

# Hay Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# Hay Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

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

134 Lachlan Street  
HAY NSW 2711

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

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## Hay Shire Council

Financial Statements 2019

## 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.

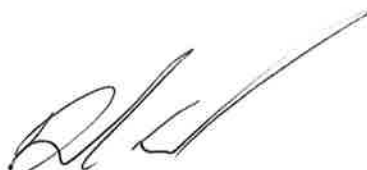
Signed in accordance with a resolution of Council made on 17 September 2019.



Cr Bill Sheaffe

Mayor

17 September 2019



Cr David Townsend

Councillor

17 September 2019



David Webb

General Manager

17 September 2019



Mark Dowling

Responsible Accounting Officer

17 September 2019

## Income Statement

for the year ended 30 June 2019

| Original<br>unaudited<br>budget<br>2019    | \$ '000  | Notes | Actual<br>2019 | Actual<br>2018 <sup>1</sup> |
|--|--|-------|----------------|-----------------------------|
| <b>Income from continuing operations</b>   |  |       |                |                             |
| <u>Revenue:</u>                            |  |       |                |                             |
| 4,456                                      | Rates and annual charges   | 3a    | 4,341          | 4,186                       |
| 873  | User charges and fees  | 3b    | 988            | 987                         |
| 112  | Interest and investment revenue  | 3c    | 197            | 159                         |
| 46   | Other revenues   | 3d    | 383            | 441                         |
| 4,180                                      | Grants and contributions provided for operating purposes   | 3e,3f | 4,556          | 5,075                       |
| 6,435                                      | Grants and contributions provided for capital purposes   | 3e,3f | 5,672          | 844                         |
| <u>Other income:</u>                       |  |       |                |                             |
| —  | Net gains from the disposal of assets  | 5     | 87             | 20                          |
| 16,102                                     | <b>Total income from continuing operations</b>   |       | 16,224         | 11,712                      |
| <b>Expenses from continuing operations</b> |  |       |                |                             |
| 3,976                                      | Employee benefits and on-costs   | 4a    | 4,176          | 3,918                       |
| 140  | Borrowing costs  | 4b    | 133            | 106                         |
| 2,408                                      | Materials and contracts  | 4c    | 1,977          | 2,073                       |
| 2,690                                      | Depreciation and amortisation  | 4d    | 3,059          | 2,996                       |
| 1,514                                      | Other expenses   | 4e    | 1,415          | 1,485                       |
| 10,728                                     | <b>Total expenses from continuing operations</b>   |       | 10,760         | 10,578                      |
| 5,374                                      | <b>Operating result from continuing operations</b>   |       | 5,464          | 1,134                       |
| 5,374                                      | <b>Net operating result for the year</b>   |       | 5,464          | 1,134                       |
| 5,374                                      | Net operating result attributable to council   |       | 5,464          | 1,134                       |
| (1,061)                                    | <b>Net operating result for the year before grants and contributions provided for capital purposes</b> |       | (208)          | 290                         |

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

| \$ '000  | Notes | 2019          | 2018 <sup>1</sup> |
|--|-------|---------------|-------------------|
| <b>Net operating result for the year (as per Income Statement)</b>                     |       | <b>5,464</b>  | <b>1,134</b>      |
| <b>Other comprehensive income:</b>   |       |               |                   |
| Amounts which will not be reclassified subsequently to the operating result            |       |               |                   |
| Gain (loss) on revaluation of IPP&E  | 10(a) | 76,498        | 15,614            |
| <b>Total items which will not be reclassified subsequently to the operating result</b> |       | <b>76,498</b> | <b>15,614</b>     |
| <b>Total other comprehensive income for the year</b>                                   |       | <b>76,498</b> | <b>15,614</b>     |
| <b>Total comprehensive income for the year</b>   |       | <b>81,962</b> | <b>16,748</b>     |
| Total comprehensive income attributable to Council                                     |       | 81,962        | 16,748            |

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

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

# Statement of Financial Position

as at 30 June 2019

| \$ '000                                       | Notes | 2019           | 2018 <sup>1</sup> |
|---|-------|----------------|-------------------|
| <b>ASSETS</b>                                 |       |                |                   |
| <b>Current assets</b>                         |       |                |                   |
| Cash and cash equivalent assets               | 6(a)  | 10,089         | 10,079            |
| Receivables                                   | 7     | 2,076          | 1,118             |
| Inventories                                   | 8a    | 234            | 217               |
| Other   | 8b    | 26             | 30                |
| <b>Total current assets</b>                   |       | <b>12,425</b>  | <b>11,444</b>     |
| <b>Non-current assets</b>                     |       |                |                   |
| Inventories                                   | 8a    | 70             | 72                |
| Infrastructure, property, plant and equipment | 10(a) | 168,640        | 86,254            |
| <b>Total non-current assets</b>               |       | <b>168,710</b> | <b>86,326</b>     |
| <b>TOTAL ASSETS</b>                           |       | <b>181,135</b> | <b>97,770</b>     |
| <b>LIABILITIES</b>                            |       |                |                   |
| <b>Current liabilities</b>                    |       |                |                   |
| Payables                                      | 11    | 576            | 566               |
| Borrowings                                    | 11    | 219            | 82                |
| Provisions                                    | 12    | 1,382          | 1,515             |
| <b>Total current liabilities</b>              |       | <b>2,177</b>   | <b>2,163</b>      |
| <b>Non-current liabilities</b>                |       |                |                   |
| Borrowings                                    | 11    | 2,244          | 1,226             |
| Provisions                                    | 12    | 601            | 230               |
| <b>Total non-current liabilities</b>          |       | <b>2,845</b>   | <b>1,456</b>      |
| <b>TOTAL LIABILITIES</b>                      |       | <b>5,022</b>   | <b>3,619</b>      |
| <b>Net assets</b>                             |       | <b>176,113</b> | <b>94,151</b>     |
| <b>EQUITY</b>                                 |       |                |                   |
| Accumulated surplus                           |       | 54,938         | 49,474            |
| Revaluation reserves                          |       | 121,175        | 44,677            |
| <b>Council equity interest</b>                |       | <b>176,113</b> | <b>94,151</b>     |
| <b>Total equity</b>                           |       | <b>176,113</b> | <b>94,151</b>     |

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

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



## Statement of Changes in Equity

for the year ended 30 June 2019

| \$ '000  | Notes | 2019                |                           |              | 2018 <sup>1</sup>   |                           |              |
|--|-------|---------------------|---------------------------|--------------|---------------------|---------------------------|--------------|
|  |       | Accumulated surplus | IPP&E revaluation reserve | Total equity | Accumulated surplus | IPP&E revaluation reserve | Total equity |
| Opening balance  |       | 49,474              | 44,677                    | 94,151       | 48,340              | 29,063                    | 77,403       |
| Net operating result for the year                      |       | 5,464               | –                         | 5,464        | 1,134               | –                         | 1,134        |
| <b>Other comprehensive income</b>                      |       |                     |                           |              |                     |                           |              |
| – Gain (loss) on revaluation of IPP&E                  | 10(a) | –                   | 76,498                    | 76,498       | –                   | 15,614                    | 15,614       |
| <b>Other comprehensive income</b>                      |       | –                   | 76,498                    | 76,498       | –                   | 15,614                    | 15,614       |
| <b>Total comprehensive income</b>                      |       | 5,464               | 76,498                    | 81,962       | 1,134               | 15,614                    | 16,748       |
| <b>Equity – balance at end of the reporting period</b> |       | 54,938              | 121,175                   | 176,113      | 49,474              | 44,677                    | 94,151       |

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

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

## Statement of Cash Flows

for the year ended 30 June 2019

| Original<br>unaudited<br>budget<br>2019     | \$ '000   | Notes | Actual<br>2019 | Actual<br>2018 |
|---|---|-------|----------------|----------------|
| <b>Cash flows from operating activities</b> |   |       |                |                |
|   | <u>Receipts</u>   |       |                |                |
| 4,456                                       | Rates and annual charges  |       | 4,472          | 4,144          |
| 873   | User charges and fees   |       | 949            | 1,013          |
| 112   | Investment and interest revenue received                        |       | 210            | 162            |
| 10,614                                      | Grants and contributions  |       | 9,212          | 6,087          |
| –   | Bonds, deposits and retention amounts received                  |       | 2              | –              |
| 46  | Other   |       | 1,451          | 966            |
|   | <u>Payments</u>   |       |                |                |
| (3,976)                                     | Employee benefits and on-costs                                  |       | (4,273)        | (4,099)        |
| (2,222)                                     | Materials and contracts   |       | (2,956)        | (2,415)        |
| (139)                                       | Borrowing costs   |       | (110)          | (113)          |
| (1,700)                                     | Other   |       | (1,494)        | (1,691)        |
|   | <b>Net cash provided (or used in) operating activities</b>      | 14b   | <b>7,463</b>   | <b>4,054</b>   |
| 8,064                                       |   |       |                |                |
| <b>Cash flows from investing activities</b> |   |       |                |                |
|   | <u>Receipts</u>   |       |                |                |
| –   | Sale of real estate assets                                      |       | 16             | –              |
| 100   | Sale of infrastructure, property, plant and equipment           |       | 138            | 40             |
| –   | Deferred debtors receipts                                       |       | 6              | 12             |
|   | <u>Payments</u>   |       |                |                |
| (9,904)                                     | Purchase of infrastructure, property, plant and equipment       |       | (8,768)        | (3,488)        |
| (9,804)                                     | <b>Net cash provided (or used in) investing activities</b>      |       | <b>(8,608)</b> | <b>(3,436)</b> |
|   |   |       |                |                |
| <b>Cash flows from financing activities</b> |   |       |                |                |
|   | <u>Receipts</u>   |       |                |                |
| 1,250                                       | Proceeds from borrowings and advances                           |       | 1,250          | –              |
|   | <u>Payments</u>   |       |                |                |
| (190)                                       | Repayment of borrowings and advances                            |       | (95)           | (111)          |
| 1,060                                       | <b>Net cash flow provided (or used in) financing activities</b> |       | <b>1,155</b>   | <b>(111)</b>   |
| (680)                                       | <b>Net increase/(decrease) in cash and cash equivalents</b>     |       | <b>10</b>      | <b>507</b>     |
| 9,110                                       | Plus: cash and cash equivalents – beginning of year             | 14a   | 10,079         | 9,572          |
| <b>8,430</b>                                | <b>Cash and cash equivalents – end of the year</b>              | 14a   | <b>10,089</b>  | <b>10,079</b>  |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 17 September 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not-for profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 19 – 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 and 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:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### Significant judgements in applying the Council's accounting policies

##### (i) Impairment of receivables

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

##### (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

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

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

##### AASB 16 Leases

AASB 16 requires that all leases should be accounted for on the lessee's accounts similar to the finance lease accounting treatment. This means recognition of right-of-use assets with the corresponding liability for the present value of minimum lease payments. Accounting treatment of the assets leased out to external parties (lessor's perspective) have not changed and is treated similar to the currently used AASB 117 *Leases*. Council has examined the impact of adopting this new accounting standard and determined that there is no material impact from adoption on 1 July 2019.

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

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 has assessed each revenue stream particularly the impact expected for grant income and rates which are paid before

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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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.

AASB 15 will have no impact on rates and charges paid in advance as council has always accounted for these as a liability.

#### **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:

1. contributions by owners
2. revenue, or a contract liability arising from a contract with a customer
3. a lease liability
4. a financial instrument, or
5. a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15. If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The majority of capital grants are paid in arrears based on actual expenditure and therefore council will have met all obligations prior to receiving the grant payment.

There were however a number of grants, totalling \$635,178, under the Stronger Country Communities program which were unspent at 30 June 2019 and under the terms of the funding agreement would be shown as a liability and the income taken up when the works have been completed.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

| \$ '000                               | Income from continuing operations |               | Expenses from continuing operations |               | Operating result from continuing operations |              | Grants included in income from continuing operations |              | Total assets held (current and non-current) |               |
|---------------------------------------|-----------------------------------|---------------|-------------------------------------|---------------|---|--------------|--|--------------|---|---------------|
|                                       | 2019                              | 2018          | 2019                                | 2018          | 2019  | 2018         | 2019   | 2018         | 2019  | 2018          |
| <b>Functions or activities</b>        |                                   |               |                                     |               |   |              |  |              |   |               |
| Governance                            | 1                                 | 2             | 577                                 | 449           | (576)                                       | (447)        | –  | –            | –   | –             |
| Administration                        | 163                               | 146           | 1,099                               | 1,045         | (936)                                       | (899)        | 90   | 63           | 8,388                                       | 8,167         |
| Public Order and Safety               | 108                               | 138           | 436                                 | 509           | (328)                                       | (371)        | 92   | 118          | 1,341                                       | 1,461         |
| Health                                | 4                                 | 4             | 12                                  | 14            | (8)   | (10)         | –  | –            | 3,149                                       | 3,243         |
| Environment                           | 532                               | 574           | 748                                 | 739           | (216)                                       | (165)        | 31   | 41           | 13,853                                      | 6,119         |
| Community Services and Education      | 474                               | 655           | 435                                 | 546           | 39  | 109          | 396  | 578          | 797   | 806           |
| Housing and Community Amenities       | 234                               | 205           | 1,056                               | 916           | (822)                                       | (711)        | 38   | 37           | 2,732                                       | 2,757         |
| Water Supplies                        | 1,400                             | 1,323         | 1,213                               | 1,204         | 187   | 119          | –  | 10           | 14,017                                      | 13,620        |
| Sewerage Services                     | 5,537                             | 1,002         | 783                                 | 799           | 4,754                                       | 203          | 4,509  | 75           | 17,580                                      | 11,364        |
| Recreation and Culture                | 623                               | 699           | 1,317                               | 1,284         | (694)                                       | (585)        | 589  | 607          | 14,154                                      | 14,071        |
| Mining Manufacturing and Construction | 15                                | 302           | 104                                 | 96            | (89)  | 206          | –  | –            | –   | –             |
| Transport and Communication           | 1,437                             | 1,572         | 2,544                               | 2,566         | (1,107)                                     | (994)        | 483  | 861          | 104,533                                     | 35,562        |
| Economic Affairs                      | 226                               | 196           | 436                                 | 411           | (210)                                       | (215)        | 1  | 2            | 591   | 600           |
| General Purpose                       | 5,470                             | 4,894         | –                                   | –             | 5,470                                       | 4,894        | 3,055  | 2,551        | –   | –             |
| <b>Total functions and activities</b> | <b>16,224</b>                     | <b>11,712</b> | <b>10,760</b>                       | <b>10,578</b> | <b>5,464</b>                                | <b>1,134</b> | <b>9,284</b>   | <b>4,943</b> | <b>181,135</b>                              | <b>97,770</b> |

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### **Governance**

Includes costs relating to Council's role as a component of democratic Government including elections members fees and expenses and meetings of Council.

#### **Administration**

Included Corporate Support and other support service, engineering works and 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 immunisation, food control and other health matters.

#### **Environment**

Includes noxious plants and vermin control, other environmental protection, solid waste management, sanitation and garbage, street cleaning, drainage and stormwater management.

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

Includes administration and education, community service programs, youth services, aged and disabled person services, children's services, community transport and family and children services.

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

Includes cemeteries, public conveniences, street cleaning, town planning, community amenities and housing facilities.

#### **Water Supplies**

Operation of Hay Water Services.

#### **Sewerage Services**

Operation of Hay Sewerage Service.

#### **Recreation and Culture**

Includes Public Libraries, museums, art galleries, community centres and public halls sports grounds and venues, swimming pools, and other sporting recreational and cultural facilities.

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

Includes Building control, quarries and pits.

#### **Transport and Communication**

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

#### **Economic Affairs**

Includes tourism and promotion and other business undertakings.

#### **General Purpose**

General purpose revenue including rates and financial assistance grants.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>(a) Rates and annual charges</b>                |              |              |
| <b>Ordinary rates</b>                              |              |              |
| Residential  | 831          | 813          |
| Farmland   | 1,152        | 1,118        |
| Business   | 321          | 313          |
| Less: pensioner rebates (mandatory)                | (42)         | (42)         |
| <b>Rates levied to ratepayers</b>                  | <b>2,262</b> | <b>2,202</b> |
| Pensioner rate subsidies received                  | 23           | 23           |
| <b>Total ordinary rates</b>                        | <b>2,285</b> | <b>2,225</b> |
| <b>Annual charges</b>                              |              |              |
| (pursuant to s.496, s.496A, s.496B, s.501 & s.611) |              |              |
| Domestic waste management services                 | 324          | 322          |
| Water supply services                              | 644          | 610          |
| Sewerage services                                  | 941          | 869          |
| Drainage   | —            | 19           |
| Waste management services (non-domestic)           | 175          | 169          |
| Less: pensioner rebates (mandatory)                | (59)         | (59)         |
| <b>Annual charges levied</b>                       | <b>2,025</b> | <b>1,930</b> |
| Pensioner subsidies received:                      |              |              |
| – Water  | 10           | 10           |
| – Sewerage   | 10           | 10           |
| – Domestic waste management                        | 11           | 11           |
| <b>Total annual charges</b>                        | <b>2,056</b> | <b>1,961</b> |
| <b>TOTAL RATES AND ANNUAL CHARGES</b>              | <b>4,341</b> | <b>4,186</b> |

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

**Accounting policy for rates and charges**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | 2019       | 2018       |
|---|------------|------------|
| <b>(b) User charges and fees</b>  |            |            |
| <b>Specific user charges</b>  |            |            |
| (per s.502 - specific 'actual use' charges)                                   |            |            |
| Water supply services   | 567        | 540        |
| Sewerage services   | 42         | 39         |
| <b>Total specific user charges</b>  | <b>609</b> | <b>579</b> |
| <b>Other user charges and fees</b>  |            |            |
| <b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>  |            |            |
| Planning and building regulation  | 39         | 33         |
| Private works – section 67  | 90         | 74         |
| Regulatory/ statutory fees  | 15         | 17         |
| Registration fees   | 6          | 6          |
| Section 10.7 certificates (EP&A Act)  | 7          | 7          |
| Section 603 certificates  | 7          | 6          |
| <b>Total fees and charges – statutory/regulatory</b>                          | <b>164</b> | <b>143</b> |
| <b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b> |            |            |
| Aerodrome   | 10         | 9          |
| Cemeteries  | 41         | 50         |
| Leaseback fees – Council vehicles   | 14         | 13         |
| Library and art gallery   | 6          | 4          |
| Quarry revenues   | –          | 3          |
| Recycling income (non-domestic)   | 7          | 55         |
| Sundry sales  | 27         | 7          |
| Tourism   | 29         | 31         |
| Waste disposal tipping fees   | –          | 3          |
| Aged and disabled care  | 63         | 72         |
| Public halls  | 7          | 6          |
| Sportsgrounds   | 11         | 11         |
| Other   | –          | 1          |
| <b>Total fees and charges – other</b>   | <b>215</b> | <b>265</b> |
| <b>TOTAL USER CHARGES AND FEES</b>  | <b>988</b> | <b>987</b> |

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

## (c) Interest and investment revenue (including losses)

**Interest on financial assets measured at amortised cost**

|  |     |     |
|--|-----|-----|
| – Overdue rates and annual charges (incl. special purpose rates) | 37  | 40  |
| – Cash and investments   | 160 | 119 |

**TOTAL INTEREST AND INVESTMENT REVENUE**

|            |            |
|------------|------------|
| <b>197</b> | <b>159</b> |
|------------|------------|

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

|   |    |    |
|---|----|----|
| Overdue rates and annual charges (general fund) | 15 | 12 |
| General Council cash and investments            | 96 | 77 |

**Restricted investments/funds – external:**

|                                      |    |    |
|--------------------------------------|----|----|
| Water fund operations                | 28 | 27 |
| Sewerage fund operations             | 54 | 38 |
| Domestic waste management operations | 4  | 5  |

**Total interest and investment revenue**

|            |            |
|------------|------------|
| <b>197</b> | <b>159</b> |
|------------|------------|

**Accounting policy for interest and investment revenue**

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

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

## (d) Other revenues

|   |     |     |
|---|-----|-----|
| Rental income – other council properties                | 89  | 77  |
| Legal fees recovery – rates and charges (extra charges) | 18  | 15  |
| Commissions and agency fees                             | 12  | 27  |
| Insurance claims recoveries                             | 21  | 42  |
| Sales of Water from Council allocation                  | 171 | 107 |
| Sales – general   | 51  | 78  |
| Payable adjustments                                     | –   | 28  |
| Plant Hire surplus                                      | –   | 55  |
| Other   | 21  | 12  |

**TOTAL OTHER REVENUE**

|            |            |
|------------|------------|
| <b>383</b> | <b>441</b> |
|------------|------------|

**Accounting policy for other revenue**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000                                      | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|--|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Grants</b>                            |                   |                   |                 |                 |
| <b>General purpose (untied)</b>              |                   |                   |                 |                 |
| <b>Current year allocation</b>               |                   |                   |                 |                 |
| Financial assistance – general component     | 838               | 1,785             | –               | –               |
| Financial assistance – local roads component | 2,217             | 795               | –               | –               |
| <b>Total general purpose</b>                 | <b>3,055</b>      | <b>2,580</b>      | <b>–</b>        | <b>–</b>        |
| <b>Specific purpose</b>                      |                   |                   |                 |                 |
| Sewerage services                            | –                 | 64                | 4,509           | –               |
| Bushfire and emergency services              | 92                | 118               | –               | –               |
| Community care                               | 36                | 36                | –               | –               |
| Employment and training programs             | 4                 | 60                | –               | –               |
| Land Management                              | 86                | –                 | –               | –               |
| Library                                      | 23                | 26                | –               | –               |
| Library – special projects                   | –                 | –                 | 66              | 66              |
| Noxious weeds                                | 31                | 30                | –               | –               |
| Recreation and culture                       | –                 | 5                 | 499             | 510             |
| Street lighting                              | 38                | 36                | –               | –               |
| Transport (roads to recovery)                | 32                | 712               | –               | –               |
| Transport (other roads and bridges funding)  | –                 | 148               | 452             | –               |
| Aged and disabled care                       | 330               | 442               | –               | –               |
| Community development                        | 30                | 105               | –               | –               |
| Tourism                                      | 1                 | 2                 | –               | –               |
| Other  | –                 | 3                 | –               | –               |
| <b>Total specific purpose</b>                | <b>703</b>        | <b>1,787</b>      | <b>5,526</b>    | <b>576</b>      |
| <b>Total grants</b>                          | <b>3,758</b>      | <b>4,367</b>      | <b>5,526</b>    | <b>576</b>      |
| <b>Grant revenue is attributable to:</b>     |                   |                   |                 |                 |
| – Commonwealth funding                       | 3,245             | 3,498             | –               | –               |
| – State funding                              | 513               | 869               | 5,526           | 576             |
|  | <b>3,758</b>      | <b>4,367</b>      | <b>5,526</b>    | <b>576</b>      |

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | Notes | Operating<br>2019 | Operating<br>2018 | Capital<br>2019 | Capital<br>2018 |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| <b>(f) Contributions</b>                        |       |                   |                   |                 |                 |
| <b>Other contributions:</b>                     |       |                   |                   |                 |                 |
| <b>Cash contributions</b>                       |       |                   |                   |                 |                 |
| Heritage/cultural                               |       | –                 | 6                 | –               | –               |
| Paving  |       | –                 | –                 | –               | 32              |
| RMS contributions (regional roads, block grant) |       | 798               | 702               | 146             | 236             |
| <b>Total other contributions – cash</b>         |       | <b>798</b>        | <b>708</b>        | <b>146</b>      | <b>268</b>      |
| <b>Total other contributions</b>                |       | <b>798</b>        | <b>708</b>        | <b>146</b>      | <b>268</b>      |
| <b>Total contributions</b>                      |       | <b>798</b>        | <b>708</b>        | <b>146</b>      | <b>268</b>      |
| <b>TOTAL GRANTS AND CONTRIBUTIONS</b>           |       | <b>4,556</b>      | <b>5,075</b>      | <b>5,672</b>    | <b>844</b>      |

**Accounting policy for grants and contributions**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

## (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                          | 119        | 143        |
| <b>Add:</b> operating grants recognised in the current period but not yet spent   | 127        | 85         |
| <b>Less:</b> operating grants recognised in a previous reporting period now spent | (75)       | (109)      |
| <b>Unexpended and held as restricted assets (operating grants)</b>                | <b>171</b> | <b>119</b> |

Unexpended operating grants relate mainly to Crown Lands Management grant

**Capital grants**

|   |            |            |
|---|------------|------------|
| Unexpended at the close of the previous reporting period                        | 470        | 711        |
| <b>Add:</b> capital grants recognised in the current period but not yet spent   | 503        | 314        |
| <b>Less:</b> capital grants recognised in a previous reporting period now spent | (305)      | (555)      |
| <b>Unexpended and held as restricted assets (capital grants)</b>                | <b>668</b> | <b>470</b> |

Unexpended capital grants relate mainly to Stronger Country Community grants

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>(a) Employee benefits and on-costs</b>                    |              |              |
| Salaries and wages   | 3,180        | 3,115        |
| Employee leave entitlements (ELE)                            | 590          | 494          |
| Superannuation   | 508          | 535          |
| Workers' compensation insurance                              | 111          | 78           |
| Fringe benefit tax (FBT)                                     | 27           | 19           |
| Training costs (other than salaries and wages)               | 83           | 82           |
| Other  | 17           | 19           |
| <b>Total employee costs</b>                                  | <b>4,516</b> | <b>4,342</b> |
| Less: capitalised costs                                      | (340)        | (424)        |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>                         | <b>4,176</b> | <b>3,918</b> |
| Number of 'full-time equivalent' employees (FTE) at year end | 51           | 51           |

**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 17 for more information.

| \$ '000   | Notes | 2019       | 2018       |
|---|-------|------------|------------|
| <b>(b) Borrowing costs</b>  |       |            |            |
| <b>(i) Interest bearing liability costs</b>                               |       |            |            |
| Interest on loans   |       | 129        | 103        |
| <b>Total interest bearing liability costs expensed</b>                    |       | <b>129</b> | <b>103</b> |
| <b>(ii) Other borrowing costs</b>   |       |            |            |
| Discount adjustments relating to movements in provisions (other than ELE) |       |            |            |
| – Remediation liabilities   | 12    | 4          | 3          |
| <b>Total other borrowing costs</b>  |       | <b>4</b>   | <b>3</b>   |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                                     |       | <b>133</b> | <b>106</b> |

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000                                    | 2019         | 2018         |
|--|--------------|--------------|
| <b>(c) Materials and contracts</b>         |              |              |
| Raw materials and consumables              | 677          | 762          |
| Contractor and consultancy costs           | 1,233        | 1,234        |
| Auditors remuneration <sup>1</sup>         | 44           | 52           |
| <b>Legal expenses:</b>                     |              |              |
| – Legal expenses: planning and development | 5            | –            |
| – Legal expenses: debt recovery            | 15           | 15           |
| – Legal expenses: other                    | 3            | 10           |
| <b>Total materials and contracts</b>       | <b>1,977</b> | <b>2,073</b> |
| <b>TOTAL MATERIALS AND CONTRACTS</b>       | <b>1,977</b> | <b>2,073</b> |

**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                   | 44        | 52        |
| <b>Remuneration for audit and other assurance services</b> | <b>44</b> | <b>52</b> |
| <b>Total Auditor-General remuneration</b>                  | <b>44</b> | <b>52</b> |



## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | Notes    | 2019         | 2018         |
|---|----------|--------------|--------------|
| <b>(d) Depreciation, amortisation and impairment of IPP&amp;E</b>                                   |          |              |              |
| <b>Depreciation and amortisation</b>  |          |              |              |
| Plant and equipment   |          | 442          | 484          |
| Office equipment  |          | 14           | 18           |
| Furniture and fittings  |          | 28           | 27           |
| Land improvements (depreciable)   |          | 1            | 1            |
| <b>Infrastructure:</b>  |          |              |              |
| – Buildings – non-specialised   |          | 33           | 21           |
| – Buildings – specialised   |          | 363          | 332          |
| – Other structures  |          | 101          | 91           |
| – Roads   |          | 1,562        | 1,525        |
| – Stormwater drainage   |          | 85           | 85           |
| – Water supply network  |          | 292          | 335          |
| – Sewerage network  |          | 212          | 193          |
| <b>Other assets:</b>  |          |              |              |
| – Other   |          | 8            | 8            |
| <b>Reinstatement, rehabilitation and restoration assets:</b>  |          |              |              |
| – Tip assets  | 10(a),12 | 34           | 6            |
| <b>Total gross depreciation and amortisation costs</b>  |          | <b>3,175</b> | <b>3,126</b> |
| Less: capitalised costs   |          | (116)        | (130)        |
| <b>Total depreciation and amortisation costs</b>  |          | <b>3,059</b> | <b>2,996</b> |
| <b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&amp;E</u></b> |          |              |              |
|   |          | <b>3,059</b> | <b>2,996</b> |

**Accounting policy for depreciation, amortisation and impairment expenses of 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 10 for IPPE assets.

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

**Impairment of non-financial assets**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>(e) Other expenses</b>  |              |              |
| Advertising  | 23           | 26           |
| Bank charges   | 15           | 14           |
| Contributions/levies to other levels of government:                |              |              |
| – Emergency services levy (includes FRNSW, SES, and RFS levies)    | 4            | 5            |
| – NSW fire brigade levy  | 24           | 25           |
| – NSW rural fire service levy                                      | 135          | 139          |
| Councillor expenses – mayoral fee                                  | 15           | 15           |
| Councillor expenses – councillors' fees                            | 78           | 78           |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | 40           | 24           |
| Donations, contributions and assistance                            | 40           | 42           |
| Electricity and heating  | 289          | 310          |
| Fire control expenses  | 75           | 107          |
| Insurance  | 226          | 213          |
| Medical services   | 32           | 46           |
| Postage  | 17           | 19           |
| Printing and stationery  | 52           | 57           |
| Street lighting  | 108          | 81           |
| Subscriptions and publications                                     | 34           | 41           |
| Telephone and communications                                       | 60           | 58           |
| Tourism expenses (excluding employee costs)                        | 114          | 137          |
| Valuation fees   | 21           | 30           |
| Other  | 13           | 18           |
| <b>Total other expenses</b>  | <b>1,415</b> | <b>1,485</b> |
| <b>TOTAL OTHER EXPENSES</b>  | <b>1,415</b> | <b>1,485</b> |

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | Notes | 2019      | 2018      |
|--|-------|-----------|-----------|
| <b>Plant and equipment</b>   | 10(a) |           |           |
| Proceeds from disposal – plant and equipment                         |       | 138       | 40        |
| Less: carrying amount of plant and equipment assets sold/written off |       | (54)      | (20)      |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>84</b> | <b>20</b> |
| <b>Real estate assets held for sale</b>                              | 8     |           |           |
| Proceeds from disposal – real estate assets                          |       | 16        | –         |
| Less: carrying amount of real estate assets sold/written off         |       | (13)      | –         |
| <b>Net gain/(loss) on disposal</b>                                   |       | <b>3</b>  | <b>–</b>  |
| <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>                         |       | <b>87</b> | <b>20</b> |

**Accounting policy for disposal of assets**

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

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

## Note 6(a). Cash and cash equivalent assets

| \$ '000                                | 2019          | 2018          |
|--|---------------|---------------|
| <b>Cash and cash equivalents</b>       |               |               |
| Cash on hand and at bank               | 4,142         | 4,310         |
| Cash-equivalent assets                 |               |               |
| – Short-term deposits                  | 5,947         | 5,769         |
| <b>Total cash and cash equivalents</b> | <b>10,089</b> | <b>10,079</b> |

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

Nil

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

### 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) 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.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. 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.

#### 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. 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.

#### 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

| \$ '000                                      | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Total cash, cash equivalents and investments | 10,089          | –                   | 10,079          | –                   |
| <b>attributable to:</b>                      |                 |                     |                 |                     |
| External restrictions                        | 4,670           | –                   | 4,986           | –                   |
| Internal restrictions                        | 3,993           | –                   | 3,587           | –                   |
| Unrestricted                                 | 1,426           | –                   | 1,506           | –                   |
|  | 10,089          | –                   | 10,079          | –                   |

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

## Details of restrictions

## External restrictions

|                                    |       |       |
|------------------------------------|-------|-------|
| Specific purpose unexpended grants | 839   | 589   |
| Water supplies                     | 2,560 | 2,178 |
| Sewerage services                  | 1,271 | 2,219 |

|                              |              |              |
|------------------------------|--------------|--------------|
| <b>External restrictions</b> | <b>4,670</b> | <b>4,986</b> |
|------------------------------|--------------|--------------|

|                                    |              |              |
|------------------------------------|--------------|--------------|
| <b>Total external restrictions</b> | <b>4,670</b> | <b>4,986</b> |
|------------------------------------|--------------|--------------|

## Internal restrictions

|                               |       |       |
|-------------------------------|-------|-------|
| Plant and vehicle replacement | 504   | 238   |
| Infrastructure replacement    | 618   | 883   |
| Employees leave entitlement   | 620   | 470   |
| Aerodrome                     | 157   | 107   |
| Computer replacement          | 32    | 32    |
| Financial Assistance Grants   | 1,555 | 1,356 |
| HACC reserve                  | 145   | 139   |
| Land development              | 4     | 4     |
| LEP - Local Environment Plan  | 17    | 17    |
| Levee bank                    | 324   | 324   |
| Library                       | 14    | 14    |
| Youth                         | 3     | 3     |

|                                    |              |              |
|------------------------------------|--------------|--------------|
| <b>Total internal restrictions</b> | <b>3,993</b> | <b>3,587</b> |
|------------------------------------|--------------|--------------|

|                           |              |              |
|---------------------------|--------------|--------------|
| <b>TOTAL RESTRICTIONS</b> | <b>8,663</b> | <b>8,573</b> |
|---------------------------|--------------|--------------|

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables

| \$ '000   | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| <b>Purpose</b>  |                 |                     |                 |                     |
| Rates and annual charges                                      | 425             | –                   | 556             | –                   |
| Interest and extra charges                                    | 53              | –                   | 70              | –                   |
| User charges and fees   | 119             | –                   | 89              | –                   |
| Private works   | 120             | –                   | 93              | –                   |
| Accrued revenues  |                 |                     |                 |                     |
| – Interest on investments                                     | 17              | –                   | 13              | –                   |
| Deferred debtors  | –               | –                   | 6               | –                   |
| Government grants and subsidies                               | 1,229           | –                   | 188             | –                   |
| Net GST receivable  | 113             | –                   | 103             | –                   |
| Less: Provision for impairment expected credit loss allowance | –               | –                   | –               | –                   |
| <b>Total</b>  | <b>2,076</b>    | <b>–</b>            | <b>1,118</b>    | <b>–</b>            |
| <b>TOTAL NET RECEIVABLES</b>                                  | <b>2,076</b>    | <b>–</b>            | <b>1,118</b>    | <b>–</b>            |

#### Externally restricted receivables

##### Water supply

|                                  |     |   |     |   |
|----------------------------------|-----|---|-----|---|
| – Rates and availability charges | 144 | – | 210 | – |
| – Other                          | 103 | – | 86  | – |

##### Sewerage services

|                                  |       |   |     |   |
|----------------------------------|-------|---|-----|---|
| – Specific purpose grants        | 1,059 | – | 68  | – |
| – Rates and availability charges | 81    | – | 114 | – |
| – Other                          | 13    | – | 5   | – |

|                                    |              |          |            |          |
|------------------------------------|--------------|----------|------------|----------|
| <b>Total external restrictions</b> | <b>1,400</b> | <b>–</b> | <b>483</b> | <b>–</b> |
|------------------------------------|--------------|----------|------------|----------|

|                                 |            |          |            |          |
|---------------------------------|------------|----------|------------|----------|
| <b>Unrestricted receivables</b> | <b>676</b> | <b>–</b> | <b>635</b> | <b>–</b> |
|---------------------------------|------------|----------|------------|----------|

|                              |              |          |              |          |
|------------------------------|--------------|----------|--------------|----------|
| <b>TOTAL NET RECEIVABLES</b> | <b>2,076</b> | <b>–</b> | <b>1,118</b> | <b>–</b> |
|------------------------------|--------------|----------|--------------|----------|

#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 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

| \$ '000                          | 2019<br>Current   | 2019<br>Non-current | 2018<br>Current   | 2018<br>Non-current |
|----------------------------------|-------------------|---------------------|-------------------|---------------------|
| <b>(a) Inventories</b>           |                   |                     |                   |                     |
| <b>(i) Inventories at cost</b>   |                   |                     |                   |                     |
| Real estate for resale           | 109               | –                   | 122               | –                   |
| Stores and materials             | 125               | –                   | 95                | –                   |
| Loose tools                      | –                 | 70                  | –                 | 72                  |
| <b>Total inventories at cost</b> | <b>234</b>        | <b>70</b>           | <b>217</b>        | <b>72</b>           |
| <b><u>TOTAL INVENTORIES</u></b>  | <b><u>234</u></b> | <b><u>70</u></b>    | <b><u>217</u></b> | <b><u>72</u></b>    |

### (b) Other assets

|                                  |                  |                 |                  |                 |
|----------------------------------|------------------|-----------------|------------------|-----------------|
| Prepayments                      | 26               | –               | 30               | –               |
| <b><u>TOTAL OTHER ASSETS</u></b> | <b><u>26</u></b> | <b><u>–</u></b> | <b><u>30</u></b> | <b><u>–</u></b> |

### Externally restricted assets

| \$ '000               | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|-----------------------|-----------------|---------------------|-----------------|---------------------|
| <b>Water</b>          |                 |                     |                 |                     |
| Stores and materials  | –               | 5                   | 5               | –                   |
| <b>Total water</b>    | <b>–</b>        | <b>5</b>            | <b>5</b>        | <b>–</b>            |
| <b>Sewerage</b>       |                 |                     |                 |                     |
| Stores and materials  | –               | 3                   | 3               | –                   |
| <b>Total sewerage</b> | <b>–</b>        | <b>3</b>            | <b>3</b>        | <b>–</b>            |

| \$ '000  | 2019<br>Current   | 2019<br>Non-current | 2018<br>Current   | 2018<br>Non-current |
|--|-------------------|---------------------|-------------------|---------------------|
| <b>Total externally restricted assets</b>        | <b>–</b>          | <b>8</b>            | <b>8</b>          | <b>–</b>            |
| <b>Total internally restricted assets</b>        | <b>–</b>          | <b>–</b>            | <b>–</b>          | <b>–</b>            |
| <b>Total unrestricted assets</b>                 | <b>260</b>        | <b>62</b>           | <b>239</b>        | <b>72</b>           |
| <b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b> | <b><u>260</u></b> | <b><u>70</u></b>    | <b><u>247</u></b> | <b><u>72</u></b>    |



## Notes to the Financial Statements

for the year ended 30 June 2019

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

## (i) Other disclosures

| \$ '000  | Notes | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-------|-----------------|---------------------|-----------------|---------------------|
| <b>(a) Details for real estate development</b>         |       |                 |                     |                 |                     |
| Residential  |       | 109             | –                   | 122             | –                   |
| <b>Total real estate for resale</b>                    |       | <b>109</b>      | <b>–</b>            | <b>122</b>      | <b>–</b>            |
| (Valued at the lower of cost and net realisable value) |       |                 |                     |                 |                     |
| <b>Represented by:</b>                                 |       |                 |                     |                 |                     |
| Acquisition costs                                      |       | 109             | –                   | 122             | –                   |
| <b>Total costs</b>                                     |       | <b>109</b>      | <b>–</b>            | <b>122</b>      | <b>–</b>            |
| <b>Total real estate for resale</b>                    |       | <b>109</b>      | <b>–</b>            | <b>122</b>      | <b>–</b>            |
| <b>Movements:</b>                                      |       |                 |                     |                 |                     |
| Real estate assets at beginning of the year            |       | 122             | –                   | 122             | –                   |
| – WDV of sales (expense)                               | 5     | (13)            | –                   | –               | –                   |
| <b>Total real estate for resale</b>                    |       | <b>109</b>      | <b>–</b>            | <b>122</b>      | <b>–</b>            |

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

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

| \$ '000                | 2019       | 2018       |
|------------------------|------------|------------|
| Real estate for resale | 109        | 122        |
|                        | <b>109</b> | <b>122</b> |

## Accounting policy for inventories and other assets

## Raw materials and stores, work in progress and finished goods

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

## Inventory held for distribution

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

## Land held for resale/capitalisation of borrowing costs

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

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

## Note 9. Non-current assets classified as held for sale

Council did not classify any non-current assets or disposal groups as 'held for sale'.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10(a). Infrastructure, property, plant and equipment

| \$ '000  | as at 30/6/2018       |                          |                     | Asset movements during the reporting period |                             |                      |                           |  | as at 30/6/2019       |                          |                     |
|--|-----------------------|--------------------------|---------------------|---|-----------------------------|----------------------|---------------------------|--|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals <sup>1</sup>             | Carrying value of disposals | Depreciation expense | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| Capital work in progress   | –                     | –                        | –                   | 6,464                                       | –                           | –                    | –                         | –                                      | 6,464                 | –                        | 6,464               |
| Plant and equipment  | 8,463                 | (6,486)                  | 1,977               | 209   | (54)                        | (442)                | –                         | –                                      | 8,282                 | (6,591)                  | 1,691               |
| Office equipment   | 648                   | (559)                    | 89                  | 24  | –                           | (14)                 | –                         | –                                      | 672                   | (573)                    | 99                  |
| Furniture and fittings   | 275                   | (210)                    | 65                  | –   | –                           | (28)                 | –                         | –                                      | 275                   | (238)                    | 37                  |
| <b>Land:</b>   |                       |                          |                     |   |                             |                      |                           |  |                       |                          |                     |
| – Operational land   | 1,706                 | –                        | 1,706               | –   | –                           | –                    | –                         | –                                      | 1,707                 | –                        | 1,707               |
| – Community land   | 1,218                 | –                        | 1,218               | –   | –                           | –                    | –                         | –                                      | 1,218                 | –                        | 1,218               |
| Land improvements – depreciable  | 47                    | (17)                     | 30                  | 16  | –                           | (1)                  | –                         | –                                      | 62                    | (18)                     | 44                  |
| <b>Infrastructure:</b>   |                       |                          |                     |   |                             |                      |                           |  |                       |                          |                     |
| – Buildings – non-specialised  | 1,647                 | (104)                    | 1,543               | –   | –                           | (33)                 | –                         | –                                      | 1,647                 | (136)                    | 1,511               |
| – Buildings – specialised  | 27,156                | (7,473)                  | 19,683              | 36  | –                           | (363)                | –                         | –                                      | 27,193                | (7,837)                  | 19,356              |
| – Other structures   | 4,057                 | (2,215)                  | 1,842               | 25  | –                           | (101)                | –                         | –                                      | 4,081                 | (2,317)                  | 1,764               |
| – Roads, bridges and footpaths   | 68,063                | (35,576)                 | 32,487              | 1,653                                       | –                           | (1,562)              | –                         | 68,653                                 | 127,103               | (25,872)                 | 101,231             |
| – Stormwater drainage  | 8,242                 | (3,292)                  | 4,950               | 26  | –                           | (85)                 | –                         | 7,436                                  | 17,605                | (5,278)                  | 12,327              |
| – Water supply network   | 24,542                | (13,512)                 | 11,030              | 181   | –                           | (292)                | –                         | 174                                    | 25,119                | (14,025)                 | 11,094              |
| – Sewerage network   | 21,140                | (12,364)                 | 8,776               | 85  | –                           | (212)                | –                         | 235                                    | 21,661                | (12,777)                 | 8,884               |
| <b>Other assets:</b>   |                       |                          |                     |   |                             |                      |                           |  |                       |                          |                     |
| – Library books  | 106                   | (106)                    | –                   | –   | –                           | –                    | –                         | –                                      | 106                   | (106)                    | –                   |
| – Other  | 1,372                 | (649)                    | 723                 | 49  | –                           | (8)                  | –                         | –                                      | 1,421                 | (657)                    | 764                 |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b> |                       |                          |                     |   |                             |                      |                           |  |                       |                          |                     |
| – Tip assets   | 211                   | (76)                     | 135                 | –   | –                           | (34)                 | 348                       | –                                      | 559                   | (110)                    | 449                 |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>168,893</b>        | <b>(82,639)</b>          | <b>86,254</b>       | <b>8,768</b>                                | <b>(54)</b>                 | <b>(3,175)</b>       | <b>348</b>                | <b>76,498</b>                          | <b>245,175</b>        | <b>(76,535)</b>          | <b>168,640</b>      |

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10(a). Infrastructure, property, plant and equipment (continued)

| \$ '000  | as at 30/6/2017       |                          |                     | Asset movements during the reporting period |                             |                      |                           |  | as at 30/6/2018       |                          |                     |
|--|-----------------------|--------------------------|---------------------|---|-----------------------------|----------------------|---------------------------|--|-----------------------|--------------------------|---------------------|
|  | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals <sup>1</sup>             | Carrying value of disposals | Depreciation expense | Adjustments and transfers | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| Capital work in progress   | 467                   | –                        | 467                 | –   | –                           | –                    | (467)                     | –                                      | –                     | –                        | –                   |
| Plant and equipment  | 7,676                 | (6,076)                  | 1,600               | 881   | (20)                        | (484)                | –                         | –                                      | 8,463                 | (6,486)                  | 1,977               |
| Office equipment   | 610                   | (542)                    | 68                  | 38  | –                           | (18)                 | –                         | –                                      | 648                   | (559)                    | 89                  |
| Furniture and fittings   | 275                   | (183)                    | 92                  | –   | –                           | (27)                 | –                         | –                                      | 275                   | (210)                    | 65                  |
| <b>Land:</b>   |                       |                          |                     |   |                             |                      |                           |  |                       |                          |                     |
| – Operational land   | 1,083                 | –                        | 1,083               | –   | –                           | –                    | –                         | 623                                    | 1,706                 | –                        | 1,706               |
| – Community land   | 1,217                 | –                        | 1,217               | –   | –                           | –                    | –                         | –                                      | 1,218                 | –                        | 1,218               |
| Land improvements – depreciable  | 47                    | (16)                     | 31                  | –   | –                           | (1)                  | –                         | –                                      | 47                    | (17)                     | 30                  |
| <b>Infrastructure:</b>   |                       |                          |                     |   |                             |                      |                           |  |                       |                          |                     |
| – Buildings – non-specialised  | 1,183                 | (857)                    | 326                 | –   | –                           | (21)                 | –                         | 1,238                                  | 1,647                 | (104)                    | 1,543               |
| – Buildings – specialised  | 20,981                | (14,385)                 | 6,596               | 74  | –                           | (332)                | –                         | 13,346                                 | 27,156                | (7,473)                  | 19,683              |
| – Other structures   | 3,879                 | (2,125)                  | 1,754               | 179   | –                           | (91)                 | –                         | –                                      | 4,057                 | (2,215)                  | 1,842               |
| – Roads  | 66,449                | (34,051)                 | 32,398              | 1,614                                       | –                           | (1,525)              | –                         | –                                      | 68,063                | (35,576)                 | 32,487              |
| – Stormwater drainage  | 8,204                 | (3,206)                  | 4,998               | 37  | –                           | (85)                 | –                         | –                                      | 8,242                 | (3,292)                  | 4,950               |
| – Water supply network   | 23,837                | (12,899)                 | 10,938              | 201   | –                           | (335)                | –                         | 226                                    | 24,542                | (13,512)                 | 11,030              |
| – Sewerage network   | 20,013                | (11,912)                 | 8,101               | 220   | –                           | (193)                | 467                       | 181                                    | 21,140                | (12,364)                 | 8,776               |
| <b>Other assets:</b>   |                       |                          |                     |   |                             |                      |                           |  |                       |                          |                     |
| – Library books  | 106                   | (106)                    | –                   | –   | –                           | –                    | –                         | –                                      | 106                   | (106)                    | –                   |
| – Other  | 1,032                 | (641)                    | 391                 | 340   | –                           | (8)                  | –                         | –                                      | 1,372                 | (649)                    | 723                 |
| <b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b> |                       |                          |                     |   |                             |                      |                           |  |                       |                          |                     |
| – Tip assets   | 179                   | (71)                     | 108                 | –   | –                           | (6)                  | 33                        | –                                      | 211                   | (76)                     | 135                 |
| <b>Total Infrastructure, property, plant and equipment</b>                   | <b>157,238</b>        | <b>(87,070)</b>          | <b>70,168</b>       | <b>3,584</b>                                | <b>(20)</b>                 | <b>(3,126)</b>       | <b>33</b>                 | <b>15,614</b>                          | <b>168,893</b>        | <b>(82,639)</b>          | <b>86,254</b>       |

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10(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 Department of Industry Water.

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

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

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

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

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

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*.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10(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 recognise rural fire service assets including land, buildings, plant and vehicles.

## Note 10(b). Externally restricted infrastructure, property, plant and equipment

|                                   | 2019                  |                                  |                     | 2018                  |                                  |                     |
|-----------------------------------|-----------------------|----------------------------------|---------------------|-----------------------|----------------------------------|---------------------|
|                                   | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount |
| <b>\$ '000</b>                    |                       |                                  |                     |                       |                                  |                     |
| <b>Water supply</b>               |                       |                                  |                     |                       |                                  |                     |
| Land                              |                       |                                  |                     |                       |                                  |                     |
| – Operational land                | 111                   | –                                | 111                 | 111                   | –                                | 111                 |
| Infrastructure                    | 25,119                | 14,025                           | 11,094              | 24,542                | 13,512                           | 11,030              |
| <b>Total water supply</b>         | <b>25,230</b>         | <b>14,025</b>                    | <b>11,205</b>       | <b>24,653</b>         | <b>13,512</b>                    | <b>11,141</b>       |
| <b>Sewerage services</b>          |                       |                                  |                     |                       |                                  |                     |
| Land                              |                       |                                  |                     |                       |                                  |                     |
| – Operational land                | 180                   | –                                | 180                 | 180                   | –                                | 180                 |
| Infrastructure                    | 27,869                | 12,895                           | 14,974              | 21,255                | 12,478                           | 8,777               |
| <b>Total sewerage services</b>    | <b>28,049</b>         | <b>12,895</b>                    | <b>15,154</b>       | <b>21,435</b>         | <b>12,478</b>                    | <b>8,957</b>        |
| <b>TOTAL RESTRICTED IPP&amp;E</b> | <b>53,279</b>         | <b>26,920</b>                    | <b>26,359</b>       | <b>46,088</b>         | <b>25,990</b>                    | <b>20,098</b>       |

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Payables and borrowings

| \$ '000   | 2019<br>Current   | 2019<br>Non-current | 2018<br>Current   | 2018<br>Non-current |
|---|-------------------|---------------------|-------------------|---------------------|
| <b>Payables</b>                                 |                   |                     |                   |                     |
| Goods and services – operating expenditure      | 281               | –                   | 362               | –                   |
| Accrued expenses:                               |                   |                     |                   |                     |
| – Borrowings                                    | 19                | –                   | –                 | –                   |
| – Interest on bonds and deposits                | –                 | –                   | 9                 | –                   |
| – Salaries and wages                            | 179               | –                   | 129               | –                   |
| – Other expenditure accruals                    | 86                | –                   | 57                | –                   |
| Security bonds, deposits and retentions         | 11                | –                   | 9                 | –                   |
| <b>Total payables</b>                           | <b>576</b>        | <b>–</b>            | <b>566</b>        | <b>–</b>            |
| <b>Borrowings</b>                               |                   |                     |                   |                     |
| Loans – secured <sup>1</sup>                    | 219               | 2,244               | 82                | 1,226               |
| <b>Total borrowings</b>                         | <b>219</b>        | <b>2,244</b>        | <b>82</b>         | <b>1,226</b>        |
| <b><u>TOTAL PAYABLES AND<br/>BORROWINGS</u></b> | <b><u>795</u></b> | <b><u>2,244</u></b> | <b><u>648</u></b> | <b><u>1,226</u></b> |

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

| \$ '000  | 2019<br>Current   | 2019<br>Non-current | 2018<br>Current   | 2018<br>Non-current |
|--|-------------------|---------------------|-------------------|---------------------|
| <b>(a) Payables and borrowings relating to restricted assets</b>     |                   |                     |                   |                     |
| <b>Externally restricted assets</b>                                  |                   |                     |                   |                     |
| Sewer  | 120               | 1,087               | –                 | –                   |
| Payables and borrowings relating to externally restricted assets     | 120               | 1,087               | –                 | –                   |
| <b>Total payables and borrowings relating to restricted assets</b>   | <b>120</b>        | <b>1,087</b>        | <b>–</b>          | <b>–</b>            |
| <b>Total payables and borrowings relating to unrestricted assets</b> | <b>675</b>        | <b>1,157</b>        | <b>648</b>        | <b>1,226</b>        |
| <b><u>TOTAL PAYABLES AND<br/>BORROWINGS</u></b>                      | <b><u>795</u></b> | <b><u>2,244</u></b> | <b><u>648</u></b> | <b><u>1,226</u></b> |

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

Nil

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

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

|                 | as at<br>30/6/2018 |              |                          |                                   |                                | as at<br>30/6/2019 |
|-----------------|--------------------|--------------|--------------------------|-----------------------------------|--------------------------------|--------------------|
| \$ '000         | Opening<br>Balance | Cash flows   | Non-cash<br>acquisitions | Non-cash<br>fair value<br>changes | Other<br>non-cash<br>movements | Closing<br>balance |
| Loans – secured | 1,308              | 1,155        | –                        | –                                 | –                              | 2,463              |
| <b>TOTAL</b>    | <b>1,308</b>       | <b>1,155</b> | <b>–</b>                 | <b>–</b>                          | <b>–</b>                       | <b>2,463</b>       |

|                 | as at<br>30/6/2017 |              |                          |                                   |                                | as at<br>30/6/2018 |
|-----------------|--------------------|--------------|--------------------------|-----------------------------------|--------------------------------|--------------------|
| \$ '000         | Opening<br>Balance | Cash flows   | Non-cash<br>acquisitions | Non-cash<br>fair value<br>changes | Other<br>non-cash<br>movements | Closing<br>balance |
| Loans – secured | 1,419              | (111)        | –                        | –                                 | –                              | 1,308              |
| <b>TOTAL</b>    | <b>1,419</b>       | <b>(111)</b> | <b>–</b>                 | <b>–</b>                          | <b>–</b>                       | <b>1,308</b>       |

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

## (d) Financing arrangements

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

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Credit cards/purchase cards         | 37        | 37        |
| <b>Total financing arrangements</b> | <b>37</b> | <b>37</b> |

## Drawn facilities as at balance date:

|   |          |          |
|---|----------|----------|
| – Credit cards/purchase cards             | 6        | 1        |
| <b>Total drawn financing arrangements</b> | <b>6</b> | <b>1</b> |

## Undrawn facilities as at balance date:

|   |           |           |
|---|-----------|-----------|
| – Credit cards/purchase cards               | 31        | 36        |
| <b>Total undrawn financing arrangements</b> | <b>31</b> | <b>36</b> |

## 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 of loans

Loans are secured over future cash flows.

## 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Payables and borrowings (continued)

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#### **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

| \$ '000  | 2019<br>Current | 2019<br>Non-current | 2018<br>Current | 2018<br>Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| <b>Provisions</b>                                |                 |                     |                 |                     |
| <b>Employee benefits</b>                         |                 |                     |                 |                     |
| Annual leave                                     | 372             | –                   | 385             | –                   |
| Sick leave                                       | 290             | –                   | 327             | –                   |
| Long service leave                               | 720             | 31                  | 803             | 12                  |
| <b>Sub-total – aggregate employee benefits</b>   | <b>1,382</b>    | <b>31</b>           | <b>1,515</b>    | <b>12</b>           |
| <b>Asset remediation/restoration:</b>            |                 |                     |                 |                     |
| Asset remediation/restoration (future works)     | –               | 570                 | –               | 218                 |
| <b>Sub-total – asset remediation/restoration</b> | <b>–</b>        | <b>570</b>          | <b>–</b>        | <b>218</b>          |
| <b>TOTAL PROVISIONS</b>                          | <b>1,382</b>    | <b>601</b>          | <b>1,515</b>    | <b>230</b>          |

## (a) Provisions relating to restricted assets

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

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

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

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

|                                 |            |              |
|---------------------------------|------------|--------------|
| Provisions – employees benefits | 942        | 1,045        |
|                                 | <b>942</b> | <b>1,045</b> |

## (c) Description of and movements in provisions

| \$ '000                                      | ELE provisions |            |                    |              |
|--|----------------|------------|--------------------|--------------|
|  | Annual leave   | Sick leave | Long service leave | Total        |
| <b>2019</b>                                  |                |            |                    |              |
| At beginning of year                         | 385            | 327        | 815                | 1,527        |
| Additional provisions                        | 260            | 139        | 136                | 535          |
| Amounts used (payments)                      | (273)          | (176)      | (200)              | (649)        |
| <b>Total ELE provisions at end of period</b> | <b>372</b>     | <b>290</b> | <b>751</b>         | <b>1,413</b> |
| <b>2018</b>                                  |                |            |                    |              |
| At beginning of year                         | 415            | 346        | 902                | 1,663        |
| Additional provisions                        | 208            | 80         | 90                 | 378          |
| Amounts used (payments)                      | (238)          | (99)       | (177)              | (514)        |
| <b>Total ELE provisions at end of period</b> | <b>385</b>     | <b>327</b> | <b>815</b>         | <b>1,527</b> |

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

| \$ '000                                 | Other provisions  |       |
|---|-------------------|-------|
|   | Asset remediation | Total |
| <b>2019</b>                             |                   |       |
| At beginning of year                    | 218               | 218   |
| Additional provisions                   | 348               | 348   |
| Unwinding of discount                   | 4                 | 4     |
| Total other provisions at end of period | 570               | 570   |
| <b>2018</b>                             |                   |       |
| At beginning of year                    | 183               | 183   |
| Additional provisions                   | 32                | 32    |
| Unwinding of discount                   | 3                 | 3     |
| Total other provisions at end of period | 218               | 218   |

#### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

##### Other long-term employee benefit obligations

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

##### On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

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

##### Asset remediation

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

##### Restoration

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

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

##### Rehabilitation

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

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

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

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

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

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

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

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

##### **Classification of financial assets**

AASB9 allows for financial assets to be reclassified into one of the following categories, 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 7). The majority of receivables, other than rates and private works, 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 14. Statement of cash flows - additional information

| \$ '000   | Notes | 2019          | 2018          |
|---|-------|---------------|---------------|
| <b>(a) Reconciliation of cash assets</b>          |       |               |               |
| Total cash and cash equivalent assets             | 6(a)  | 10,089        | 10,079        |
| <b>Balance as per the Statement of Cash Flows</b> |       | <b>10,089</b> | <b>10,079</b> |

**(b) Reconciliation of net operating result to cash provided from operating activities**

|   |              |              |
|---|--------------|--------------|
| <b>Net operating result from Income Statement</b>   | 5,464        | 1,134        |
| <b>Adjust for non-cash items:</b>   |              |              |
| Depreciation and amortisation   | 3,172        | 2,996        |
| Net losses/(gains) on disposal of assets  | (87)         | (20)         |
| Unwinding of discount rates on reinstatement provisions                                       | 7            | 3            |
| <b>+/- Movement in operating assets and liabilities and other cash items:</b>                 |              |              |
| Decrease/(increase) in receivables  | (964)        | 64           |
| Decrease/(increase) in inventories  | (28)         | (35)         |
| Decrease/(increase) in other current assets   | 4            | (6)          |
| Increase/(decrease) in payables   | (81)         | 44           |
| Increase/(decrease) in accrued interest payable   | 19           | (10)         |
| Increase/(decrease) in other accrued expenses payable   | 79           | (21)         |
| Increase/(decrease) in other liabilities  | (7)          | 9            |
| Increase/(decrease) in provision for employee benefits  | (114)        | (136)        |
| Increase/(decrease) in other provisions   | (1)          | 32           |
| <b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b> | <b>7,463</b> | <b>4,054</b> |

**(c) Non-cash investing and financing activities**

Nil

## Note 15. Interests in other entities

## Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

| Name of entity/operation                 | Principal activity/type of entity                              | 2019<br>Net profit | 2019<br>Net assets |
|--|--|--------------------|--------------------|
| <b>Western Riverina Library Services</b> | Provision of library services to member local government areas | (8,455)            | 542,254            |

**Reasons for non-recognition**

Council holds 7.15% equity share in Western Riverina Library Service, and has assessed this as not material, hence not recognised.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Commitments

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

## (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**

|                          |              |              |
|--------------------------|--------------|--------------|
| Library                  | 82           | 400          |
| Aerodrome Fence          | 38           | —            |
| Hay Park Fence           | 44           | —            |
| Sewer Treatment Plant    | 898          | 6,914        |
| Playground Equipment     | 575          | 600          |
| <b>Total commitments</b> | <b>1,637</b> | <b>7,914</b> |

**These expenditures are payable as follows:**

|                      |              |              |
|----------------------|--------------|--------------|
| Within the next year | 1,637        | 7,914        |
| <b>Total payable</b> | <b>1,637</b> | <b>7,914</b> |

**Sources for funding of capital commitments:**

|                                 |              |              |
|---------------------------------|--------------|--------------|
| Unrestricted general funds      | 88           | 7,914        |
| Sewer Funds                     | 500          | —            |
| Grants                          | 1,049        | —            |
| <b>Total sources of funding</b> | <b>1,637</b> | <b>7,914</b> |

**Details of capital commitments**

The commitments relate to the replacement of the Hay Sewer Treatment Plant, Library extension and space development and the Hay Park playground project.

## (b) Finance lease commitments

Nil

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 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 additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 91,681. The last valuation of the Scheme was performed by Mr Richard Boyfield [FIAA] on 31st December 2018, and covers the period ended 30 June 2018.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised (continued)

The expected contributions to the fund by council the next annual reporting period are \$95,931 based on a past services liabilities methodology. The share of the surplus that can be attributed to council is 0.17%. It is estimated that there are \$135,600 past service contributions remaining.

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       | 100.4%         |

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

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

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

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

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

#### (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.

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

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

#### (iv) Other guarantees

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



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Contingencies and other assets/liabilities not recognised (continued)

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#### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 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 18. Financial risk management

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#### 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.

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and investments - 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.

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

#### (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.

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

| <b>\$ '000</b>                                     | <b>Increase of values/rates</b> |               | <b>Decrease of values/rates</b> |               |
|--|---------------------------------|---------------|---------------------------------|---------------|
|  | <b>Profit</b>                   | <b>Equity</b> | <b>Profit</b>                   | <b>Equity</b> |
| <b>\$ '000</b>                                     | <b>Increase of values/rates</b> | <b>Equity</b> | <b>Decrease of values/rates</b> | <b>Equity</b> |
|  | <b>Profit</b>                   | <b>Equity</b> | <b>Profit</b>                   | <b>Equity</b> |
| <b>2019</b>  |                                 |               |                                 |               |
| Possible impact of a 1% movement in interest rates | 59                              | 59            | (59)                            | (59)          |
| <b>2018</b>  |                                 |               |                                 |               |
| Possible impact of a 1% movement in interest rates | 58                              | 58            | (58)                            | (58)          |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (b) Credit risk

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

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

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

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

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

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

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

## Credit risk profile

## Receivables – rates and annual charges

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

| \$ '000               | Not yet<br>overdue | < 1 year<br>overdue | 1 - 2 years<br>overdue | 2 - 5 years<br>overdue | > 5 years<br>overdue | Total |
|-----------------------|--------------------|---------------------|------------------------|------------------------|----------------------|-------|
| <b>2019</b>           |                    |                     |                        |                        |                      |       |
| Gross carrying amount | 176                | 90                  | 57                     | 82                     | 20                   | 425   |
| <b>2018</b>           |                    |                     |                        |                        |                      |       |
| Gross carrying amount | 240                | 119                 | 71                     | 102                    | 24                   | 556   |

## Receivables - non-rates and annual charges

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

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

| \$ '000                | Not yet<br>overdue | 0 - 30 days<br>overdue | 31 - 60 days<br>overdue | 61 - 90 days<br>overdue | > 91 days<br>overdue | Total |
|------------------------|--------------------|------------------------|-------------------------|-------------------------|----------------------|-------|
| <b>2019</b>            |                    |                        |                         |                         |                      |       |
| Gross carrying amount  | 1,506              | 52                     | 28                      | 55                      | 10                   | 1,651 |
| Expected loss rate (%) | 0.00%              | 0.00%                  | 0.00%                   | 0.00%                   | 0.00%                | 0.00% |
| <b>ECL provision</b>   | —                  | —                      | —                       | —                       | —                    | —     |
| <b>2018</b>            |                    |                        |                         |                         |                      |       |
| Gross carrying amount  | 441                | 23                     | 18                      | 35                      | 45                   | 562   |
| Expected loss rate (%) | 0.00%              | 0.00%                  | 0.00%                   | 0.00%                   | 0.00%                | 0.00% |
| <b>ECL provision</b>   | —                  | —                      | —                       | —                       | —                    | —     |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

| \$ '000                            | Weighted<br>average<br>interest<br>rate | Subject<br>to no<br>maturity | ≤ 1 Year   | payable in:    |              | Total cash<br>outflows | Actual<br>carrying<br>values |
|------------------------------------|---|------------------------------|------------|----------------|--------------|------------------------|------------------------------|
|                                    |   |                              |            | 1 - 5<br>Years | > 5 Years    |                        |                              |
| <b>2019</b>                        |   |                              |            |                |              |                        |                              |
| Trade/other payables               | 0.00%                                   | 11                           | 565        | –              | –            | 576                    | 576                          |
| Loans and advances                 | 3.84%                                   | –                            | 312        | 1,248          | 1,404        | 2,964                  | 2,463                        |
| <b>Total financial liabilities</b> |   | <b>11</b>                    | <b>877</b> | <b>1,248</b>   | <b>1,404</b> | <b>3,540</b>           | <b>3,039</b>                 |
| <b>2018</b>                        |   |                              |            |                |              |                        |                              |
| Trade/other payables               | 0.00%                                   | 9                            | 557        | –              | –            | 566                    | 566                          |
| Loans and advances                 | 7.58%                                   | –                            | 178        | 709            | 1,058        | 1,945                  | 1,308                        |
| <b>Total financial liabilities</b> |   | <b>9</b>                     | <b>735</b> | <b>709</b>     | <b>1,058</b> | <b>2,511</b>           | <b>1,874</b>                 |

## Loan agreement breaches

There were no breaches to loan agreements during the reporting year.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 26/06/2018 and is unaudited.

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

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

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

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

| \$ '000   | 2019<br>Budget | 2019<br>Actual | 2019<br>----- Variance ----- |       |   |
|---|----------------|----------------|------------------------------|-------|---|
| REVENUES  |                |                |                              |       |   |
| Rates and annual charges  | 4,456          | 4,341          | (115)                        | (3)%  | U |
| User charges and fees   | 873            | 988            | 115                          | 13%   | F |
| The increase was mainly due to an increase in water usage revenue.  |                |                |                              |       |   |
| Interest and investment revenue   | 112            | 197            | 85                           | 76%   | F |
| Increase in revenue due to improved cashflow.   |                |                |                              |       |   |
| Other revenues  | 46             | 383            | 337                          | 733%  | F |
| Increase was due to temporary sale of water from Councils water allocation and increase in rebates and sundry income.               |                |                |                              |       |   |
| Operating grants and contributions  | 4,180          | 4,556          | 376                          | 9%    | F |
| Capital grants and contributions  | 6,435          | 5,672          | (763)                        | (12)% | U |
| Reduction in capital income was due to slight delay in the sewer treatment works project which reduced grant income for the period. |                |                |                              |       |   |
| Net gains from disposal of assets   | –              | 87             | 87                           | ∞     | F |
| Increase due to better than expected plant sale proceeds.   |                |                |                              |       |   |
| EXPENSES  |                |                |                              |       |   |
| Employee benefits and on-costs  | 3,976          | 4,176          | (200)                        | (5)%  | U |
| Borrowing costs   | 140            | 133            | 7                            | 5%    | F |
| Materials and contracts   | 2,408          | 1,977          | 431                          | 18%   | F |
| Saving primarily due to change in road construction and maintenance program.  |                |                |                              |       |   |
| Depreciation and amortisation   | 2,690          | 3,059          | (369)                        | (14)% | U |
| Increase due to higher than budgeted depreciation costs in road, transport and building assets.                                     |                |                |                              |       |   |
| Other expenses  | 1,514          | 1,415          | 99                           | 7%    | F |

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

| \$ '000  | 2019<br>Budget | 2019<br>Actual | 2019<br>----- Variance ----- |                |
|--|----------------|----------------|------------------------------|----------------|
| <b>STATEMENT OF CASH FLOWS</b>   |                |                |                              |                |
| Net cash provided from (used in) operating activities  | 8,064          | 7,463          | (601)                        | (7)% <b>U</b>  |
| Net cash provided from (used in) investing activities  | (9,804)        | (8,608)        | 1,196                        | (12)% <b>F</b> |
| Reduction mainly due to lower than expected during the period on the Sewer Treatment Plant replacement |                |                |                              |                |
| Net cash provided from (used in) financing activities  | 1,060          | 1,155          | 95                           | 9% <b>F</b>    |

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

|   |       | Fair value measurement hierarchy |                                      |                                       |  |         |
|---|-------|----------------------------------|--------------------------------------|---------------------------------------|--|---------|
|   |       | Date of latest valuation         | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobserv-able inputs | Total   |
| 2019  | Notes |                                  |                                      |                                       |  |         |
| Recurring fair value measurements                   |       |                                  |                                      |                                       |  |         |
| Infrastructure, property, plant and equipment       | 10(a) |                                  |                                      |                                       |  |         |
| Plant and equipment                                 |       | 30/06/19                         | —                                    | —                                     | 1,691                                    | 1,691   |
| Office equipment                                    |       | 30/06/19                         | —                                    | —                                     | 99                                       | 99      |
| Furniture and fittings                              |       | 30/06/19                         | —                                    | —                                     | 37                                       | 37      |
| Operational land                                    |       | 30/06/18                         | —                                    | —                                     | 1,707                                    | 1,707   |
| Community land                                      |       | 30/06/16                         | —                                    | —                                     | 1,218                                    | 1,218   |
| Land improvements depreciable                       |       | 30/06/16                         | —                                    | —                                     | 44                                       | 44      |
| Buildings – non-specialised                         |       | 30/06/18                         | —                                    | 1,511                                 | —  | 1,511   |
| Buildings specialised                               |       | 30/06/18                         | —                                    | —                                     | 19,356                                   | 19,356  |
| Other structures                                    |       | 30/06/16                         | —                                    | —                                     | 1,764                                    | 1,764   |
| Roads bridges and footpaths                         |       | 30/06/19                         | —                                    | —                                     | 101,231                                  | 101,231 |
| Stormwater drainage                                 |       | 30/06/19                         | —                                    | —                                     | 12,327                                   | 12,327  |
| Water supply network                                |       | 30/06/17                         | —                                    | —                                     | 11,094                                   | 11,094  |
| Sewer network                                       |       | 30/06/17                         | —                                    | —                                     | 8,884                                    | 8,884   |
| Library books                                       |       | 30/06/19                         | —                                    | —                                     | —  | —       |
| Other assets  |       | 30/06/16                         | —                                    | —                                     | 764                                      | 764     |
| Tip assets  |       | 30/06/19                         | —                                    | —                                     | 449                                      | 449     |
| Total infrastructure, property, plant and equipment |       |                                  | —                                    | 1,511                                 | 160,665                                  | 162,176 |



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

|   |       | Fair value measurement hierarchy |                                      |                                       |   |        |
|---|-------|----------------------------------|--------------------------------------|---------------------------------------|---|--------|
| 2018  | Notes | Date of latest valuation         | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | Total  |
| Recurring fair value measurements                   |       |                                  |                                      |                                       |   |        |
| Infrastructure, property, plant and equipment       | 10(a) |                                  |                                      |                                       |   |        |
| Plant and equipment                                 |       | 30/06/18                         | —                                    | —                                     | 1,977                                   | 1,977  |
| Office equipment                                    |       | 30/06/18                         | —                                    | —                                     | 89                                      | 89     |
| Furniture and fittings                              |       | 30/06/18                         | —                                    | —                                     | 65                                      | 65     |
| Operational land                                    |       | 30/06/18                         | —                                    | —                                     | 1,706                                   | 1,706  |
| Community land                                      |       | 30/06/16                         | —                                    | —                                     | 1,218                                   | 1,218  |
| Land improvements depreciable                       |       | 30/06/16                         | —                                    | —                                     | 30                                      | 30     |
| Buildings – non-specialised                         |       | 30/06/18                         | —                                    | 1,543                                 | —                                       | 1,543  |
| Buildings specialised                               |       | 30/06/18                         | —                                    | —                                     | 19,683                                  | 19,683 |
| Other structures                                    |       | 30/06/16                         | —                                    | —                                     | 1,842                                   | 1,842  |
| Roads bridges and footpaths                         |       | 30/06/15                         | —                                    | —                                     | 32,487                                  | 32,487 |
| Stormwater drainage                                 |       | 30/06/15                         | —                                    | —                                     | 4,950                                   | 4,950  |
| Water supply network                                |       | 30/06/17                         | —                                    | —                                     | 11,030                                  | 11,030 |
| Sewer network                                       |       | 30/06/17                         | —                                    | —                                     | 8,776                                   | 8,776  |
| Library books                                       |       | 30/06/18                         | —                                    | —                                     | —                                       | —      |
| Other assets  |       | 30/06/16                         | —                                    | —                                     | 723                                     | 723    |
| Tip assets  |       | 30/06/18                         | —                                    | —                                     | 135                                     | 135    |
| Total infrastructure, property, plant and equipment |       |                                  | —                                    | 1,543                                 | 84,711                                  | 86,254 |

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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

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

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

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

##### Plant and equipment, office equipment and furniture and fittings

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

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

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

##### Operational and community land

Community Land valuations are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on valuations from an external valuer APV Valuers and Asset Management. As land values were based on unit rates and as such there was not considered to be observable market evidence so they have been classified as level 3.

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

##### Buildings – non-specialised and specialised

Council engaged APV Asset Valuers and Asset Management to value all buildings in 2018. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset.

The valuation aspects are generally, but not limited to the location, size, condition, style and utility of the asset. Replacement cost, asset condition, remaining useful life and building components are some of the inputs used in fair value determination. Since most of these inputs require judgement and are unobservable for specialised buildings, that asset class has been classified as Level 3. Valuation techniques remained the same for the reporting period.

##### Other structures

Other Structures comprise of Sundry Recreational assets, irrigation systems and fencing etc. Depreciated replacement cost has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

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

##### Roads, bridges and footpaths

Roads including all road assets, Bridges and Footpaths were valued in 2019 by APV. Depreciated replacement cost using level 3 inputs was used to value this asset class. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

The cost approach was utilised to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, valuation profiles, asset condition and useful life requiring significant professional judgement which impacted significantly on the final determination of fair value.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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#### Drainage infrastructure

Assets within this class comprise pits and pipes. All assets were revalued in 2019 by APV.

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

#### Water supply network

Assets within this class comprise reservoirs, pumping stations and pipelines. All assets were internally revalued in 2017.

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

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

#### Sewerage network

Assets within this class comprise treatment works, pumping stations and, sewerage mains. All assets were internally revalued in 2017.

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

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

#### Other assets

Assets within this class comprise aerodrome lighting, pavement and fencing. All assets in Other assets were valued in-house by experienced engineering staff.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

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

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

| \$ '000                     | Plant and equipment | Office equipment | Furniture and fittings | Operational Land | Community Land |
|-----------------------------|---------------------|------------------|------------------------|------------------|----------------|
| <b>2018</b>                 |                     |                  |                        |                  |                |
| <b>Opening balance</b>      | 1,600               | 68               | 92                     | 1,083            | 1,218          |
| Purchases (GBV)             | 881                 | 39               | –                      | –                | –              |
| Disposals (WDV)             | (20)                | –                | –                      | –                | –              |
| Depreciation and impairment | (484)               | (18)             | (27)                   | –                | –              |
| Revaluation                 | –                   | –                | –                      | 623              | –              |
| Rounding adjustment         | –                   | –                | –                      | –                | 1              |
| <b>Closing balance</b>      | <b>1,977</b>        | <b>89</b>        | <b>65</b>              | <b>1,706</b>     | <b>1,219</b>   |
| <b>2019</b>                 |                     |                  |                        |                  |                |
| <b>Opening balance</b>      | 1,977               | 89               | 65                     | 1,706            | 1,219          |
| Purchases (GBV)             | 209                 | 24               | –                      | –                | –              |
| Disposals (WDV)             | (54)                | –                | –                      | –                | –              |
| Depreciation and impairment | (442)               | (14)             | (28)                   | –                | –              |
| Rounding adjustment         | –                   | –                | –                      | 1                | (1)            |
| <b>Closing balance</b>      | <b>1,690</b>        | <b>99</b>        | <b>37</b>              | <b>1,707</b>     | <b>1,218</b>   |

| \$ '000                     | Land improvements depreciable | Building specialised | Other structures | Roads, bridges, footpaths | Water supply network |
|-----------------------------|-------------------------------|----------------------|------------------|---------------------------|----------------------|
| <b>2018</b>                 |                               |                      |                  |                           |                      |
| <b>Opening balance</b>      | 30                            | 6,596                | 1,754            | 32,398                    | 10,938               |
| Purchases (GBV)             | –                             | 74                   | 179              | 1,614                     | 201                  |
| Disposals (WDV)             | –                             | –                    | –                | –                         | –                    |
| Depreciation and impairment | (1)                           | (332)                | (91)             | (1,525)                   | (335)                |
| Revaluation                 | –                             | 13,346               | –                | –                         | 226                  |
| Rounding adjustment         | –                             | (1)                  | –                | –                         | –                    |
| <b>Closing balance</b>      | <b>29</b>                     | <b>19,683</b>        | <b>1,842</b>     | <b>32,487</b>             | <b>11,030</b>        |
| <b>2019</b>                 |                               |                      |                  |                           |                      |
| <b>Opening balance</b>      | 29                            | 19,683               | 1,842            | 32,487                    | 11,030               |
| Purchases (GBV)             | 16                            | 36                   | 25               | 1,653                     | 181                  |
| Disposals (WDV)             | –                             | –                    | –                | –                         | –                    |
| Depreciation and impairment | (1)                           | (363)                | (101)            | (1,562)                   | (292)                |
| Revaluation                 | –                             | –                    | –                | 68,653                    | 174                  |
| Rounding adjustment         | –                             | –                    | (2)              | –                         | 1                    |
| <b>Closing balance</b>      | <b>44</b>                     | <b>19,356</b>        | <b>1,764</b>     | <b>101,231</b>            | <b>11,094</b>        |

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

| \$ '000                               | Sewerage network | Tip asset  | Stormwater    | Other assets | Total          |
|---------------------------------------|------------------|------------|---------------|--------------|----------------|
| <b>2018</b>                           |                  |            |               |              |                |
| <b>Opening balance</b>                | 8,568            | 108        | 4,998         | 391          | <b>69,842</b>  |
| Purchases (GBV)                       | 220              | —          | 37            | 340          | <b>3,585</b>   |
| Disposals (WDV)                       | —                | —          | —             | —            | <b>(20)</b>    |
| Depreciation and impairment           | (193)            | (6)        | (85)          | (8)          | <b>(3,105)</b> |
| FV gains – other comprehensive income | —                | 33         | —             | —            | <b>33</b>      |
| Revaluation                           | 181              | —          | —             | —            | <b>14,376</b>  |
| <b>Closing balance</b>                | <b>8,776</b>     | <b>135</b> | <b>4,950</b>  | <b>723</b>   | <b>84,711</b>  |
| <b>2019</b>                           |                  |            |               |              |                |
| <b>Opening balance</b>                | 8,776            | 135        | 4,950         | 723          | <b>84,711</b>  |
| Purchases (GBV)                       | 85               | —          | 26            | 49           | <b>2,304</b>   |
| Disposals (WDV)                       | —                | —          | —             | —            | <b>(54)</b>    |
| Depreciation and impairment           | (212)            | (34)       | (85)          | (8)          | <b>(3,142)</b> |
| FV gains – other comprehensive income | —                | 348        | —             | —            | <b>348</b>     |
| Revaluation                           | 235              | —          | 7,436         | —            | <b>76,498</b>  |
| <b>Closing balance</b>                | <b>8,884</b>     | <b>449</b> | <b>12,327</b> | <b>764</b>   | <b>160,664</b> |

## (4) 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 21. Related Party Transactions

#### (a) Key management personnel

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

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

| \$ '000                  | 2019       | 2018       |
|--------------------------|------------|------------|
| <b>Compensation:</b>     |            |            |
| Short-term benefits      | 677        | 602        |
| Post-employment benefits | 18         | 26         |
| Other long-term benefits | 150        | 22         |
| <b>Total</b>             | <b>845</b> | <b>650</b> |

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

| Nature of the transaction  | Ref | Value of transactions during year | Outstanding balance (incl. loans and commitments) | Terms and conditions       | Provisions for impairment of receivables outstanding | Expense recognised for impairment of receivables |
|--|-----|-----------------------------------|---|----------------------------|--|--|
| <b>\$ '000</b>   |     |                                   |   |                            |  |  |
| <b>2019</b>  |     |                                   |   |                            |  |  |
| Electrical maintenance work                                      | 3   | 15                                | –   | 30 day terms on invoices   | –  | –  |
| Gravel Royalty   | 4   | –                                 | –   | 30 day terms on invoices   | –  | –  |
| Engineering Supplies & Maintenance, Supply and Hire of Equipment | 1   | 81                                | –   | 30 day terms on invoices   | –  | –  |
| Office and Aged Care service supplies and consumables            | 2   | 4                                 | –   | 30 day terms on invoices   | –  | –  |
| Remuneration of close family members                             | 5   | 71                                | –   | Fortnightly payroll system | –  | –  |
| Building Maintenance   |     | 1                                 | –   | 30 day terms on invoices   | –  | –  |
| <b>2018</b>  |     |                                   |   |                            |  |  |
| Electrical maintenance work                                      | 3   | 42                                | –   | 30 day terms on invoices   | –  | –  |
| Gravel Royalty   | 4   | 2                                 | –   | 30 day terms on invoices   | –  | –  |
| Engineering Supplies & Maintenance, Supply and Hire of Equipment | 1   | 74                                | –   | 30 day terms on invoices   | –  | –  |
| Office and Aged Care service supplies and consumables            | 2   | 6                                 | –   | 30 day terms on invoices   | –  | –  |
| Remuneration of close family members                             | 5   | 74                                | –   | Fortnightly payroll system | –  | –  |
| Building Maintenance   |     | –                                 | –   |                            | –  | –  |

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Related Party Transactions (continued)

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Council has engaged with KMP or their related parties to acquire the above transactions which are on normal business terms

- 1 This expenditure relates to the procurement of services and materials from an engineering firm of which a Councillor has an interest.
- 2 This expenditure relates to the procurement of materials from a retail firm of which a Councillor has an interest
- 3 This expenditure relates to the procurement of services and materials from an electrical company of which a Councillor has an interest.
- 4 This expenditure relates to the payment for gravel from a Councillors quarry.
- 5 Close family members of KMP have been employed in operational and administrative positions which they have received remuneration.

### Note 22. Events occurring after the reporting date

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial result and financial position by fund

| \$ '000  | General <sup>1</sup><br>2019 | Water<br>2019 | Sewer<br>2019 |
|--|------------------------------|---------------|---------------|
| <b>Income Statement by fund</b>  |                              |               |               |
| <b>Income from continuing operations</b>   |                              |               |               |
| Rates and annual charges   | 2,729                        | 665           | 947           |
| User charges and fees  | 379                          | 567           | 42            |
| Interest and investment revenue  | 115                          | 28            | 54            |
| Other revenues   | 212                          | 171           | –             |
| Grants and contributions provided for operating purposes   | 4,530                        | 10            | 16            |
| Grants and contributions provided for capital purposes   | 1,169                        | –             | 4,503         |
| <b>Other income</b>  |                              |               |               |
| Net gains from disposal of assets  | 87                           | –             | –             |
| <b>Total income from continuing operations</b>   | <b>9,221</b>                 | <b>1,441</b>  | <b>5,562</b>  |
| <b>Expenses from continuing operations</b>   |                              |               |               |
| Employee benefits and on-costs   | 3,804                        | 218           | 154           |
| Borrowing costs  | 133                          | –             | –             |
| Materials and contracts  | 865                          | 689           | 423           |
| Depreciation and amortisation  | 2,555                        | 292           | 212           |
| Other expenses   | 1,396                        | 19            | –             |
| <b>Total expenses from continuing operations</b>   | <b>8,753</b>                 | <b>1,218</b>  | <b>789</b>    |
| <b>Operating result from continuing operations</b>   | <b>468</b>                   | <b>223</b>    | <b>4,773</b>  |
| <b>Net operating result for the year</b>   | <b>468</b>                   | <b>223</b>    | <b>4,773</b>  |
| <b>Net operating result attributable to each council fund</b>  | <b>468</b>                   | <b>223</b>    | <b>4,773</b>  |
| <b>Net operating result for the year before grants and contributions provided for capital purposes</b> | <b>(701)</b>                 | <b>223</b>    | <b>270</b>    |

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000  | General <sup>1</sup><br>2019 | Water<br>2019 | Sewer<br>2019 |
|--|------------------------------|---------------|---------------|
| <b>Statement of Financial Position by fund</b> |                              |               |               |
| <b>ASSETS</b>                                  |                              |               |               |
| <b>Current assets</b>                          |                              |               |               |
| Cash and cash equivalents                      | 6,258                        | 2,560         | 1,271         |
| Receivables                                    | 676                          | 247           | 1,153         |
| Inventories                                    | 234                          | –             | –             |
| Other  | 26                           | –             | –             |
| <b>Total current assets</b>                    | <b>7,194</b>                 | <b>2,807</b>  | <b>2,424</b>  |
| <b>Non-current assets</b>                      |                              |               |               |
| Inventories                                    | 62                           | 5             | 3             |
| Infrastructure, property, plant and equipment  | 142,281                      | 11,205        | 15,154        |
| <b>Total non-current assets</b>                | <b>142,343</b>               | <b>11,210</b> | <b>15,157</b> |
| <b>TOTAL ASSETS</b>                            | <b>149,537</b>               | <b>14,017</b> | <b>17,581</b> |
| <b>LIABILITIES</b>                             |                              |               |               |
| <b>Current liabilities</b>                     |                              |               |               |
| Payables                                       | 565                          | –             | 11            |
| Borrowings                                     | 110                          | –             | 109           |
| Provisions                                     | 1,382                        | –             | –             |
| <b>Total current liabilities</b>               | <b>2,057</b>                 | <b>–</b>      | <b>120</b>    |
| <b>Non-current liabilities</b>                 |                              |               |               |
| Borrowings                                     | 1,157                        | –             | 1,087         |
| Provisions                                     | 601                          | –             | –             |
| <b>Total non-current liabilities</b>           | <b>1,758</b>                 | <b>–</b>      | <b>1,087</b>  |
| <b>TOTAL LIABILITIES</b>                       | <b>3,815</b>                 | <b>–</b>      | <b>1,207</b>  |
| <b>Net assets</b>                              | <b>145,722</b>               | <b>14,017</b> | <b>16,374</b> |
| <b>EQUITY</b>                                  |                              |               |               |
| Accumulated surplus                            | 33,710                       | 7,482         | 13,746        |
| Revaluation reserves                           | 112,012                      | 6,535         | 2,628         |
| <b>Council equity interest</b>                 | <b>145,722</b>               | <b>14,017</b> | <b>16,374</b> |
| <b>Total equity</b>                            | <b>145,722</b>               | <b>14,017</b> | <b>16,374</b> |

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

| \$ '000   | Amounts<br>2019 | Indicator<br>2019 | Prior periods<br>2018      2017 |               | Benchmark     |
|---|-----------------|-------------------|---------------------------------|---------------|---------------|
| <b>1. Operating performance ratio</b>   |                 |                   |                                 |               |               |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup> | (295)           | (2.82)%           | 2.49%                           | 11.30%        | >0.00%        |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                            | 10,465          |                   |                                 |               |               |
| <b>2. Own source operating revenue ratio</b>  |                 |                   |                                 |               |               |
| Total continuing operating revenue excluding all grants and contributions <sup>1</sup>                                | 5,855           | 36.28%            | 48.91%                          | 39.13%        | >60.00%       |
| Total continuing operating revenue <sup>1</sup>   | 16,137          |                   |                                 |               |               |
| <b>3. Unrestricted current ratio</b>  |                 |                   |                                 |               |               |
| Current assets less all external restrictions   | 6,246           | 5.60x             | 5.23x                           | 4.97x         | >1.50x        |
| Current liabilities less specific purpose liabilities   | 1,115           |                   |                                 |               |               |
| <b>4. Debt service cover ratio</b>  |                 |                   |                                 |               |               |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>              | 2,897           | 12.71x            | 15.54x                          | 15.81x        | >2.00x        |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                                | 228             |                   |                                 |               |               |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                    |                 |                   |                                 |               |               |
| Rates, annual and extra charges outstanding   | 478             | 9.62%             | 12.97%                          | 13.33%        | <10.00%       |
| Rates, annual and extra charges collectible   | 4,968           |                   |                                 |               |               |
| <b>6. Cash expense cover ratio</b>  |                 |                   |                                 |               |               |
| Current year's cash and cash equivalents plus all term deposits   | 10,089          | 13.56<br>mths     | 14.35<br>mths                   | 12.20<br>mths | >3.00<br>mths |
| Monthly payments from cash flow of operating and financing activities   | 744             |                   |                                 |               |               |

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

| \$ '000  | General Indicators <sup>3</sup> |         | Water Indicators |        | Sewer Indicators |        | Benchmark |
|--|---------------------------------|---------|------------------|--------|------------------|--------|-----------|
|  | 2019                            | 2018    | 2019             | 2018   | 2019             | 2018   |           |
| <b>1. Operating performance ratio</b>  |                                 |         |                  |        |                  |        |           |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup> | (9.89)%                         | (0.42)% | 15.48%           | 11.09% | 25.50%           | 16.15% | >0.00%    |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           |                                 |         |                  |        |                  |        |           |
| <b>2. Own source operating revenue ratio</b>   |                                 |         |                  |        |                  |        |           |
| Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>                           | 37.02%                          | 36.74%  | 99.31%           | 99.19% | 18.75%           | 92.68% | >60.00%   |
| Total continuing operating revenue <sup>1</sup>  |                                 |         |                  |        |                  |        |           |
| <b>3. Unrestricted current ratio</b>   |                                 |         |                  |        |                  |        |           |
| Current assets less all external restrictions  | 5.60x                           | 5.23x   | ∞                | ∞      | 20.20x           | ∞      | >1.50x    |
| Current liabilities less specific purpose liabilities  |                                 |         |                  |        |                  |        |           |
| <b>4. Debt service cover ratio</b>   |                                 |         |                  |        |                  |        |           |
| Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>             | 8.33x                           | 11.70x  | ∞                | ∞      | ∞                | ∞      | >2.00x    |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)                               |                                 |         |                  |        |                  |        |           |
| <b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>                                   |                                 |         |                  |        |                  |        |           |
| Rates, annual and extra charges outstanding  | 14.24%                          | 9.19%   | 0.00%            | 31.82% | 0.00%            | 12.91% | <10.00%   |
| Rates, annual and extra charges collectible  |                                 |         |                  |        |                  |        |           |
| <b>6. Cash expense cover ratio</b>   |                                 |         |                  |        |                  |        |           |
| Current year's cash and cash equivalents plus all term deposits  | 8.41                            | 8.09    | ∞                | ∞      | ∞                | ∞      | >3.00     |
| Payments from cash flow of operating and financing activities  | mths                            | mths    |                  |        |                  |        | mths      |

(1) - (2) Refer to Notes at Note 24a above.

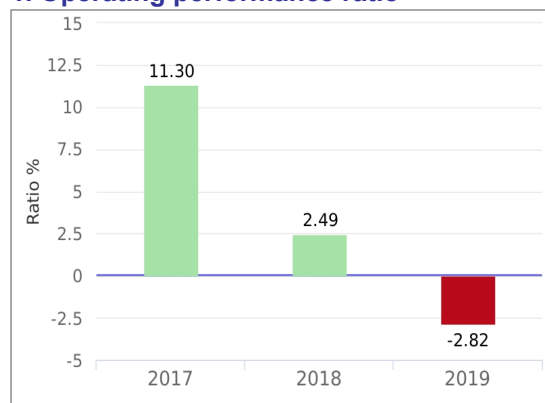
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(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 (2.82)%

Operating result is considered satisfactory.

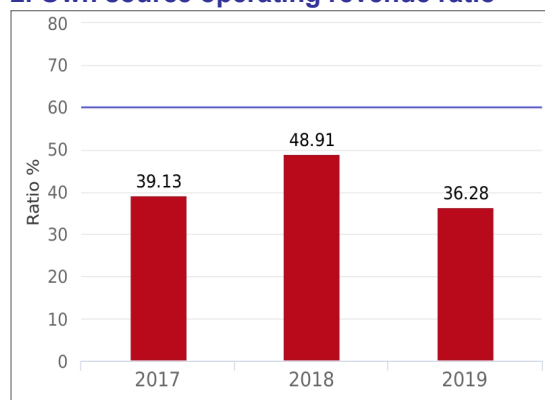
Benchmark: — > 0.00%

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 36.28%

Own source revenue has reduced due to the large sewer treatment works capital grant.

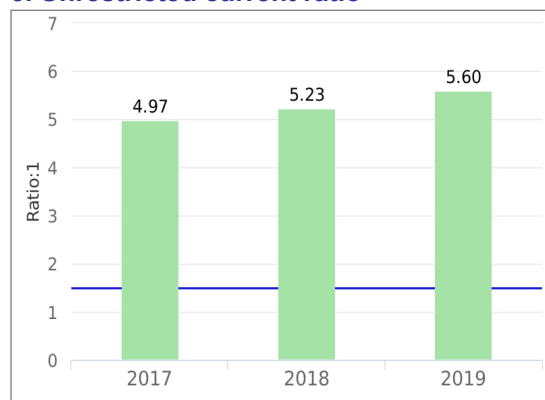
Benchmark: — > 60.00%

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 5.60x

Ratio is satisfactory.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

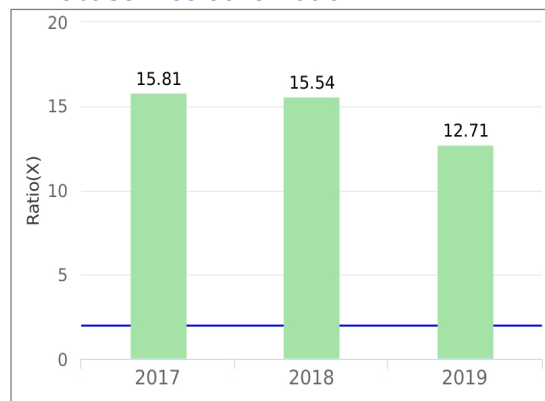
Ratio is outside benchmark

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(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 12.71x

Ratio has slightly reduced due to a new loan for the sewer treatment plant replacement.

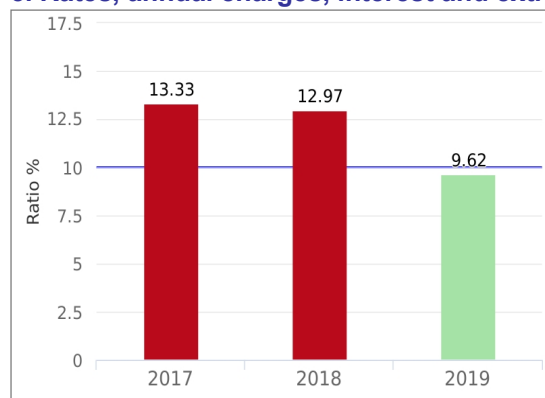
Benchmark: — > 2.00x

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 9.62%

Council has been active in reducing the level of outstanding rates and charges.

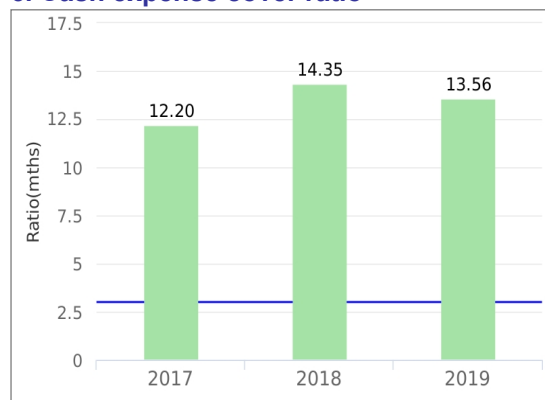
Benchmark: — < 10.00%

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 13.56 mths

Ratio is considered satisfactory

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Hay Shire Council

To the Councillors of the Hay Shire Council

### Opinion

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

In my opinion:

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 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.



Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 October 2019  
SYDNEY





Cr R W (Bill) Sheaffe  
Mayor  
Hay Shire Council  
PO Box 141  
HAY NSW 2711

Contact: Caroline Karakatsanis  
Phone no: (02) 9275 7143  
Our ref: D1923733/1738

8 October 2019

Dear Mayor

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

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

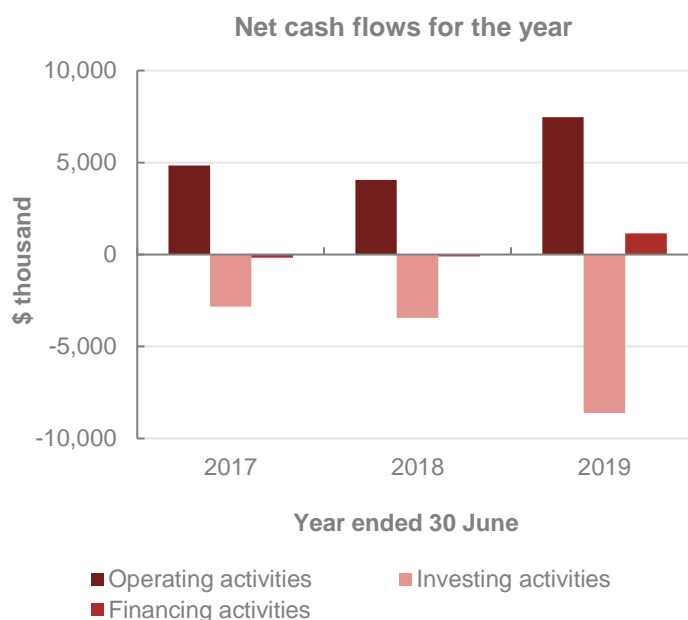
|  | <b>2019</b> | <b>2018</b> | <b>Variance</b> |
|--|-------------|-------------|-----------------|
|  | <b>\$m</b>  | <b>\$m</b>  | <b>%</b>        |
| Rates and annual charges revenue                             | 4.3         | 4.2         | ↑ 2.4           |
| Grants and contributions revenue                             | 10.2        | 5.9         | ↑ 72.9          |
| Operating result for the year                                | 5.5         | 1.1         | ↑ 400.0         |
| Net operating result before capital grants and contributions | (0.2)       | 0.3         | ↓ 166.7         |

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

- Rates and annual charges revenue was \$4.3 million (\$4.2 million for the year ended 30 June 2018). The increase of \$0.1 million (2.4%) is due to rate pegging and an increase to Council annual charges.
- Grants and contributions revenue was \$10.2 million (\$5.9 million for the year ended 30 June 2018). The increase of \$4.3 million (72.8%) is primarily due to Council receiving capital grant funding to help fund the construction of the new Sewerage Treatment Plant
- Council's net operating result was a surplus of \$5.5 million (\$1.1 million surplus for the year ended 30 June 2018). The increase of \$4.4 million is mainly due to the increase of \$4.9 million grants and contributions provided for capital purposes.
- The net operating result before capital grants and contributions was a deficit of \$0.2 million (\$0.3 million surplus for the year ended 30 June 2018). These movements were mainly due to a decrease of \$0.4 million in grants and contributions provided for operating purposes and an increase of \$0.3 million in employee benefits and on-costs expenses.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$10.1 million (\$10.1 million for the year ended 30 June 2018). There was a net increase in cash and cash equivalents of \$0.01 million at 30 June 2019.
- Net cash provided by operating activities has increased by \$3.4 million. This is mainly due to the increase in cash receipts from rate and annual charges revenue of \$0.3 million, grants and contributions of \$3.1 million and other revenue of \$0.5 million.
- Net cash used in investing activities increased by \$5.2 million. This is mainly due to the increase of purchase of infrastructure, property, plant and equipment of \$5.3 million.
- Net cash used in financing activities increase by \$1.3 million. This is mainly due to the increase in proceeds from borrowings and advances of \$1.2 million which is a new loan entered into by Council during the year.



## FINANCIAL POSITION

### Cash and investments

| Cash and investments        | 2019        | 2018        | Commentary  |
|-----------------------------|-------------|-------------|---|
|                             | \$m         | \$m         |   |
| External restrictions       | 4.7         | 5.0         | <ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The decreased of \$0.3 million is mainly due to Council's sewerage services.</li> </ul>   |
| Internal restrictions       | 4.0         | 3.6         |   |
| Unrestricted                | 1.4         | 1.5         |   |
| <b>Cash and investments</b> | <b>10.1</b> | <b>10.1</b> | <ul style="list-style-type: none"> <li>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 increase in internal restrictions is primarily due to a \$0.3 increase in Council's plant and vehicle replacement program and a \$0.2 million increase in Federal Financial Assistance Grants.</li> <li>Unrestricted cash and investments was \$1.4 million, which is available to provide liquidity for day-to-day operations of the Council.</li> </ul> |

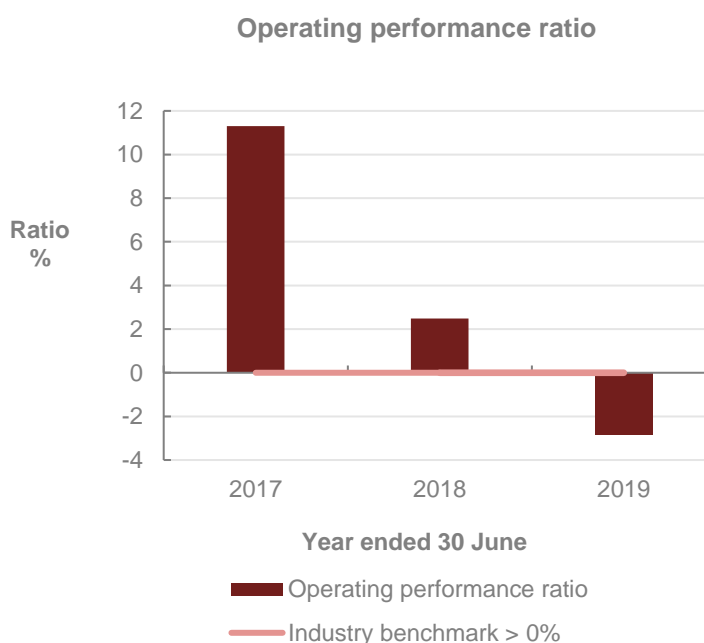
### Debt

Council has \$2.5 million of external borrowings (2018: \$1.3 million) which is secured over the revenue of Council.

## PERFORMANCE

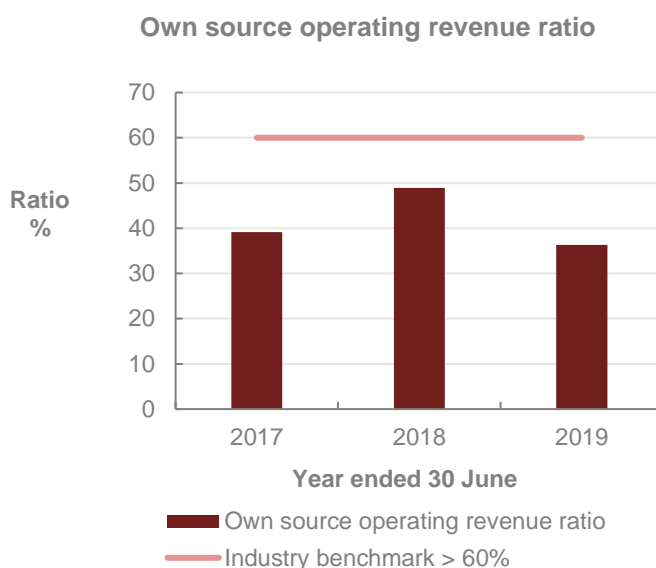
### Operating performance ratio

- 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 (2.82)% is below the industry benchmark of greater than 0%.
- The operating performance ratio decreased to (2.82)% (2018: 2.49%) due to the decrease in grants and contributions income provided for operating purposes and an increase in employee benefits and on-costs expense.



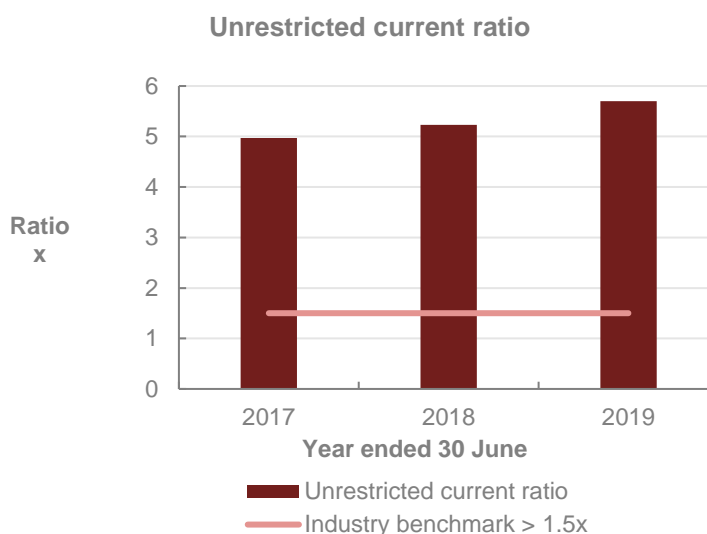
## Own source operating revenue ratio

- 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 36.28% is below the industry benchmark of 60%. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio decreased in 2019, due to the relative increase in grants and contributions.



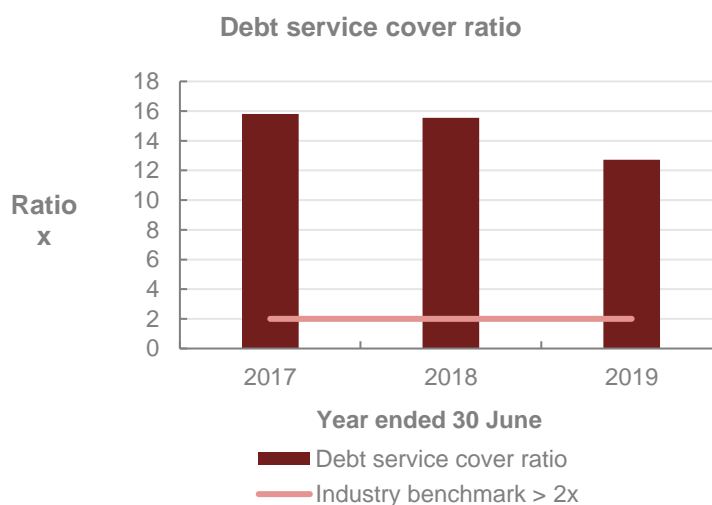
## Unrestricted current ratio

- 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 5.6 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 improved due to an increase in current assets.



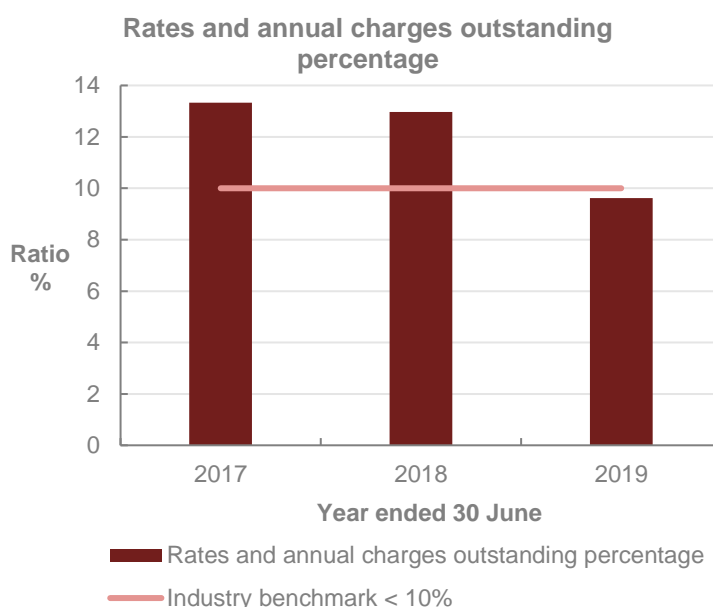
## Debt service cover ratio

- 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 12.7 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.



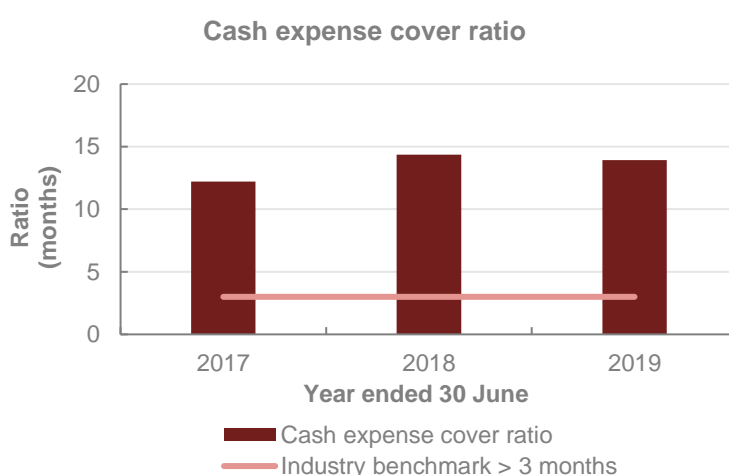
## Rates and annual charges outstanding percentage

- 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 9.6% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges outstanding percentage has decreased over 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 13.6 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 13.6 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 \$8.8 million of assets in the 2018–19 financial year, compared to \$3.6 million of assets in the 2017–18 financial year. The increase is primarily due to construction of the new sewerage treatment plant. Renewal of road assets has remained steady during the year.

## OTHER MATTERS

### New accounting standards implemented

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

## Legislative compliance

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

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



Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: David Webb, General Manager  
Mark Dowling, Director of Corporate and Community  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Hay Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Special Purpose Financial Statements

for the year ended 30 June 2019

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| <b>Statement by Councillors &amp; Management</b>                 | <b>3</b>  |
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| Income Statement – Sewerage Business Activity                    | 5         |
| Statement of Financial Position – Water Supply Business Activity | 6         |
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| <b>Note 1 – Significant Accounting Policies</b>                  | <b>8</b>  |
| <b>Auditor's Report on Special Purpose Financial Statements</b>  | <b>11</b> |

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### Background

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

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

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

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

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

## Hay Shire Council

Special Purpose Financial Statements 2019

### Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

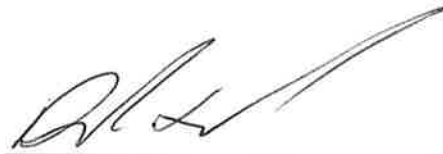
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 17 September 2019.



Cr Bill Sheaffe  
Mayor  
17 September 2019



Cr David Townsend  
Councillor  
17 September 2019



David Webb  
General Manager  
17 September 2019



Mark Dowling  
Responsible Accounting Officer  
17 September 2019

# Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

| \$ '000  | 2019         | 2018         |
|--|--------------|--------------|
| <b>Income from continuing operations</b>                                     |              |              |
| Access charges   | 665          | 648          |
| User charges   | 567          | 540          |
| Interest   | 28           | 27           |
| Grants and contributions provided for non-capital purposes                   | 10           | 11           |
| Other income   | 171          | 135          |
| <b>Total income from continuing operations</b>                               | <b>1,441</b> | <b>1,361</b> |
| <b>Expenses from continuing operations</b>                                   |              |              |
| Employee benefits and on-costs   | 218          | 208          |
| Materials and contracts  | 689          | 647          |
| Depreciation, amortisation and impairment                                    | 292          | 335          |
| Water purchase charges   | 19           | 20           |
| <b>Total expenses from continuing operations</b>                             | <b>1,218</b> | <b>1,210</b> |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>223</b>   | <b>151</b>   |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>223</b>   | <b>151</b>   |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>223</b>   | <b>151</b>   |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (61)         | (45)         |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>162</b>   | <b>106</b>   |
| <b>Plus accumulated surplus</b>  | <b>7,259</b> | <b>7,109</b> |
| <b>Plus/less: other adjustments</b>  | <b>–</b>     | <b>(1)</b>   |
| <b>Plus adjustments for amounts unpaid:</b>                                  |              |              |
| – Corporate taxation equivalent  | 61           | 45           |
| <b>Closing accumulated surplus</b>   | <b>7,482</b> | <b>7,259</b> |
| <b>Return on capital %</b>   | <b>2.0%</b>  | <b>1.4%</b>  |
| <b>Subsidy from Council</b>  | <b>–</b>     | <b>160</b>   |
| <b>Calculation of dividend payable:</b>                                      |              |              |
| Surplus (deficit) after tax  | 162          | 106          |
| <b>Surplus for dividend calculation purposes</b>                             | <b>162</b>   | <b>106</b>   |
| <b>Potential dividend calculated from surplus</b>                            | <b>81</b>    | <b>53</b>    |

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

| \$ '000  | 2019          | 2018         |
|--|---------------|--------------|
| <b>Income from continuing operations</b>                                     |               |              |
| Access charges   | 947           | 873          |
| User charges   | 40            | 35           |
| Fees   | 2             | 4            |
| Interest   | 54            | 38           |
| Grants and contributions provided for non-capital purposes                   | 16            | 10           |
| <b>Total income from continuing operations</b>                               | <b>1,059</b>  | <b>960</b>   |
| <b>Expenses from continuing operations</b>                                   |               |              |
| Employee benefits and on-costs   | 154           | 198          |
| Materials and contracts  | 423           | 414          |
| Depreciation, amortisation and impairment                                    | 212           | 193          |
| <b>Total expenses from continuing operations</b>                             | <b>789</b>    | <b>805</b>   |
| <b>Surplus (deficit) from continuing operations before capital amounts</b>   | <b>270</b>    | <b>155</b>   |
| Grants and contributions provided for capital purposes                       | 4,503         | 65           |
| <b>Surplus (deficit) from continuing operations after capital amounts</b>    | <b>4,773</b>  | <b>220</b>   |
| <b>Surplus (deficit) from all operations before tax</b>                      | <b>4,773</b>  | <b>220</b>   |
| Less: corporate taxation equivalent (27.5%) [based on result before capital] | (74)          | (46)         |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>4,699</b>  | <b>174</b>   |
| <b>Plus accumulated surplus</b>  | <b>8,973</b>  | <b>8,753</b> |
| <b>Plus adjustments for amounts unpaid:</b>                                  |               |              |
| – Corporate taxation equivalent  | 74            | 46           |
| <b>Closing accumulated surplus</b>   | <b>13,746</b> | <b>8,973</b> |
| <b>Return on capital %</b>   | <b>1.8%</b>   | <b>1.7%</b>  |
| <b>Subsidy from Council</b>  | <b>–</b>      | <b>95</b>    |
| <b>Calculation of dividend payable:</b>                                      |               |              |
| Surplus (deficit) after tax  | 4,699         | 174          |
| Less: capital grants and contributions (excluding developer contributions)   | (4,503)       | (65)         |
| <b>Surplus for dividend calculation purposes</b>                             | <b>196</b>    | <b>109</b>   |
| <b>Potential dividend calculated from surplus</b>                            | <b>98</b>     | <b>55</b>    |

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

| <b>\$ '000</b>                                | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
| <b>ASSETS</b>                                 |               |               |
| <b>Current assets</b>                         |               |               |
| Cash and cash equivalents                     | 2,560         | 2,178         |
| Receivables                                   | 247           | 296           |
| <b>Total current assets</b>                   | <b>2,807</b>  | <b>2,474</b>  |
| <b>Non-current assets</b>                     |               |               |
| Inventories                                   | 5             | 5             |
| Infrastructure, property, plant and equipment | 11,205        | 11,141        |
| <b>Total non-current assets</b>               | <b>11,210</b> | <b>11,146</b> |
| <b>TOTAL ASSETS</b>                           | <b>14,017</b> | <b>13,620</b> |
| <b>NET ASSETS</b>                             | <b>14,017</b> | <b>13,620</b> |
| <b>EQUITY</b>                                 |               |               |
| Accumulated surplus                           | 7,482         | 7,259         |
| Revaluation reserves                          | 6,535         | 6,361         |
| <b>TOTAL EQUITY</b>                           | <b>14,017</b> | <b>13,620</b> |

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

| <b>\$ '000</b>                                | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
| <b>ASSETS</b>                                 |               |               |
| <b>Current assets</b>                         |               |               |
| Cash and cash equivalents                     | 1,271         | 2,219         |
| Receivables                                   | 1,153         | 187           |
| <b>Total current assets</b>                   | <b>2,424</b>  | <b>2,406</b>  |
| <b>Non-current assets</b>                     |               |               |
| Inventories                                   | 3             | 3             |
| Infrastructure, property, plant and equipment | 15,154        | 8,957         |
| <b>Total non-current assets</b>               | <b>15,157</b> | <b>8,960</b>  |
| <b>TOTAL ASSETS</b>                           | <b>17,581</b> | <b>11,366</b> |
| <b>LIABILITIES</b>                            |               |               |
| <b>Current liabilities</b>                    |               |               |
| Payables                                      | 11            | –             |
| Borrowings                                    | 109           | –             |
| <b>Total current liabilities</b>              | <b>120</b>    | <b>–</b>      |
| <b>Non-current liabilities</b>                |               |               |
| Borrowings                                    | 1,087         | –             |
| <b>Total non-current liabilities</b>          | <b>1,087</b>  | <b>–</b>      |
| <b>TOTAL LIABILITIES</b>                      | <b>1,207</b>  | <b>–</b>      |
| <b>NET ASSETS</b>                             | <b>16,374</b> | <b>11,366</b> |
| <b>EQUITY</b>                                 |               |               |
| Accumulated surplus                           | 13,746        | 8,973         |
| Revaluation reserves                          | 2,628         | 2,393         |
| <b>TOTAL EQUITY</b>                           | <b>16,374</b> | <b>11,366</b> |

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

### Note 1. Significant Accounting Policies

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A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

(where gross operating turnover is over \$2 million)

Council has no Category 1 business activities

##### Category 2

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

##### a. Water supply operations

Supply of water to the town of Hay

##### b. Sewerage service operations

Supply of sewerage services to the town of Hay

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

### Note 1. Significant Accounting Policies (continued)

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#### 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 IPP&E as at 30 June**

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

#### (iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30/6/2019 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**

#### **Hay Shire Council**

To the Councillors of the Hay Shire Council

### **Opinion**

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

The declared business activities of the Council are:

- Water Supply Service
- Sewerage Service

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis'.

Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 October 2019  
SYDNEY

# Hay Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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## Special Schedules

for the year ended 30 June 2019

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# Permissible income for general rates

for the year ended 30 June 2019

| \$ '000   |                         | Calculation<br>2019/20 | Calculation<br>2018/19 |
|---|-------------------------|------------------------|------------------------|
| <b>Notional general income calculation <sup>1</sup></b> |                         |                        |                        |
| Last year notional general income yield                 | a                       | 2,364                  | 2,306                  |
| Plus or minus adjustments <sup>2</sup>                  | b                       | (4)                    | 6                      |
| <b>Notional general income</b>                          | c = a + b               | <b>2,360</b>           | <b>2,312</b>           |
| <b>Permissible income calculation</b>                   |                         |                        |                        |
| Or rate peg percentage                                  | e                       | 2.70%                  | 2.30%                  |
| Or plus rate peg amount                                 | i = e x (c + g)         | 64                     | 53                     |
| <b>Sub-total</b>  | k = (c + g + h + i + j) | <b>2,424</b>           | <b>2,365</b>           |
| <b>Total permissible income</b>                         | o = k + n               | <b>2,424</b>           | <b>2,365</b>           |
| Less notional general income yield                      | p                       | 2,424                  | 2,364                  |
| <b>Catch-up or (excess) result</b>                      | q = o - p               | <b>-</b>               | <b>1</b>               |
| Less unused catch-up <sup>5</sup>                       | s                       | (1)                    | (1)                    |
| <b>Carry forward to next year <sup>6</sup></b>          | t = q + r + s           | <b>(1)</b>             | <b>-</b>               |

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (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

#### Hay Shire Council

To the Councillors of Hay Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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



## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis'.

Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 October 2019  
SYDNEY

# Report on Infrastructure Assets

as at 30 June 2019

| Asset Class | Asset Category | Estimated cost                                 |   | 2018/19<br>Required<br>maintenance <sup>a</sup> | 2018/19<br>Actual<br>maintenance | Net carrying<br>amount | Gross<br>replacement<br>cost (GRC) | Assets in condition as a percentage of<br>gross replacement cost |   |   |   |   |
|-------------|----------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|---|---|---|---|
|             |                | to bring assets<br>to satisfactory<br>standard | to bring to the<br>agreed level of<br>service set by<br>Council |   |                                  |                        |                                    | 1  | 2 | 3 | 4 | 5 |

(a) Report on Infrastructure Assets - Values

|                      |                             |       |       |       |       |        |         |         |        |        |       |       |
|----------------------|-----------------------------|-------|-------|-------|-------|--------|---------|---------|--------|--------|-------|-------|
| Buildings            | Buildings – non-specialised | –     | –     | 20    | 13    | 1,511  | 1,647   | 0.0%    | 0.0%   | 100.0% | 0.0%  | 0.0%  |
|                      | Emergency Services          | –     | –     | 10    | 6     | 829    | 967     | 0.0%    | 0.0%   | 100.0% | 0.0%  | 0.0%  |
|                      | Council Offices             | –     | –     | 20    | 12    | 1,325  | 1,943   | 0.0%    | 0.0%   | 100.0% | 0.0%  | 0.0%  |
|                      | Council Works Depot         | –     | –     | 20    | 2     | 656    | 881     | 0.0%    | 0.0%   | 100.0% | 0.0%  | 0.0%  |
|                      | Council Public Halls        | 300   | 300   | 30    | 25    | 2,289  | 4,162   | 0.0%    | 0.0%   | 53.0%  | 47.0% | 0.0%  |
|                      | Libraries                   | –     | –     | 10    | 10    | 2,622  | 2,906   | 100.0%  | 0.0%   | 0.0%   | 0.0%  | 0.0%  |
|                      | Cultural Facilities         | –     | –     | 40    | 41    | 2,908  | 5,261   | 0.0%    | 0.0%   | 100.0% | 0.0%  | 0.0%  |
|                      | Tourist Centre              | –     | –     | 10    | 22    | 491    | 565     | 0.0%    | 100.0% | 0.0%   | 0.0%  | 0.0%  |
|                      | Other Specialised Buildings | –     | –     | 80    | 15    | 2,258  | 3,059   | 4.0%    | 28.0%  | 68.0%  | 0.0%  | 0.0%  |
|                      | Aerodrome                   | –     | –     | 10    | 6     | 1,077  | 1,268   | 0.0%    | 0.0%   | 100.0% | 0.0%  | 0.0%  |
|                      | Showground                  | –     | –     | 20    | 20    | 1,905  | 2,820   | 0.0%    | 0.0%   | 100.0% | 0.0%  | 0.0%  |
|                      | Medical Centre              | –     | –     | 20    | 16    | 2,996  | 3,361   | 0.0%    | 100.0% | 0.0%   | 0.0%  | 0.0%  |
| Sub-total            |                             | 300   | 300   | 290   | 188   | 20,867 | 28,840  | 10.5%   | 16.6%  | 66.1%  | 6.8%  | 0.0%  |
| Other structures     | Other structures            | 500   | 500   | 20    | –     | 1,764  | 4,081   | 11.0%   | 46.0%  | 25.0%  | 18.0% | 0.0%  |
|                      | Other                       | –     | –     | –     | –     | –      | –       | 0.0%    | 0.0%   | 0.0%   | 0.0%  | 0.0%  |
|                      | Sub-total                   |       | 500   | 500   | 20    | –      | 1,764   | 4,081   | 11.0%  | 46.0%  | 25.0% | 18.0% |
| Roads                | Rural Sealed roads          | –     | –     | 570   | 176   | 63,910 | 77,693  | 70.0%   | 26.0%  | 4.0%   | 0.0%  | 0.0%  |
|                      | Unsealed roads              | –     | –     | 600   | 290   | 13,111 | 15,056  | 65.0%   | 30.0%  | 5.0%   | 0.0%  | 0.0%  |
|                      | Bridges                     | 4,000 | 4,000 | 70    | 197   | 2,984  | 4,731   | 55.0%   | 21.0%  | 0.0%   | 24.0% | 0.0%  |
|                      | Urban Streets               | –     | –     | 165   | 88    | 14,210 | 17,407  | 54.0%   | 16.0%  | 30.0%  | 0.0%  | 0.0%  |
|                      | Footpaths                   | –     | –     | 50    | 40    | 2,521  | 5,286   | 54.0%   | 16.0%  | 30.0%  | 0.0%  | 0.0%  |
|                      | Kerb and Gutter             | –     | –     | 30    | 22    | 3,843  | 5,652   | 54.0%   | 16.0%  | 30.0%  | 0.0%  | 0.0%  |
|                      | Other Road assets           | –     | –     | 50    | 44    | 652    | 1,278   | 0.0%    | 50.0%  | 50.0%  | 0.0%  | 0.0%  |
|                      | Sub-total                   |       | 4,000 | 4,000 | 1,535 | 857    | 101,231 | 127,103 | 64.6%  | 24.3%  | 10.2% | 0.9%  |
| Water supply network | Intake Works                | –     | –     | 20    | 5     | 671    | 1,622   | 0.0%    | 50.0%  | 50.0%  | 0.0%  | 0.0%  |
|                      | Mains                       | 600   | 600   | 50    | 107   | 5,842  | 13,766  | 0.0%    | 50.0%  | 40.0%  | 10.0% | 0.0%  |
|                      | Reservoirs                  | –     | –     | 20    | 93    | 2,661  | 4,786   | 0.0%    | 75.0%  | 25.0%  | 0.0%  | 0.0%  |
|                      | Treatment                   | –     | –     | 150   | 137   | 1,920  | 4,945   | 0.0%    | 100.0% | 0.0%   | 0.0%  | 0.0%  |
|                      | Sub-total                   |       | 600   | 600   | 240   | 342    | 11,094  | 25,119  | 0.0%   | 64.6%  | 29.9% | 5.5%  |

## 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 <sup>a</sup> | 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             |
| Sewerage network          | Mains               | 700   | 700  | 60  | 48                         | 7,522               | 12,286                       | 0.0%  | 40.0%        | 40.0%        | 20.0%        | 0.0%          |
|                           | Pumping Station     | —   | —  | 50  | 56                         | 1,213               | 3,501                        | 0.0%  | 50.0%        | 50.0%        | 0.0%         | 0.0%          |
|                           | Treatment           | —   | —  | 100                                       | 67                         | 149                 | 5,874                        | 0.0%  | 0.0%         | 0.0%         | 100.0%       | 0.0%          |
|                           | <b>Sub-total</b>    | <b>700</b>  | <b>700</b>   | <b>210</b>                                | <b>171</b>                 | <b>8,884</b>        | <b>21,661</b>                | <b>0.0%</b>   | <b>30.8%</b> | <b>30.8%</b> | <b>38.5%</b> | <b>(0.1%)</b> |
| Stormwater drainage       | Stormwater drainage | —   | —  | 50  | 43                         | 12,327              | 17,605                       | 8.0%  | 86.0%        | 6.0%         | 0.0%         | 0.0%          |
|                           | Other               | —   | —  | —   | —                          | —                   | —                            | 0.0%  | 0.0%         | 0.0%         | 0.0%         | 0.0%          |
|                           | <b>Sub-total</b>    | <b>—</b>  | <b>—</b>   | <b>50</b>                                 | <b>43</b>                  | <b>12,327</b>       | <b>17,605</b>                | <b>8.0%</b>   | <b>86.0%</b> | <b>6.0%</b>  | <b>0.0%</b>  | <b>0.0%</b>   |
| <b>TOTAL - ALL ASSETS</b> |                     | <b>6,100</b>  | <b>6,100</b>   | <b>2,345</b>                              | <b>1,601</b>               | <b>156,167</b>      | <b>224,409</b>               | <b>38.8%</b>  | <b>33.7%</b> | <b>21.5%</b> | <b>6.0%</b>  | <b>0.0%</b>   |

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

| \$ '000  | Amounts<br>2019 | Indicator<br>2019 | Prior periods |        | Benchmark |
|--|-----------------|-------------------|---------------|--------|-----------|
|  |                 |                   | 2018          | 2017   |           |
| Infrastructure asset performance indicators (consolidated) *             |                 |                   |               |        |           |
| Buildings and infrastructure renewals ratio <sup>1</sup>                 |                 |                   |               |        |           |
| Asset renewals <sup>2</sup>  | 2,304           | 87.01%            | 92.22%        | 76.02% | >=100.00% |
| Depreciation, amortisation and impairment                                | 2,648           |                   |               |        |           |
| Infrastructure backlog ratio <sup>1</sup>                                |                 |                   |               |        |           |
| Estimated cost to bring assets to a satisfactory standard                | 6,100           | 3.91%             | 2.18%         | 3.07%  | <2.00%    |
| Net carrying amount of infrastructure assets                             | 156,167         |                   |               |        |           |
| Asset maintenance ratio  |                 |                   |               |        |           |
| Actual asset maintenance   | 1,601           | 68.27%            | 69.71%        | 72.37% | >100.00%  |
| Required asset maintenance   | 2,345           |                   |               |        |           |
| Cost to bring assets to agreed service level                             |                 |                   |               |        |           |
| Estimated cost to bring assets to an agreed service level set by Council | 6,100           | 2.72%             | 1.13%         | 1.38%  |           |
| Gross replacement cost   | 224,409         |                   |               |        |           |

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

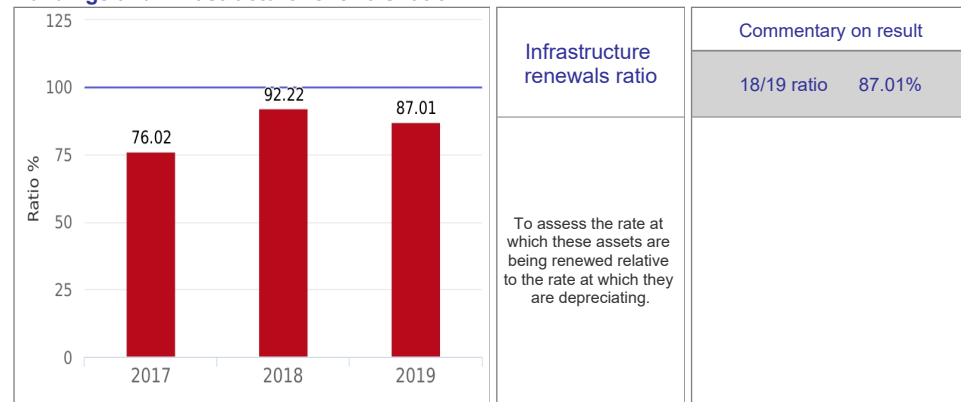
(1) Excludes Work In Progress (WIP)

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

### Buildings and infrastructure renewals ratio <sup>1</sup>



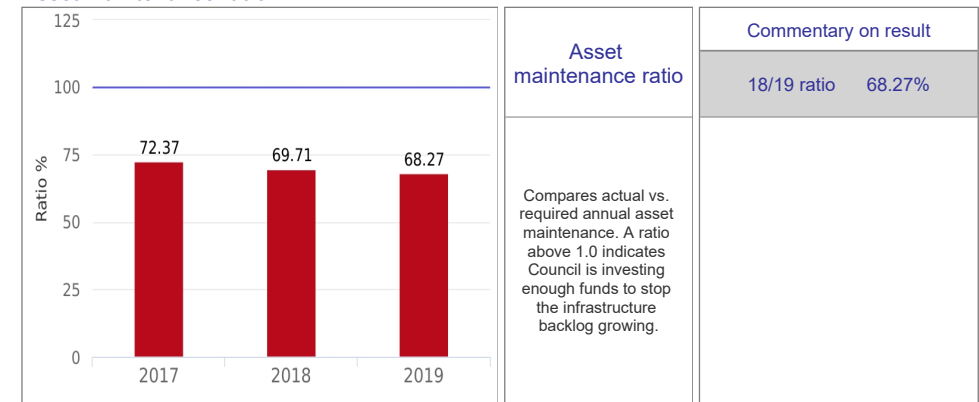
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

### Asset maintenance ratio



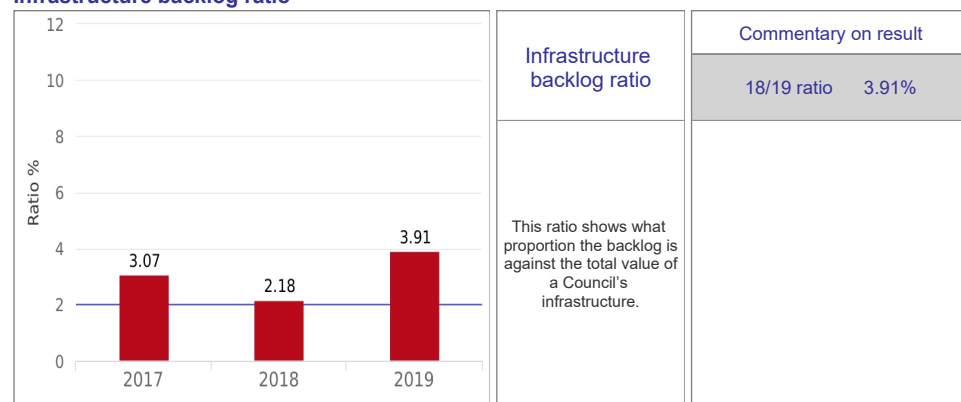
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

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



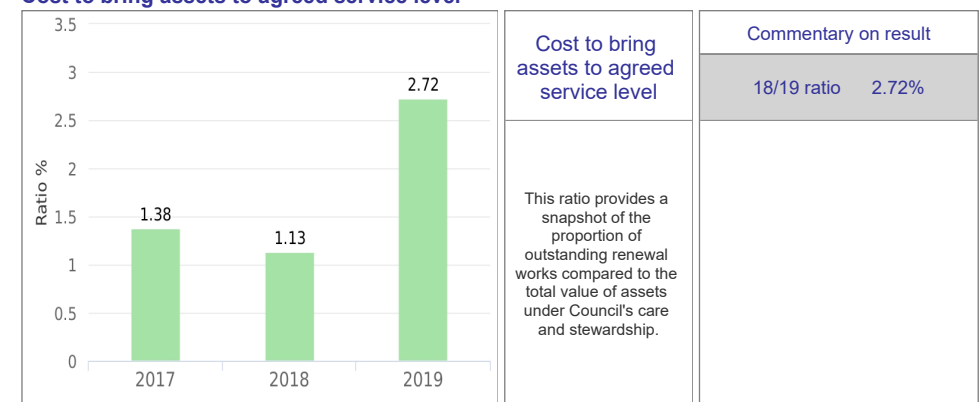
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

### Cost to bring assets to agreed service level



(1) Excludes Work In Progress (WIP)

## Report on Infrastructure Assets (continued)

as at 30 June 2019

| \$ '000  | General fund |         | Water fund |         | Sewer fund |        | Benchmark |
|--|--------------|---------|------------|---------|------------|--------|-----------|
|  | 2019         | 2018    | 2019       | 2018    | 2019       | 2018   |           |
| Infrastructure asset performance indicators (by fund)                    |              |         |            |         |            |        |           |
| Buildings and infrastructure renewals ratio <sup>1</sup>                 |              |         |            |         |            |        |           |
| Asset renewals <sup>2</sup>  | 95.06%       | 115.92% | 61.99%     | –       | 40.09%     | –      | >=100.00% |
| Depreciation, amortisation and impairment                                |              |         |            |         |            |        |           |
| Infrastructure backlog ratio <sup>1</sup>                                |              |         |            |         |            |        |           |
| Estimated cost to bring assets to a satisfactory standard                | 3.52%        | –       | 5.41%      | –       | 7.88%      | 19.94% | <2.00%    |
| Net carrying amount of infrastructure assets                             |              |         |            |         |            |        |           |
| Asset maintenance ratio  |              |         |            |         |            |        |           |
| Actual asset maintenance   | 57.41%       | 67.29%  | 142.50%    | 100.00% | 81.43%     | 56.19% | >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 | 2.70%        | –       | 2.39%      | –       | 3.23%      | 8.28%  |           |
| 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.