rates are secured against the property. As such, there was no transitional adjustment requirement as at 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

(e) Voluntary changes in accounting policies

Council has made no voluntary changes to the accounting policies.

(f) Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

There has been no material difference in the accounting estimates on the current year.

Nature and effect of changes in accounting estimates on future years

There is expected to be no material difference in the accounting estimates in future years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

	Notes	2019 \$ '000	2018 \$ '000
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	3,564	2,788
Balance as per the Statement of Cash Flows		3,564	2,788
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,912	5,339
Adjust for non-cash items:			
Depreciation and amortisation		5,850	5,914
Net losses/(gains) on disposal of assets		163	(187)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		–	(210)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,692)	(381)
Decrease/(increase) in inventories		(15)	18
Decrease/(increase) in other current assets		(47)	–
Increase/(decrease) in payables		(521)	308
Increase/(decrease) in accrued interest payable		(5)	(5)
Increase/(decrease) in other accrued expenses payable		(98)	207
Increase/(decrease) in other liabilities		1,246	(149)
Increase/(decrease) in provision for employee benefits		162	(157)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,955	10,697

(c) Non-cash investing and financing activities

Council does not have any Non-cash investing and financing activities.

(d) Net cash flows attributable to discontinued operations

Council does not have any discontinued operations.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

	2019	2018
	\$ '000	\$ '000

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	1,068	593
Plant and equipment	–	35
Water infrastructure	1,097	31
Sewer infrastructure	690	175
Roads and drainage	1,507	967
Other Structures	221	70
Total commitments	4,583	1,871

These expenditures are payable as follows:

Within the next year	4,583	1,871
Total payable	4,583	1,871

Sources for funding of capital commitments:

Unrestricted general funds	–	9
Unexpended grants	1,264	447
Externally restricted reserves	1,962	237
Internally restricted reserves	1,357	1,178
Total sources of funding	4,583	1,871

Details of capital commitments

Capital commitments includes Purchase Orders raised but items not yet supplied, unfinished works and revoted works.

(b) Operating lease commitments (non-cancellable)

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

Within the next year	3	–
Later than one year and not later than 5 years	9	–
Total non-cancellable operating lease commitments	12	–

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

Council currently leases 2 photocopiers over a 60 month term with a lease value of \$6,750 each and are classed as Low Value leases.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

A description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

Pooled employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are:

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

*For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

Notes to the Financial Statements

for the year ended 30 June 2019

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

A description of any agreed allocation of a deficit or surplus:

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

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

Given the entity accounts for that plan as if it were a defined contribution the following information applies:

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme by Council and recognised as an expense for the year ending 30 June 2019 was \$ 142,058.

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.

Council's expected contribution to the plan for the next annual reporting period is \$145,245.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	1798.7	
Past Service Liabilities	1784.2	100.8%
Vested Benefits	1792.0	100.4%

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

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

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

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

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2019.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S94/94A Plans

Council levies section 94/94A contributions upon various developments across the Council area through the required contribution plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Tips and quarries

Council operates tips and quarries and will have to rehabilitate the sites at some future date. As at 30 June 2019 Council is unable to reliably estimate the financial cost of such work.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

	Carrying value 2019 \$ '000	Carrying value 2018 \$ '000	Fair value 2019 \$ '000	Fair value 2018 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	3,564	2,788	3,564	2,788
Receivables	4,260	2,567	3,920	2,567
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	41,310	39,110	41,310	39,110
Total financial assets	49,134	44,465	48,794	44,465
Financial liabilities				
Payables	1,437	2,061	1,437	2,061
Loans/advances	1,634	1,943	1,634	1,943
Total financial liabilities	3,071	4,004	3,071	4,004

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.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
2019				
Possible impact of a 1% movement in interest rates	265	265	(265)	(265)
2018				
Possible impact of a 1% movement in interest rates	274	274	(274)	(274)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2019						
Gross carrying amount	340	188	–	–	–	528
2018						
Gross carrying amount	–	449	–	–	–	449

Receivables - non-rates and annual charges

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2019						
Gross carrying amount	3,536	35	35	103	39	3,748
Expected loss rate (%)	0.00%	0.00%	1.50%	1.50%	1.50%	0.07%
ECL provision	–	–	1	2	1	4
2018						
Gross carrying amount	1,698	424	–	–	12	2,134
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2019							
Trade/other payables	0.00%	309	1,124	–	–	1,433	1,437
Loans and advances	4.90%	–	400	1,328	133	1,861	1,634
Total financial liabilities		309	1,524	1,328	133	3,294	3,071
2018							
Trade/other payables	0.00%	309	1,750	–	–	2,059	2,061
Loans and advances	4.90%	–	400	1,529	318	2,247	1,943
Total financial liabilities		309	2,150	1,529	318	4,306	4,004

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 27/06/2018 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	12,485	12,614	129	1% F
User charges and fees	7,074	8,975	1,901	27% F
Additional revenues were received in the following areas: Water consumption charges were over budget by \$1,196k due mainly to a drier than average summer and RMS income received was an additional \$988k				
Interest and investment revenue	1,047	1,460	413	39% F
Better than budgeted returns on investments by balancing the needs of Council, monitoring cashflow and investing any surplus funds for better returns.				
Other revenues	891	1,232	341	38% F
Council received a higher than expected return on unrequired water sales of \$650k				
Operating grants and contributions	5,374	5,313	(61)	(1)% U
Capital grants and contributions	11,021	3,258	(7,763)	(70)% U
Council failed to secure grant funding on the following projects: Leeton Pool \$3,000k, Whitton Museum upgrade \$200k, Golf Club reticulation \$400k and the Darlington Point Road bridge \$1,575k. Council secured grants for the following but the income received was not the full budgeted amount. The variance received against the budget are : Wamoon sewer grant \$620k, CBD Enhancement \$1,427k and the Roxy Theatre Upgrade \$1,308k.				
Net gains from disposal of assets	328	–	(328)	100% U
Sale of Council assets resulted in a loss this year.				
EXPENSES				
Employee benefits and on-costs	11,661	10,773	888	8% F
Borrowing costs	124	90	34	27% F
Council did not take out budgeted loans this year and therefore reduced the borrowing costs.				
Materials and contracts	7,447	7,469	(22)	0% U
Depreciation and amortisation	6,255	5,850	405	6% F
Other expenses	3,219	2,595	624	19% F
Council has reduced expenses in numerous areas and the following are just an example of those savings: Electricity Costs \$70k, Office Expenses \$73k, Postage \$8k, Printing & Stationary \$7k & Lease/Hire/Rental Expenses \$78k				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Net losses from disposal of assets	–	163	(163)	∞ U

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	14,285	10,955	(3,330)	(23)%	U
---	--------	--------	---------	-------	---

Council budgeted for \$15.4M in grant funding and received in significantly less (\$7.4M).

Net cash provided from (used in) investing activities	(17,420)	(9,870)	7,550	(43)%	F
---	----------	---------	-------	-------	---

Council budgeted for more investment trades than actually occurred and did not budget for any asset purchases.

Net cash provided from (used in) financing activities	904	(309)	(1,213)	(134)%	U
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Council did not take out the loan of \$1.2M as budgeted.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Intangibles

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).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

Recurring fair value measurements

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 unobserv-able inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9(a)					
Plant and equipment		30/06/18	—	—	6,581	6,581
Office Furniture & Equipment		30/06/18	—	—	329	329
Operational land		30/06/18	—	4,473	—	4,473
Community land		30/06/18	—	—	8,029	8,029
Land improvements		30/06/18	—	—	1,112	1,112
Buildings – specialised		30/06/18	—	—	24,336	24,336
Buildings – non-specialised		30/06/18	—	227	—	227
Other structures		30/06/18	—	—	7,159	7,159
Roads		07/01/15	—	—	74,316	74,316
Bridges		07/01/15	—	—	3,040	3,040
Footpaths		07/01/15	—	—	5,192	5,192
Bulk earthworks		07/01/15	—	—	8,706	8,706
Stormwater drainage		07/01/15	—	—	8,198	8,198
Water supply network		30/06/19	—	—	24,092	24,092
Sewerage network		30/06/19	—	—	28,460	28,460
Other assets		30/06/18	—	—	63	63
Work in progress		30/06/19	—	—	2,688	2,688
Total infrastructure, property, plant and equipment			—	4,700	202,301	207,001
Intangible assets						
Water Licences	10	30/06/19	8,343	—	—	8,343
Total intangible assets			8,343	—	—	8,343

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
2018	Notes					
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9(a)					
Plant and equipment		30/06/18	—	—	5,970	5,970
Office Furniture & Equipment		30/06/18	—	—	275	275
Operational land		30/06/18	—	3,832	—	3,832
Community land		30/06/18	—	—	8,671	8,671
Land improvements		30/06/16	—	—	1,013	1,013
Buildings – specialised		30/06/18	—	—	24,981	24,981
Buildings – non-specialised		30/06/18	—	197	—	197
Other structures		30/06/18	—	—	6,980	6,980
Roads		07/01/15	—	—	72,675	72,675
Bridges		07/01/15	—	—	3,078	3,078
Footpaths		07/01/15	—	—	5,029	5,029
Bulk earthworks		07/01/15	—	—	8,705	8,705
Stormwater drainage		07/01/15	—	—	7,908	7,908
Water supply network		30/06/18	—	—	24,391	24,391
Sewerage network		30/06/18	—	—	28,573	28,573
Other assets		30/06/11	—	—	35	35
Work in progress		30/06/18	—	—	820	820
Total infrastructure, property, plant and equipment			—	4,029	199,104	203,133
Intangible assets						
Water Licences	10	30/06/18	6,027	—	—	6,027
Total intangible assets			6,027	—	—	6,027

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

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

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

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach. Leeton Shire Council use valuation techniques consistent with one or more of those approaches to measure fair value on all its asset classes.

Cost Approach

A valuation technique that reflects the amount that could be required to replace the service capacity of an asset.

Income Approach

Valuation technique that converts future amounts (cash flows or income and expenses) to a single current (discount) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Market Approach

A valuation technique that uses prices and other relevant information, generated by the market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities such as a business.

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

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

	Total IPP&E \$ '000
2018	
Opening balance	195,059
Transfers from/(to) another asset class	(85)
Purchases (GBV)	7,796
Disposals (WDV)	(376)
Depreciation and impairment	(5,699)
FV gains – other comprehensive income	2,409
Closing balance	199,104
2019	
Opening balance	199,104
Transfers from/(to) another asset class	(641)
Purchases (GBV)	8,654
Disposals (WDV)	(330)
Depreciation and impairment	(5,845)
FV gains – other comprehensive income	1,359
Closing balance	202,301

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

None

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

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

	Fair value (30/6/19) \$ '000	Valuation technique/s	Unobservable inputs
Plant, equipment, furniture, fittings and office equipment	6,910	Cost used to approximate fair value	
Community Land	8,029	Rate per square metre. \$0.03 - \$120.15	Land value, land area
Land Improvements	1,112	Cost used to approximate fair value	Asset condition, remaining lives, residual value
Specialised buildings	24,336	Cost approach based on sq metre rate	Asset condition, consumption rate, remaining lives
Other structures (Includes Swimming Pools and other Recreational assets)	7,159	Cost used to approximate fair value	Gross replacement cost, useful life and residual value or Asset Condition, consumption rate and remaining life.
Roads, bridges, footpaths, bulkworks	91,254	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Stormwater drainage	8,198	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Water Supply and Sewerage Network	52,552	Based on NSW Office of Water Reference Rates Manual	Asset condition, pattern of consumption, residual value, components, dimensions and specification, unit rates
Other assets	63	Cost used to approximate fair value	Gross replacement cost, useful life and residual value

d. The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all assets classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land and Buildings are undertaken by Council's assets officer in conjunction with the various technical staff.

Operational Land and Building valuations are conducted by a qualified external valuer, Community Land is valued using the Valuer Generals valuation.

Management reviews the valuations reports for consistency and accuracy and to ensure all valuations movements are fully explained.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

(a) Key management personnel

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

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

	2019 \$ '000	2018 \$ '000
Compensation:		
Short-term benefits	736	743
Post-employment benefits	51	51
Other long-term benefits	(6)	35
Termination benefits	—	18
Total	781	847

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year \$ '000	Outstanding balance (incl. loans and commitments) \$ '000	Terms and conditions	Provisions for impairment of receivables outstanding \$ '000	Expense recognised for impairment of receivables \$ '000
2019						
Airconditioning Maintenance and Servicing	1	24	—	30 day terms on invoices, market value	—	—
2018						
Airconditioning Maintenance and Servicing	1	45	—	30 day terms on invoices, market value	—	—

1 Council enters into an as needs basis with Weston and Weston after they lost the service agreement contract, a company which is controlled by a member of the KMP of Council. The contract was awarded through a competitive tender process based on market rates for these services.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018						as at 30/6/2019		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
	\$ '000	Cash \$ '000	Non-cash \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Drainage	—	2	—	—	—	—	2	—	
Traffic facilities	36	1	—	1	—	—	38	—	
Open space	37	1	—	1	—	—	39	—	
Recreation facilities	19	—	—	—	—	—	19	—	
Plan administration	1	—	—	—	—	—	1	—	
S7.11 contributions – under a plan	93	4	—	2	—	—	99	—	
S7.12 levies – under a plan	154	133	—	4	—	—	291	—	
Total S7.11 and S7.12 revenue under plans	247	137	—	6	—	—	390	—	
S64 contributions	17	4	—	1	—	—	22	—	
Total contributions	264	141	—	7	—	—	412	—	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
	\$ '000	Cash \$ '000	Non-cash \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000

S7.11 Contributions – under a plan

LEETON S94 FIXED LEVY PLAN

Drainage	–	2	–	–	–	–	2	–
Traffic facilities	36	1	–	1	–	–	38	–
Open space	37	1	–	1	–	–	39	–
Plan administration	1	–	–	–	–	–	1	–
Recreation facilities	19	–	–	–	–	–	19	–
Total	93	4	–	2	–	–	99	–

S7.12 Levies – under a plan

Leeton S7.12 Fixed Levy Plan

Other	154	133	–	4	–	–	291	–
Total	154	133	–	4	–	–	291	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	8,941	1,342	2,331
User charges and fees	4,910	3,666	399
Interest and investment revenue	889	365	206
Other revenues	947	282	3
Grants and contributions provided for operating purposes	5,247	36	30
Grants and contributions provided for capital purposes	2,983	152	123
Total income from continuing operations	23,917	5,843	3,092
Expenses from continuing operations			
Employee benefits and on-costs	7,988	1,653	1,132
Borrowing costs	90	–	–
Materials and contracts	6,189	710	570
Depreciation and amortisation	4,174	942	734
Other expenses	1,893	462	240
Net losses from the disposal of assets	163	–	–
Total expenses from continuing operations	20,497	3,767	2,676
Operating result from continuing operations	3,420	2,076	416
Net operating result for the year	3,420	2,076	416
Net operating result attributable to each council fund	3,420	2,076	416
Net operating result for the year before grants and contributions provided for capital purposes	437	1,924	293

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	General ¹ 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	3,258	204	102
Investments	13,628	12,312	6,170
Receivables	3,475	511	190
Inventories	691	–	–
Other	47	–	–
Total current assets	21,099	13,027	6,462
Non-current assets			
Investments	5,000	2,798	1,402
Receivables	72	4	8
Infrastructure, property, plant and equipment	151,339	25,194	30,468
Intangible assets	8,343	–	–
Total non-current assets	164,754	27,996	31,878
TOTAL ASSETS	185,853	41,023	38,340
LIABILITIES			
Current liabilities			
Payables	1,436	1	–
Income received in advance	1,591	–	–
Borrowings	325	–	–
Provisions	2,323	–	–
Total current liabilities	5,675	1	–
Non-current liabilities			
Borrowings	1,309	–	–
Provisions	156	–	–
Total non-current liabilities	1,465	–	–
TOTAL LIABILITIES	7,140	1	–
Net assets	178,713	41,022	38,340
EQUITY			
Accumulated surplus	81,908	23,586	19,920
Revaluation reserves	96,805	17,436	18,420
Council equity interest	178,713	41,022	38,340
Total equity	178,713	41,022	38,340

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	2,817	9.52%	12.86%	16.15%	13.71%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	29,594					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	24,101	73.36%	71.84%	69.01%	75.83%	>60.00%
Total continuing operating revenue ¹	32,852					
3. Unrestricted current ratio						
Current assets less all external restrictions	18,566	4.33x	5.12x	4.52x	4.81x	>1.50x
Current liabilities less specific purpose liabilities	4,283					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,757	21.95x	25.15x	28.26x	25.04x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	399					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	596	4.58%	3.92%	3.06%	3.09%	<10.00%
Rates, annual and extra charges collectible	13,010					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	41,174	22.71	22.51	20.70	20.70	>3.00
Monthly payments from cash flow of operating and financing activities	1,813	mths	mths	mths	mths	mths

(1) Excludes fair value adjustments, reversal of revaluation decrements and net gain on sale of assets.

(2) Excludes impairment/revaluation decrements and net loss on sale of assets.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	2.87%	9.97%	33.81%	23.28%	9.87%	18.25%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	64.84%	63.27%	96.78%	98.67%	95.05%	96.34%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.33x	5.22x	13,027.00x	8,492.00x	∞	72.93x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12.19x	16.75x	∞	∞	∞	∞	>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	6.38%	4.00%	0.00%	4.04%	0.00%	3.58%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	22.54 mths	13.80 mths	∞	55.15 mths	∞	53.79 mths	>3.00 mths
Payments from cash flow of operating and financing activities							

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

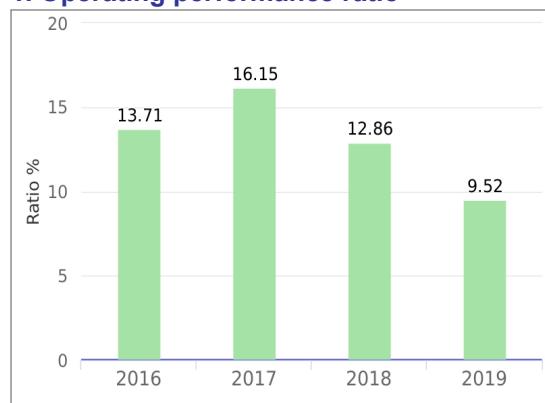
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 9.52%

Council's Operating Performance Ratio continues to remain above the benchmark due to additional grants, fees and charges income and improved interest returns on investments.

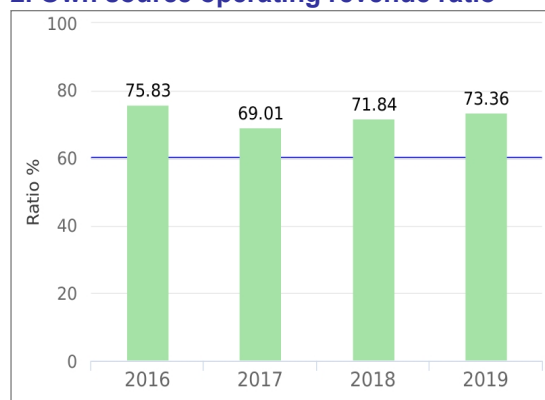
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 73.36%

With an increase in fees and charges income and improved interest return on investments Council's Own Source Revenue ratio has improved on 2017/18 and is above the benchmark of >60%.

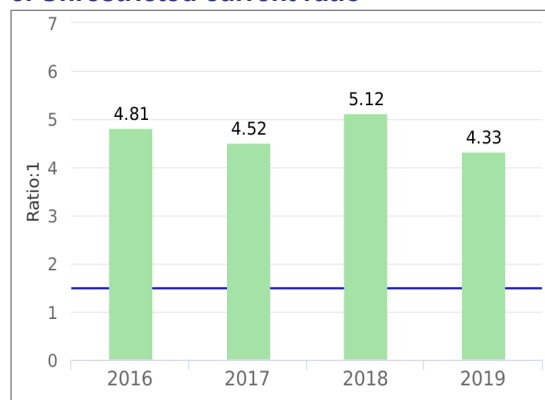
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.33x

Council remains well above the industry benchmark which indicates a strong capacity to pay debt as and well they fall due.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

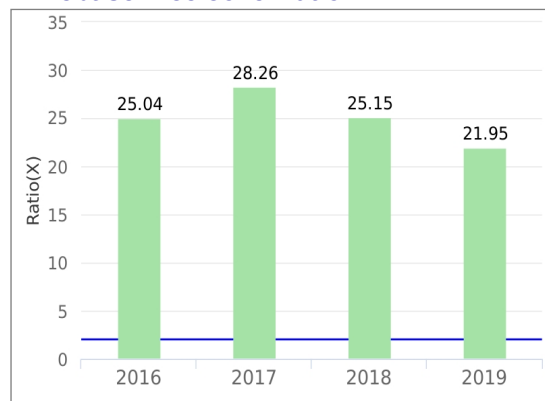
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 21.95x

Council's Debt Service Ratio is well above the industry benchmark. Council has adequate cash to service its loan repayments.

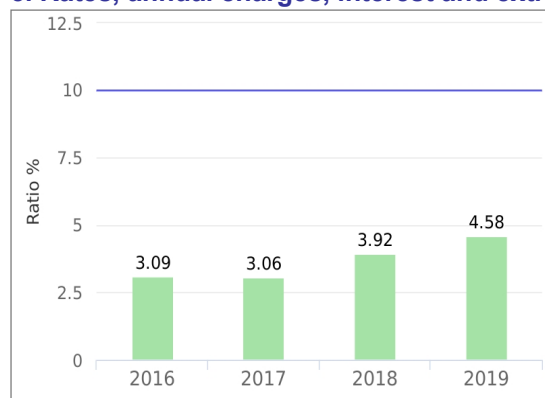
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 4.58%

The Outstanding Rates ratio remains low at 4.58%. This ratio continues to be below the benchmark of <10% for rural Councils and is due to the stringent debt recovery actions carried out.

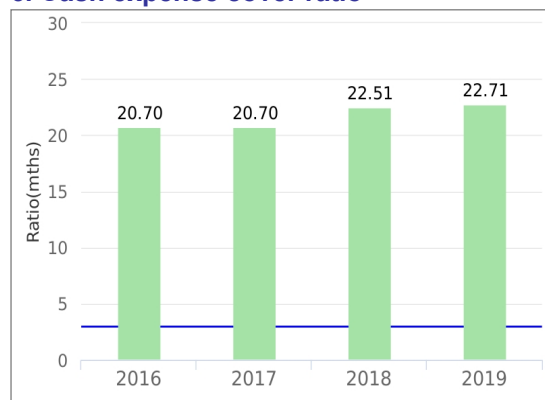
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 22.71 mths

Council continues to have a very strong Liquidity ratio to enable it to meet expenses as required.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Council information and contact details

Principal place of business:

23-25 Chelmsford Place
Leeton NSW 2705

Contact details

Mailing Address:

23-25 Chelmsford Place
Leeton NSW 2705

Telephone: 02 6953 0911

Facsimile: 02 6953 3337

Opening hours:

Office Hours: 8.30am to 5.00pm

Cashier Hours: 9:00am to 4:00pm (Mon - Fri)

Internet: www.leeton.nsw.gov.au

Email: council@leeton.nsw.gov.au

Officers

General Manager

Jacqueline Kruger

Responsible Accounting Officer

Jacqueline Hawkins

Public Officer

Alison Balind

Auditors

NSW Audit Office
Level 15, 1 Margaret Street
Sydney NSW 2000

Elected members

Mayor

Cr Paul Maytom

Councillors

Cr George Weston (Deputy Mayor)

Cr Peter Davidson

Cr Michael Kidd

Cr Tracey Morris

Cr Paul Smith

Cr Tony Ciccio

Cr Tony Reneker

Cr Sandra Nardi

Other information

ABN: 59 217 957 665



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Leeton Shire Council

To the Councillors of the Leeton Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY



Cr Paul Maytom
Mayor
Leeton Shire Council
23-25 Chelmsford Place
LEETON NSW 2705

Contact: Michael Kharzoo
Phone no: (02) 9275 7188
Our ref: D1923715/1753

29 October 2019

Dear Cr Maytom

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





I have audited the general purpose financial statements (GPFS) of the Leeton 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

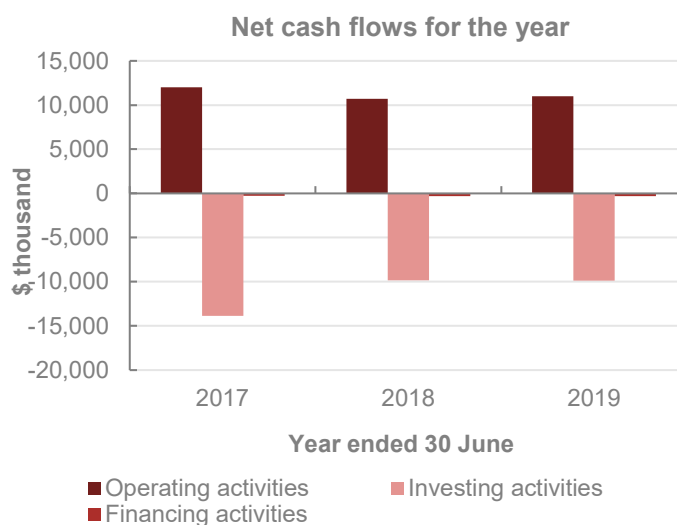
	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	12.6	12.3	 2.44
Grants and contributions revenue	8.6	8.7	 1.15
Operating result for the year	5.9	5.3	 11.32
Net operating result before capital grants and contributions	2.6	4.3	 39.53

The following comments are made in respect of Council's operating result for the year:

- Rates and annual charges revenue was \$12.6 million (\$12.3 million for the year ended 30 June 2018). The increase of \$0.3 million (2.44%) is consistent with an increase in ordinary rates in line with the 2.3% rate peg and the rise in the total number of rateable properties.
- Grants and contributions revenue was \$8.6 million (\$8.7 million for the year ended 30 June 2018). Overall, grants and contributions revenue was steady with a decrease of \$0.1 million (1.15%) from prior year.
- Council's operating result was a surplus of \$5.9 million (\$5.3 million surplus for the year ended 30 June 2018). The increase of \$0.6 million is mainly due to the increase of \$0.6 million in other revenue.
- The net operating result before capital grants and contributions was a surplus of \$2.6 million (\$4.3 million surplus for the year ended 30 June 2018). The decrease of \$1.7 million was mainly due to a decrease of \$2.4 million in grants and contributions provided for operating purposes and an increase of \$0.5 million in employee benefits and on-costs expenses.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$3.6 million (\$2.8 million for the year ended 30 June 2018). There was a net increase in cash and cash equivalents of \$0.8 million at 30 June 2019.
- Net cash provided by operating activities has increased by \$0.3 million. Council reported an increase in cash receipts from rates and annual charges revenue of \$0.5 million, an increase in cash receipts from user charges and fees of \$0.9 million and a decrease in grants and contributions of \$1.1 million.
- Net cash used in investing activities is consistent with the 2018 value.
- There was no significant movement in the net cash used in financing activities, which represents repayment of Council's external borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	30.4	25.0	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$5.4 million is mainly due to general increases in the restrictions for water and sewer fund. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The internally restricted funds as at 30 June 2019 are largely consistent with the prior year. Unrestricted cash and investments was \$0.3 million, which is available to provide liquidity for day-to-day operations of the Council. The decrease of \$1.8 million in unrestricted cash and investments was primarily due to additional external restrictions made by Council during the year.
Internal restrictions	14.2	14.8	
Unrestricted	0.3	2.1	
Cash and investments	44.9	41.9	

Debt

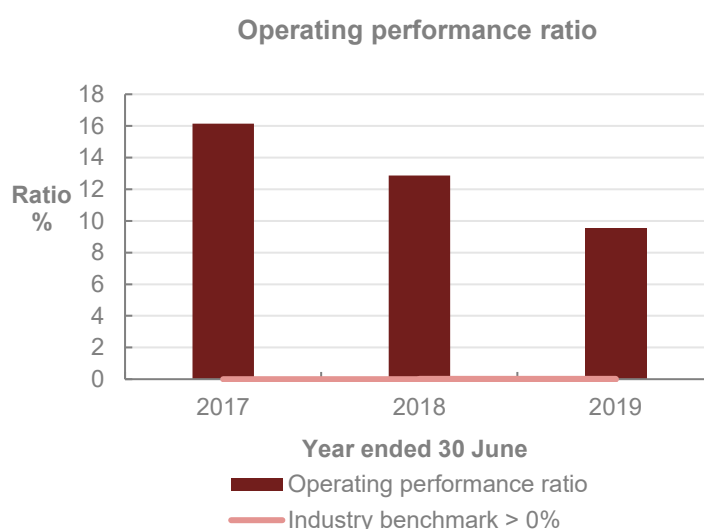
Council has \$1.6 million of external borrowings (2018: \$1.9 million) which is secured over the revenue of Council.

Council has a \$0.5 million bank overdraft facility (2018: \$0.5 million) which was undrawn as at 30 June 2019.

PERFORMANCE

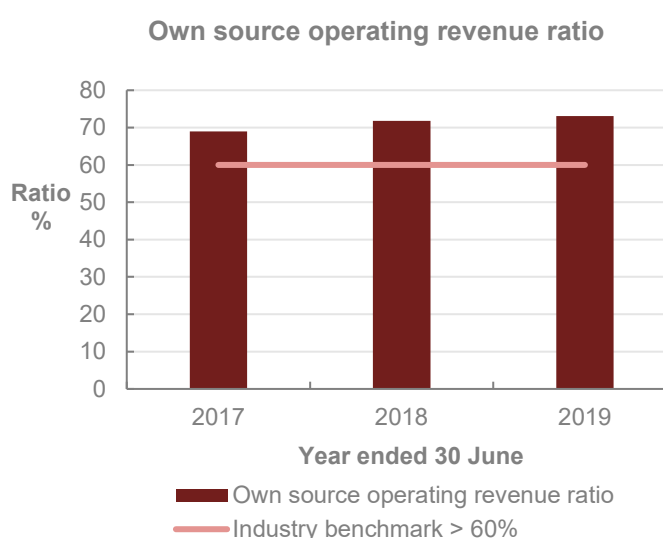
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio of 9.52% is above the industry benchmark of greater than 0%. This indicates the Council has contained operating expenditures within operating revenue.
- The operating performance ratio decreased to 9.52% (2018: 12.86%) due to the decrease of \$2.4 million in grants and contributions provided for operating purposes.



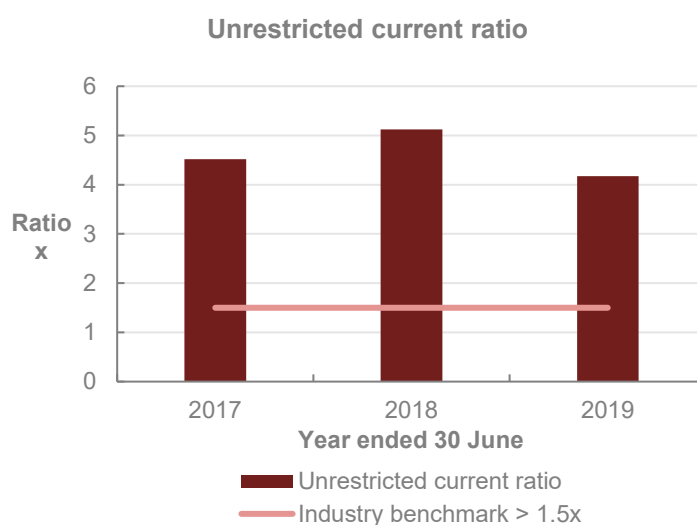
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 73.36% is above the industry benchmark of 60%. This indicates that the Council is less reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio increased in 2019, due to an increase in rates and annual charges income of \$0.3 million relative to the decrease in grants and contributions revenue of \$0.1 million.



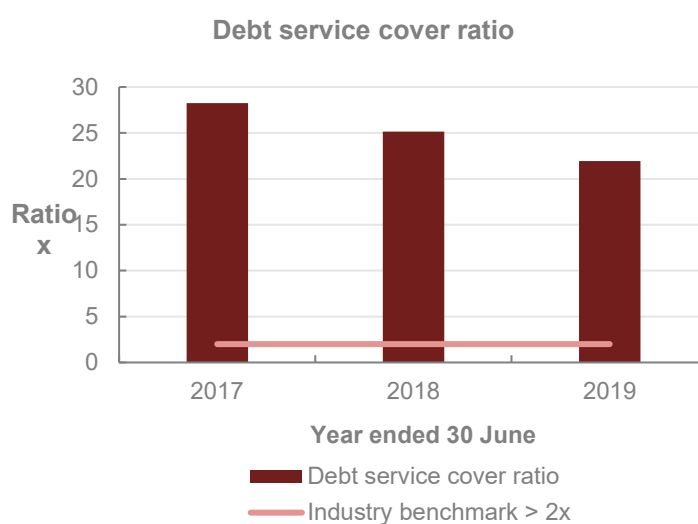
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 4.17 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has declined due to an increase in current liabilities.



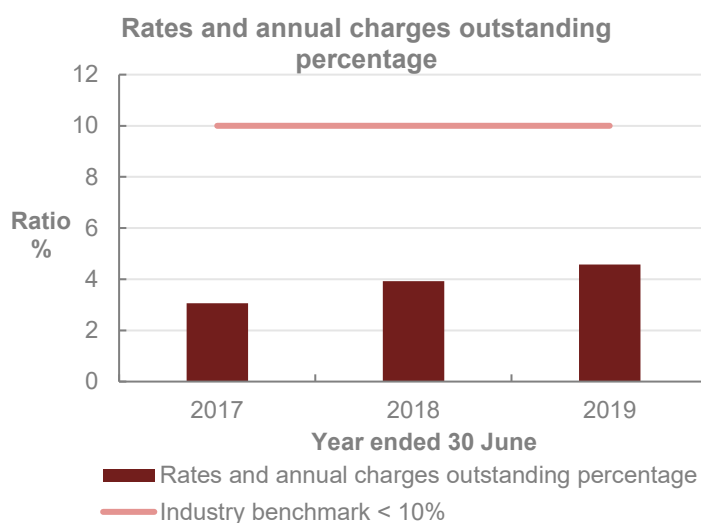
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 21.95 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.
- The Council's debt service cover ratio has declined due to a decrease in the net operating result for the year before grants and contributions provided for capital purposes.



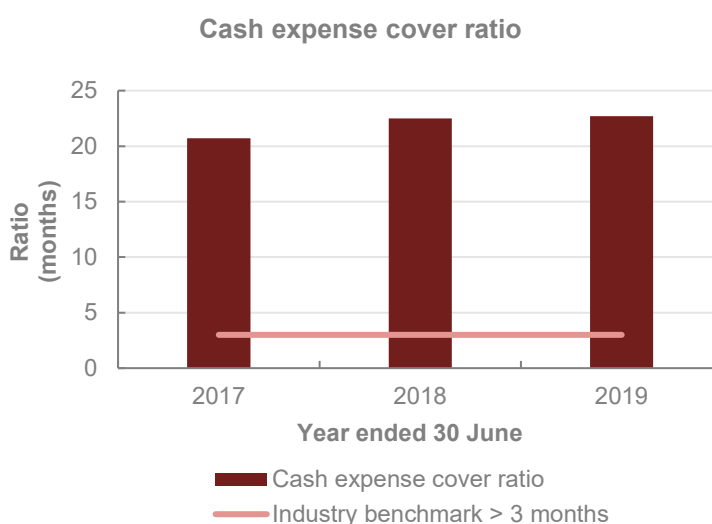
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 4.58% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges outstanding percentage has remained below the industry benchmark for the last three years, which is a reflection of sound debt recovery procedures at the Council.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.
- The Council's cash expense cover ratio was 22.7 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 22.7 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council's cash expense cover ratio has remained steady.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$6.5 million of assets in the 2018–19 financial year, compared to \$3.1 million of assets in the 2017–18 financial year. The renewal of infrastructure, property, plant and equipment has increased by \$3.4 million.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</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.



Michael Kharzoo
Delegate of the Auditor-General for New South Wales

cc: Jackie Kruger, General Manager
Graham Bradley, Chair of the Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Leeton Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Preserving the Past, Enhancing the Future"



LEETON
SHIRE COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2019

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Statement of Financial Position – Sewerage Business Activity	7
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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).

Leeton 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,
- accord with Council's accounting and other records, and
- 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 28 October 2019.



Cr Paul Maytom
Mayor



Cr George Weston
Councillor



Jacqueline Kruger
General Manager



Jacqueline Hawkins
Responsible Accounting Officer

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	1,342	1,340
User charges	3,666	3,149
Interest	365	302
Grants and contributions provided for non-capital purposes	36	38
Other income	282	43
Total income from continuing operations	5,691	4,872
Expenses from continuing operations		
Employee benefits and on-costs	1,653	1,711
Materials and contracts	710	555
Depreciation, amortisation and impairment	942	966
Water purchase charges	225	205
Loss on sale of assets	–	3
Other expenses	237	298
Total expenses from continuing operations	3,767	3,738
Surplus (deficit) from continuing operations before capital amounts	1,924	1,134
Grants and contributions provided for capital purposes	152	27
Surplus (deficit) from continuing operations after capital amounts	2,076	1,161
Surplus (deficit) from all operations before tax	2,076	1,161
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(529)	(312)
SURPLUS (DEFICIT) AFTER TAX	1,547	849
Plus accumulated surplus	21,510	20,349
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	529	312
Closing accumulated surplus	23,586	21,510
Return on capital %	7.6%	4.5%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,547	849
Less: capital grants and contributions (excluding developer contributions)	(152)	(11)
Surplus for dividend calculation purposes	1,395	838
Potential dividend calculated from surplus	697	419

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
Income from continuing operations		
Access charges	2,331	2,273
User charges	3	1
Liquid trade waste charges	396	375
Interest	207	196
Grants and contributions provided for non-capital purposes	30	31
Other income	2	1
Total income from continuing operations	2,969	2,877
Expenses from continuing operations		
Employee benefits and on-costs	1,132	964
Materials and contracts	570	419
Depreciation, amortisation and impairment	734	699
Other expenses	240	270
Total expenses from continuing operations	2,676	2,352
Surplus (deficit) from continuing operations before capital amounts	293	525
Grants and contributions provided for capital purposes	123	77
Surplus (deficit) from continuing operations after capital amounts	416	602
Surplus (deficit) from all operations before tax	416	602
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(81)	(144)
SURPLUS (DEFICIT) AFTER TAX	335	458
Plus accumulated surplus	19,504	18,902
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	81	144
Closing accumulated surplus	19,920	19,504
Return on capital %	1.0%	1.8%
Subsidy from Council	109	243
Calculation of dividend payable:		
Surplus (deficit) after tax	335	458
Less: capital grants and contributions (excluding developer contributions)	(123)	(65)
Surplus for dividend calculation purposes	212	393
Potential dividend calculated from surplus	106	196

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	204	223
Investments	12,312	9,475
Receivables	511	359
Total current assets	13,027	10,057
Non-current assets		
Investments	2,798	3,029
Receivables	4	–
Infrastructure, property, plant and equipment	25,194	25,438
Total non-current assets	27,996	28,467
TOTAL ASSETS	41,023	38,524
LIABILITIES		
Current liabilities		
Payables	1	1
Total current liabilities	1	1
TOTAL LIABILITIES	1	1
NET ASSETS	41,022	38,523
EQUITY		
Accumulated surplus	23,586	21,510
Revaluation reserves	17,436	17,013
TOTAL EQUITY	41,022	38,523

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	102	139
Investments	6,170	5,560
Receivables	190	284
Total current assets	6,462	5,983
Non-current assets		
Investments	1,402	1,710
Receivables	8	121
Infrastructure, property, plant and equipment	30,468	29,653
Total non-current assets	31,878	31,484
TOTAL ASSETS	38,340	37,467
NET ASSETS	38,340	37,467
EQUITY		
Accumulated surplus	19,920	19,504
Revaluation reserves	18,420	17,963
TOTAL EQUITY	38,340	37,467

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)

a. Water Supply

Comprising the whole of the operations and net assets of Council's water supply activities servicing the towns of Leeton, Yanco, Whitton and Murrami which are established as a separate Special Rate Fund.

b. Sewerage Service

Comprising the whole of the operations and net assets of Council's sewerage reticulation & treatment activities servicing the towns of Leeton, Whitton and Yanco, which are established as a separate Special Rate Fund.

Category 2

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

Council has no Category 2 Business Activities

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

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30 June 2019.

(iv) Dividends

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Leeton Shire Council

To the Councillors of the Leeton Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Leeton Shire Council's (the Council) declared business activities, which comprise the Income Statement of the declared business activities for the year ended 30 June 2019, the Statement of Financial Position of the declared business activities 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.

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.

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.



Michael Kharzoo
Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY

Leeton Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

"Preserving the Past, Enhancing the Future"



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

for the year ended 30 June 2020

		Calculation 2019/20 \$ '000	Calculation 2018/19 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	7,215	7,038
Plus or minus adjustments ²	b	20	8
Notional general income	$c = a + b$	7,235	7,046
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	195	162
Sub-total	$k = (c + g + h + i + j)$	7,430	7,208
Plus (or minus) last year's carry forward total	l	—	7
Sub-total	$n = (l + m)$	—	7
Total permissible income	$o = k + n$	7,430	7,215
Less notional general income yield	p	7,467	7,215
Catch-up or (excess) result	$q = o - p$	(37)	—
Carry forward to next year ⁶	$t = q + r + s$	(37)	—

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

Leeton Shire Council

To the Councillors of Leeton Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Leeton 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 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	–	–	227	232	2.0%	98.0%	0.0%	0.0%	0.0%
	Buildings – specialised	285	285	202	202	23,348	24,131	27.0%	22.0%	30.0%	19.0%	2.0%
	Water buildings	3	3	4	4	811	846	3.0%	6.0%	3.0%	88.0%	0.0%
	Sewer Buildings	5	5	2	2	177	189	25.0%	8.0%	34.0%	26.0%	7.0%
	Sub-total	293	293	208	208	24,563	25,398	26.0%	22.1%	28.9%	21.2%	1.8%
Other structures	Other structures	20	20	72	72	1,254	1,537	47.0%	11.0%	25.0%	17.0%	0.0%
	Sub-total	20	20	72	72	1,254	1,537	47.0%	11.0%	25.0%	17.0%	0.0%
Roads	Sealed roads	536	536	996	996	53,284	74,167	12.0%	50.0%	27.0%	2.0%	9.0%
	Unsealed roads	258	258	540	540	6,467	11,280	66.0%	6.0%	7.0%	1.0%	20.0%
	Bridges	415	415	18	18	3,040	3,724	63.0%	25.0%	12.0%	0.0%	0.0%
	Footpaths	19	19	52	52	5,192	6,390	80.0%	14.0%	4.0%	2.0%	0.0%
	Other road assets	13	13	–	2	2,887	3,970	50.0%	37.0%	11.0%	1.0%	1.0%
	Bulk earthworks	–	–	–	–	8,706	8,706	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Guttering	30	30	–	13	14,678	14,714	10.0%	49.0%	33.0%	7.0%	1.0%
	Sub-total	1,271	1,271	1,606	1,621	91,254	122,951	29.3%	39.3%	21.8%	2.3%	7.3%
Water supply network	Mains	329	329	593	593	15,305	29,209	44.0%	19.0%	19.0%	11.0%	7.0%
	Dams/Weirs	–	–	–	–	2,078	3,548	0.0%	11.0%	88.0%	0.0%	1.0%
	Pump Stations	51	51	19	19	71	827	3.0%	75.0%	0.0%	0.0%	22.0%
	Telemetry	63	63	–	–	32	140	0.0%	0.0%	100.0%	0.0%	0.0%
	Filtration/Treatment Plant	86	86	826	826	1,481	13,262	3.0%	37.0%	49.0%	0.0%	11.0%
	Reservoirs	27	27	5	5	5,125	10,425	0.0%	63.0%	37.0%	0.0%	0.0%
	Water Meters	50	50	36	36	–	614	3.0%	4.0%	6.0%	6.0%	81.0%
	Sub-total	606	606	1,479	1,479	24,092	58,025	22.9%	31.1%	33.1%	5.6%	7.3%
Sewerage network	Sewer Lines	449	449	175	175	20,152	35,232	25.0%	28.0%	42.0%	0.0%	5.0%
	Pump Stations	149	149	397	397	2,843	5,854	35.0%	27.0%	38.0%	0.0%	0.0%
	Telemetry	150	150	3	3	219	568	0.0%	4.0%	0.0%	0.0%	96.0%
	Vent Stacks	63	63	–	–	96	580	0.0%	18.0%	18.0%	12.0%	52.0%
	Treatment Plants	49	49	457	457	5,150	22,603	0.0%	28.0%	68.0%	4.0%	0.0%
	Sub-total	860	860	1,032	1,032	28,460	64,837	16.7%	27.6%	50.1%	1.5%	4.1%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring to the agreed level of service set by Council		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		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	Pits & Inlets	50	50	92	92	1,146	1,409	91.0%	6.0%	1.0%	0.0%	2.0%
	Pipes	—	—	—	—	6,697	8,598	13.0%	76.0%	9.0%	0.0%	2.0%
	Pump Stations	94	94	30	30	355	491	64.0%	22.0%	14.0%	0.0%	0.0%
	Sub-total	144	144	122	122	8,198	10,498	25.9%	64.1%	8.2%	0.0%	1.8%
Open space / recreational assets	Swimming pools	330	330	30	30	1,044	1,084	0.0%	0.0%	50.0%	50.0%	0.0%
	Other Recreation Assets	509	509	396	396	4,861	4,864	74.0%	18.0%	5.0%	3.0%	0.0%
	Sub-total	839	839	426	426	5,905	5,948	60.5%	14.7%	13.2%	11.6%	0.0%
TOTAL - ALL ASSETS		4,033	4,033	4,945	4,960	183,726	289,194	25.5%	33.7%	30.4%	4.6%	5.8%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
Infrastructure asset performance indicators (consolidated) *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	3,463					
Depreciation, amortisation and impairment	4,663	74.27%	63.76%	53.97%	73.96%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	4,033					
Net carrying amount of infrastructure assets	183,726	2.20%	2.18%	3.04%	4.17%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	4,960					
Required asset maintenance	4,945	100.30%	100.00%	100.79%	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	4,033					
Gross replacement cost	289,194	1.39%	1.30%	1.83%	2.56%	

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

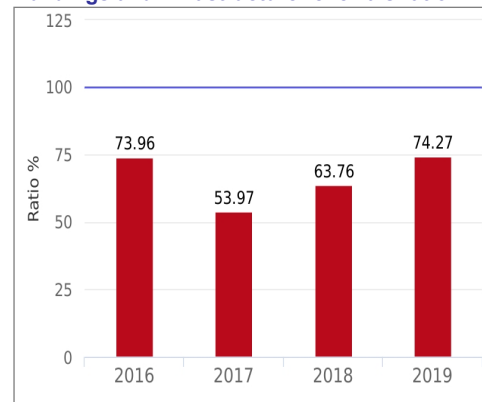
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

18/19 ratio 74.27%

Council's Infrastructure Renewal ratio has been impacted by the inability to complete budgeted projects. These incomplete projects are listed within the Work in Progress of \$2,688m.

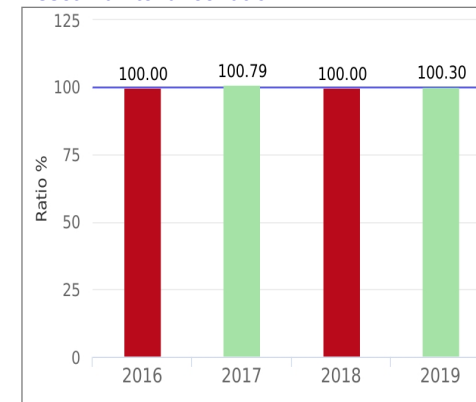
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

18/19 ratio 100.30%

All required maintenance was carried out during the year.

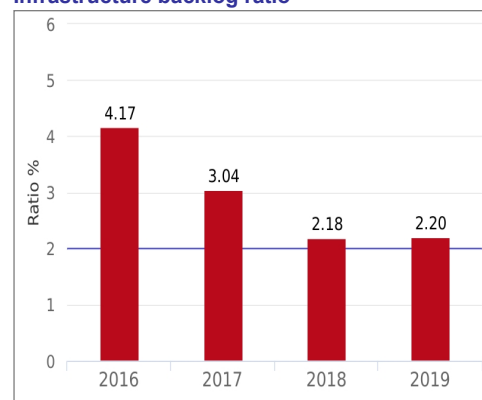
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

18/19 ratio 2.20%

With Council continuing to focus on asset renewal the Infrastructure Backlog ratio is slowly reducing.

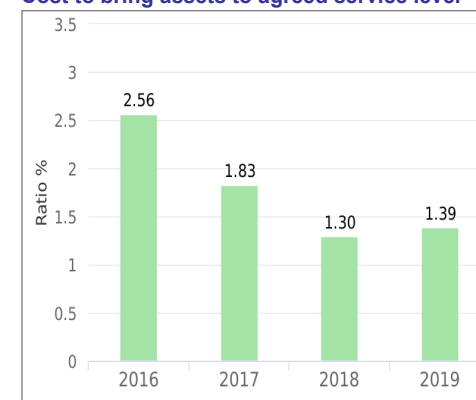
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

18/19 ratio 1.39%

Council is actively addressing the agreed level of service and the condition of the asset portfolio.

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	109.05%	49.40%	7.76%	65.59%	4.49%	130.38%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	1.96%	1.94%	2.52%	2.48%	3.02%	2.97%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.62%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.54%	1.37%	1.04%	1.06%	1.33%	1.33%	
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.