

Uralla Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019



Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

32 Salisbury Street
Uralla NSW 2358

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.uralla.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

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:

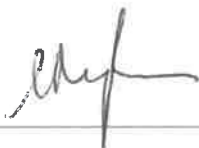
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 22 October 2019.



Cr Michael Pearce
Mayor
22 October 2019



Cr Robert Crouch
Councillor
22 October 2019



Mr David Aber
Acting General Manager
22 October 2019



Mr Simon Paul
Responsible Accounting Officer
22 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
Revenue:				
6,430	Rates and annual charges	3a	6,516	6,279
4,959	User charges and fees	3b	5,058	4,856
312	Interest and investment revenue	3c	408	398
726	Other revenues	3d	612	630
6,539	Grants and contributions provided for operating purposes	3e,3f	7,659	7,641
3,473	Grants and contributions provided for capital purposes	3e,3f	1,531	1,552
22,439	Total income from continuing operations		21,784	21,356
Expenses from continuing operations				
10,012	Employee benefits and on-costs	4a	9,519	9,424
149	Borrowing costs	4b	179	167
4,408	Materials and contracts	4c	4,619	3,892
4,274	Depreciation and amortisation	4d	4,523	4,270
1,712	Other expenses	4e	1,589	1,623
–	Net losses from the disposal of assets	5	1,531	84
20,555	Total expenses from continuing operations		21,960	19,460
1,884	Operating result from continuing operations		(176)	1,896
1,884	Net operating result for the year		(176)	1,896
1,884	Net operating result attributable to council		(176)	1,896
(1,589)	Net operating result for the year before grants and contributions provided for capital purposes		(1,707)	344

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		(176)	1,896
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	341	(2,819)
Total items which will not be reclassified subsequently to the operating result		341	(2,819)
Total other comprehensive income for the year		341	(2,819)
Total comprehensive income for the year		165	(923)
Total comprehensive income attributable to Council		165	(923)

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	1,604	1,443
Investments	6(b)	14,900	13,550
Receivables	7	2,136	2,065
Inventories	8a	229	213
Other	8b	59	54
Total current assets		<u>18,928</u>	<u>17,325</u>
Non-current assets			
Infrastructure, property, plant and equipment	9	230,827	231,289
Total non-current assets		<u>230,827</u>	<u>231,289</u>
TOTAL ASSETS		<u>249,755</u>	<u>248,614</u>
LIABILITIES			
Current liabilities			
Payables	10	4,622	3,836
Income received in advance	10	567	475
Borrowings	10	233	221
Provisions	11	2,371	2,351
Total current liabilities		<u>7,793</u>	<u>6,883</u>
Non-current liabilities			
Borrowings	10	2,194	2,423
Provisions	11	2,536	2,241
Total non-current liabilities		<u>4,730</u>	<u>4,664</u>
TOTAL LIABILITIES		<u>12,523</u>	<u>11,547</u>
Net assets		<u>237,232</u>	<u>237,067</u>
EQUITY			
Accumulated surplus	12	72,785	72,961
Revaluation reserves	12	164,447	164,106
Council equity interest		<u>237,232</u>	<u>237,067</u>
Total equity		<u>237,232</u>	<u>237,067</u>

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

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

Statement of Changes in Equity
for the year ended 30 June 2019

	2019		2018 ¹	
	Accumulated surplus	IPP&E revaluation reserve	Accumulated surplus	IPP&E revaluation reserve
\$ '000				
Opening balance	72,961	164,106	71,065	166,925
Net operating result for the year	(176)	–	1,896	–
Other comprehensive income				
– Gain (loss) on revaluation of IPP&E	–	341	–	(2,819)
Other comprehensive income	–	341	–	(2,819)
Total comprehensive income	(176)	341	1,896	(2,819)
Equity – balance at end of the reporting period	72,785	164,447	72,961	164,106
				237,067
				237,990

Notes

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
6,430	Rates and annual charges		6,364	6,087
4,959	User charges and fees		5,384	4,995
312	Investment and interest revenue received		374	366
10,012	Grants and contributions		9,259	8,807
726	Other		981	1,369
<u>Payments</u>				
(10,012)	Employee benefits and on-costs		(9,575)	(9,467)
(4,408)	Materials and contracts		(5,356)	(4,347)
(149)	Borrowing costs		(134)	(147)
(1,712)	Other		(1,071)	(1,966)
6,158	Net cash provided (or used in) operating activities	13b	6,226	5,697
Cash flows from investing activities				
<u>Receipts</u>				
3,800	Sale of investment securities		17,650	17,850
–	Sale of infrastructure, property, plant and equipment		208	351
<u>Payments</u>				
–	Purchase of investment securities		(19,000)	(21,750)
(10,681)	Purchase of infrastructure, property, plant and equipment		(5,027)	(4,943)
(6,881)	Net cash provided (or used in) investing activities		(6,169)	(8,492)
Cash flows from financing activities				
<u>Receipts</u>				
–	Proceeds from retirement home contributions		1,190	1,058
<u>Payments</u>				
(223)	Repayment of borrowings and advances		(217)	(202)
–	Repayment of retirement home contributions		(869)	(1,400)
(223)	Net cash flow provided (used in) financing activities		104	(544)
(946)	Net increase/(decrease) in cash and cash equivalents		161	(3,339)
6,584	Plus: cash and cash equivalents – beginning of year	13a	1,443	4,782
5,638	Cash and cash equivalents – end of the year	13a	1,604	1,443
Additional Information:				
1,692	plus: Investments on hand – end of year	6(b)	14,900	13,550
7,330	Total cash, cash equivalents and investments		16,504	14,993

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- McMaugh Gardens Aged Care Centre

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

AASB 16 Leases

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

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

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

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

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30 June 2019.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$29,310 - refer Note 14.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Of these commitments, approximately \$7,000 relate to short-term leases with no low value leases.

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

For the remaining operating lease commitments, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$93,478 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$93,478 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net current assets will be \$14,594 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$1,288 for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$14,594 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

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

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

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

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.

Based on a comprehensive analysis of council's income streams, the impact of AASB15 is not expected to be material. The majority of income streams subject to the requirements of AASB 15 in the next year will have the same treatment as under the existing AASB 118 *Revenue*.

AASB 1058 Income of NFP Entities

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

unless there is a contract with a sufficiently specific performance obligation. In the latter case council will have to follow the requirements of AASB 15.

It is expected that the main effect of AASB 1058 will be on specific purpose capital grants.

Following a comprehensive review of all existing and future council income streams, council might normally have to recognise \$732,000 of liability on the transition date (being 1 July 2019). This liability represents the amount of unsatisfied performance obligation as at 30 June 2019 for incomplete grants (contracts), income for which should be accounted for under AASB 1058 with income recognised when the performance obligation is satisfied. This liability would normally be settled through recognition of income once the performance obligation is satisfied in the following years. However, given that this income has already been recognised in the 2018-2019 financial year, Council will not account for the grant income again (as required by OLG guidance) in the 2019-2020 year because it is expected that the performance obligation will have been satisfied by the end of the new financial year.

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).									
	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)	
\$ '000	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Our Society	7,889	6,998	7,603	7,453	286	(455)	810	299	14,327	13,062
Our Economy	3,770	4,698	7,843	6,322	(4,073)	(1,624)	2,532	2,792	193,655	194,705
Our Environment	4,136	3,943	4,256	3,915	(120)	28	245	200	33,926	33,362
Our Leadership	5,989	5,717	2,258	1,770	3,731	3,947	1,684	1,708	7,847	7,485
Total functions and activities	21,784	21,356	21,960	19,460	(176)	1,896	5,271	4,999	249,755	248,614

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Our Society

Includes public libraries; sporting grounds and venues; swimming pools; parks; gardens; other sporting, recreational and cultural services; public cemeteries; public conveniences; other community amenities, aged person facilities, services for disabled persons, migrants and Indigenous persons; youth services. Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Our Economy

Includes community centres and halls, including public halls and performing arts venues; building control; quarries and pits; urban local, urban regional, sealed and unsealed roads, bridges, footpaths and parking areas; street cleaning; tourism and area promotion; industrial development promotion; real estate development; street lighting and town planning;

Our Environment

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

Our Leadership

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance. Also includes all administrative costs such as finance, human resources, information technology, governance and customer support. Also includes camping areas and caravan parks.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	1,647	1,590
Farmland	2,071	2,013
Business	104	101
Less: pensioner rebates (mandatory)	(103)	(108)
Rates levied to ratepayers	3,719	3,596
Pensioner rate subsidies received	54	62
Total ordinary rates	3,773	3,658
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	615	568
Stormwater management services	30	29
Water supply services	447	421
Sewerage services	755	740
Waste management services (non-domestic)	41	40
Environmental	900	867
Less: pensioner rebates (mandatory)	(97)	(102)
Annual charges levied	2,691	2,563
Pensioner subsidies received:		
– Water	17	19
– Sewerage	15	17
– Domestic waste management	20	22
Total annual charges	2,743	2,621
TOTAL RATES AND ANNUAL CHARGES	6,516	6,279

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) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	584	604
Sewerage services	5	5
Waste management services (non-domestic)	162	154
Total specific user charges	751	763
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	35	37
Private works – section 67	34	75
Registration fees	7	10
Section 10.7 certificates (EP&A Act)	17	21
Section 603 certificates	10	12
Town planning	76	85
Total fees and charges – statutory/regulatory	179	240
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	924	951
Caravan park	80	37
Cemeteries	34	25
Community centres	15	2
Sundry sales	65	52
Swimming centres	20	21
Waste disposal tipping fees	97	56
Water and sewer connection fees	6	8
Kamillaroi aged and disability services – contract service fees	–	110
Scrap metal sales	73	60
Tablelands community support options – client contributions	173	254
Tablelands community support options – contract service fees	2,594	2,267
Tablelands community transport	45	10
Other	2	–
Total fees and charges – other	4,128	3,853
TOTAL USER CHARGES AND FEES	5,058	4,856

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)**Interest on financial assets measured at amortised cost**

– Overdue rates and annual charges (incl. special purpose rates)	33	50
– Cash and investments	375	348
TOTAL INTEREST AND INVESTMENT REVENUE	408	398

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

Overdue rates and annual charges (general fund)	18	37
General Council cash and investments	252	227

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	16	14
Water fund operations	62	66
Sewerage fund operations	60	54
Total interest and investment revenue	408	398

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	130	140
Fines	4	6
Legal fees recovery – rates and charges (extra charges)	10	10
Commissions and agency fees	5	9
Diesel rebate	88	85
Insurance claims recoveries	196	93
Recycling income (non-domestic)	34	57
Sales – general	53	46
Donations received	7	4
Other reimbursements	17	80
Other sundry income	44	80
Staff FBT contributions	24	20
TOTAL OTHER REVENUE	612	630

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	337	307	–	–
Financial assistance – local roads component	945	910	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,329	1,251	–	–
Total general purpose	2,611	2,468	–	–
Specific purpose				
Sewerage services	–	–	208	98
Aged care	–	–	370	–
Community care	5	–	–	–
Community centres	–	1	–	–
Drought Communities Assistance Program	666	–	–	–
Employment and training programs	18	13	–	–
Environmental programs	37	–	–	–
Heritage and cultural	15	–	–	–
Innovation Fund	–	75	–	–
Library	35	40	–	–
Street lighting	14	14	–	–
Stronger Country Communities Fund	–	–	400	258
Transport (roads to recovery)	408	864	–	–
Transport (other roads and bridges funding)	41	–	443	1,168
Total specific purpose	1,239	1,007	1,421	1,524
Total grants	3,850	3,475	1,421	1,524
Grant revenue is attributable to:				
– Commonwealth funding	3,019	3,345	1,213	600
– State funding	831	130	208	924
	3,850	3,475	1,421	1,524

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		22	90	–	–
Total developer contributions – cash		22	90	–	–
Total developer contributions	20	22	90	–	–
Other contributions:					
Cash contributions					
Community services		2	–	–	–
RMS contributions (regional roads, block grant)		1,017	1,287	110	28
McMaugh gardens aged care – subsidies		2,217	2,203	–	–
Tablelands community transport – subsidies		551	586	–	–
Total other contributions – cash		3,787	4,076	110	28
Total other contributions		3,787	4,076	110	28
Total contributions		3,809	4,166	110	28
TOTAL GRANTS AND CONTRIBUTIONS		7,659	7,641	1,531	1,552

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	1,514	1,586
Add: operating grants recognised in the current period but not yet spent	13	863
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(1,088)	(935)
Unexpended and held as restricted assets (operating grants)	439	1,514
Capital grants		
Unexpended at the close of the previous reporting period	130	292
Add: capital grants recognised in the current period but not yet spent	809	–
Less: capital grants recognised in a previous reporting period now spent	–	(162)
Unexpended and held as restricted assets (capital grants)	939	130
Contributions		
Unexpended at the close of the previous reporting period	616	512
Add: contributions recognised in the current period but not yet spent	38	104
Unexpended and held as restricted assets (contributions)	654	616

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	7,601	7,540
Travel expenses	28	26
Employee leave entitlements (ELE)	1,412	1,371
Superannuation – defined contribution plans	853	852
Superannuation – defined benefit plans	63	84
Workers' compensation insurance	361	324
Fringe benefit tax (FBT)	15	2
Training costs (other than salaries and wages)	84	77
Other	8	11
Total employee costs	10,425	10,287
Less: capitalised costs	(906)	(863)
TOTAL EMPLOYEE COSTS EXPENSED	9,519	9,424
Number of 'full-time equivalent' employees (FTE) at year end	126	136
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	130	140

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		132	142
Total interest bearing liability costs expensed		132	142
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	11	47	25
Total other borrowing costs		47	25
TOTAL BORROWING COSTS EXPENSED		179	167

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	6,104	5,261
Contractor and consultancy costs	2,811	2,891
Auditors remuneration ²	76	55
Legal expenses:		
– Legal expenses: debt recovery	10	10
– Legal expenses: other	25	19
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	12	53
Total materials and contracts	<u>9,038</u>	<u>8,289</u>
Less: capitalised costs	(4,419)	(4,397)
TOTAL MATERIALS AND CONTRACTS	<u>4,619</u>	<u>3,892</u>

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Buildings	12	53
	<u>12</u>	<u>53</u>

2. Auditor remuneration

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

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

Audit and review of financial statements	45	53
Remuneration for audit and other assurance services	<u>45</u>	<u>53</u>
Total Auditor-General remuneration	<u>45</u>	<u>53</u>

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

Other audit and assurance services	31	2
Remuneration for audit and other assurance services	<u>31</u>	<u>2</u>
Total remuneration of non NSW Auditor-General audit firms	<u>31</u>	<u>2</u>
Total Auditor remuneration	<u>76</u>	<u>55</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		545	556
Office equipment		79	73
Furniture and fittings		55	55
Infrastructure:			
– Buildings – non-specialised		554	409
– Other structures		51	44
– Sealed roads structure		1,500	1,428
– Unsealed roads		544	554
– Bridges		317	320
– Footpaths		46	45
– Stormwater drainage		23	24
– Water supply network		439	453
– Sewerage network		216	223
– Swimming pools		14	15
– Other open space/recreational assets		25	28
Other assets:			
– Other		3	4
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9,11	112	39
Total gross depreciation and amortisation costs		<u>4,523</u>	<u>4,270</u>
Total depreciation and amortisation costs		<u>4,523</u>	<u>4,270</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		<u>4,523</u>	<u>4,270</u>

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

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

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

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

\$ '000	2019	2018
(e) Other expenses		
Advertising	9	18
Bad and doubtful debts	3	–
Bank charges	29	27
Computer software charges	–	2
Contributions/levies to other levels of government	–	6
Councillor expenses – mayoral fee	20	19
Councillor expenses – councillors' fees	96	101
Councillors' expenses (incl. mayor) – other (excluding fees above)	14	8
Donations, contributions and assistance to other organisations (Section 356)	392	466
Electricity and heating	214	209
Insurance	317	316
Internet and other communication	25	8
Licences	54	41
Motor vehicle registration fees	44	46
Other fees and charges	16	19
Postage	37	36
Printing and stationery	47	37
Street lighting	62	57
Subscriptions and publications	118	74
Sundry expenses	14	3
Telephone and communications	75	127
Valuation fees	–	2
Volunteer reimbursements	–	1
Other	3	–
TOTAL OTHER EXPENSES	1,589	1,623

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
Plant and equipment	9		
Proceeds from disposal – plant and equipment		89	470
Less: carrying amount of plant and equipment assets sold/written off		(50)	(527)
Net gain/(loss) on disposal		<u>39</u>	<u>(57)</u>
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(1,570)	(27)
Net gain/(loss) on disposal		<u>(1,570)</u>	<u>(27)</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		17,650	17,850
Less: carrying amount of investments sold/redeemed/matured		(17,650)	(17,850)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(1,531)</u>	<u>(84)</u>

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.

The significant losses incurred this year relate to the write-off of road and bridge renewal programs at Munsie bridge/Gostwyck Road, Munsie bridge/Enmore Road, Eastern Avenue, Bundarra Road, Bingara Road and surface work at Park Street and Gilmore Place.

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	74	97
Cash-equivalent assets		
– Deposits at call	1,530	1,346
Total cash and cash equivalents	<u>1,604</u>	<u>1,443</u>

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	14,900	–	13,550	–
Total Investments	<u>14,900</u>	<u>–</u>	<u>13,550</u>	<u>–</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>16,504</u>	<u>–</u>	<u>14,993</u>	<u>–</u>
Financial assets at amortised cost / held to maturity (2018)				
Term deposits	14,900	–	13,550	–
Total	<u>14,900</u>	<u>–</u>	<u>13,550</u>	<u>–</u>

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

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit 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 profit or loss.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

(b) Held to maturity investments

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

(c) 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 other receivables (Note 8) and 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 not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	16,504	–	14,993	–
attributable to:				
External restrictions	9,613	–	9,051	–
Internal restrictions	5,592	–	4,894	–
Unrestricted	1,299	–	1,048	–
	16,504	–	14,993	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	525	603
McMaugh gardens resident bonds	2,317	1,870
External restrictions – included in liabilities	2,842	2,473

External restrictions – other

Developer contributions – general	655	617
Specific purpose unexpended grants	1,378	1,644
Water supplies	2,498	2,275
Sewerage services	2,240	2,042
External restrictions – other	6,771	6,578

Total external restrictions

	9,613	9,051
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Internal restrictions

Plant and vehicle replacement	1,746	1,517
Employees leave entitlement	1,068	970
Carry over works	325	619
Reseals	648	–
Strategic development	320	440
FAGS Received in advance	1,329	1,251
Tip Remediation	156	97

Total internal restrictions

	5,592	4,894
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TOTAL RESTRICTIONS

	15,205	13,945
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	457	–	305	–
Interest and extra charges	44	–	44	–
User charges and fees	205	–	408	–
Private works	7	–	10	–
Capital debtors (being sale of assets)				
– Other asset sales	–	–	119	–
Accrued revenues				
– Interest on investments	184	–	150	–
– Other income accruals	40	–	102	–
Amounts due from other councils	48	–	47	–
Government grants and subsidies	647	–	664	–
Net GST receivable	363	–	159	–
Resident contributions	77	–	105	–
Other debtors	137	–	21	–
Total	2,209	–	2,134	–
Less: provision of impairment				
Other debtors	(73)	–	(69)	–
Total provision for impairment – receivables	(73)	–	(69)	–
TOTAL NET RECEIVABLES	2,136	–	2,065	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	51	–	35	–
– Other	207	–	339	–
Sewerage services				
– Rates and availability charges	79	–	58	–
– Other	3	–	7	–
Total external restrictions	340	–	439	–
Unrestricted receivables	1,796	–	1,626	–
TOTAL NET RECEIVABLES	2,136	–	2,065	–

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	69	69
+ new provisions recognised during the year	4	–
Balance at the end of the period	73	69

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	229	–	213	–
Total inventories at cost	229	–	213	–
<u>TOTAL INVENTORIES</u>	<u>229</u>	<u>–</u>	<u>213</u>	<u>–</u>
(b) Other assets				
Prepayments	59	–	54	–
<u>TOTAL OTHER ASSETS</u>	<u>59</u>	<u>–</u>	<u>54</u>	<u>–</u>

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.

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

Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018						as at 30/6/2019					
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,967	–	1,967	–	–	–	–	(110)	–	1,857	–	1,857
Plant and equipment	7,079	(3,323)	3,756	11	730	(33)	(545)	–	–	7,712	(3,793)	3,919
Office equipment	613	(523)	90	–	90	–	(79)	–	–	703	(602)	101
Furniture and fittings	1,003	(659)	344	24	–	–	(55)	–	–	1,027	(714)	313
Land:												
– Operational land	1,821	–	1,821	–	–	–	–	–	–	1,821	–	1,821
– Community land	3,933	–	3,933	–	16	–	–	–	–	3,949	–	3,949
Land improvements – non-depreciable	17	–	17	–	–	–	–	–	–	17	–	17
Infrastructure:												
– Buildings – non-specialised	25,668	(12,090)	13,578	81	88	–	(554)	–	–	25,837	(12,644)	13,193
– Other structures	1,308	(814)	494	–	–	–	(51)	–	–	1,308	(865)	443
– Sealed roads structure	101,914	(27,758)	74,156	2,055	573	(733)	(1,500)	110	–	103,602	(28,941)	74,661
– Unsealed roads	17,559	(12,312)	5,247	277	–	(67)	(544)	–	–	17,644	(12,731)	4,913
– Bridges	31,933	(11,418)	20,515	812	–	(452)	(317)	–	–	32,019	(11,461)	20,558
– Footpaths	1,888	(314)	1,574	–	–	–	(46)	–	–	1,888	(360)	1,528
– Bulk earthworks (non-depreciable)	77,432	–	77,432	222	–	(335)	–	–	–	77,319	–	77,319
– Stormwater drainage	2,479	(589)	1,890	–	–	–	(23)	–	–	2,479	(612)	1,867
– Water supply network	28,137	(14,377)	13,760	–	–	–	(439)	–	213	28,587	(15,053)	13,534
– Sewerage network	13,682	(5,481)	8,201	–	–	–	(216)	–	128	13,901	(5,788)	8,113
– Swimming pools	750	(595)	155	–	–	–	(14)	–	–	750	(609)	141
– Other open space/recreational assets	668	(200)	468	–	64	–	(25)	–	–	732	(225)	507
Other assets:												
– Heritage collections	90	–	90	–	–	–	–	–	–	90	–	90
– Other	84	(30)	54	7	–	–	(3)	–	–	91	(33)	58
Reinstatement, rehabilitation and restoration assets (refer Note 11):												
– Tip assets	2,006	(259)	1,747	290	–	–	(112)	–	–	2,296	(371)	1,925
Total Infrastructure, property, plant and equipment	322,031	(90,742)	231,289	3,779	1,561	(1,620)	(4,523)	–	341	325,629	(94,802)	230,827

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

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

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

\$ '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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	393	-	393		1,574	-	-	-	-	-	-	1,967	-	1,967
Plant and equipment	7,345	(3,256)	4,089		707	43	(527)	(556)	-	-	-	7,079	(3,323)	3,756
Office equipment	561	(450)	111		52	-	-	(73)	-	-	-	613	(523)	90
Furniture and fittings	1,153	(616)	537		28	17	-	(55)	(183)	-	-	1,003	(659)	344
Land:														
- Operational land	1,736	-	1,736		-	36	-	-	-	49	-	1,821	-	1,821
- Community land	3,532	-	3,532		-	-	-	-	-	401	-	3,933	-	3,933
Land improvements – non-depreciable	17	-	17		-	-	-	-	-	-	-	17	-	17
Infrastructure:														
- Buildings – non-specialised	24,026	(7,295)	16,731		70	289	-	(409)	619	(3,722)	-	25,668	(12,090)	13,578
- Other structures	1,308	(770)	538		-	-	-	(44)	-	-	-	1,308	(814)	494
- Bridges	31,916	(11,098)	20,818		16	-	-	(320)	1	-	-	31,933	(11,418)	20,515
- Footpaths	1,791	(269)	1,522		-	96	-	(45)	1	-	-	1,888	(314)	1,574
- Bulk earthworks (non-depreciable)	76,786	-	76,786		648	-	-	-	(2)	-	-	77,432	-	77,432
- Stormwater drainage	2,479	(565)	1,914		-	-	-	(24)	-	-	-	2,479	(589)	1,890
- Water supply network	27,543	(13,629)	13,914		15	-	-	(453)	-	-	284	28,137	(14,377)	13,760
- Sewerage network	13,881	(5,232)	8,649		6	-	-	(223)	(400)	-	169	13,682	(5,481)	8,201
- Swimming pools	750	(580)	170		-	-	-	(15)	-	-	-	750	(595)	155
- Sealed roads structure	100,471	(26,278)	74,193		1,278	140	(27)	(1,428)	-	-	-	101,914	(27,758)	74,156
- Unsealed roads	17,423	(11,817)	5,606		195	-	-	(554)	-	-	-	17,559	(12,312)	5,247
- Other open space/recreational assets	791	(339)	452		18	63	-	(28)	(37)	-	-	668	(200)	468
Other assets:														
- Heritage collections	90	-	90		-	-	-	-	-	-	-	90	-	90
- Other	84	(26)	58		-	-	-	(4)	-	-	-	84	(30)	54
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
- Tip assets	787	(220)	567		-	-	-	(39)	1,219	-	-	2,006	(259)	1,747
Total Infrastructure, property, plant and equipment	314,863	(82,440)	232,423		4,607	684	(554)	(4,270)	1,218	(3,722)	903	322,031	(90,742)	231,289

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	4	Other open space recreational assets	10 to 100
Vehicles, trucks and utilities	5 to 10		
Dozers, graders and rollers	10	Buildings	
Other plant and equipment	10	Buildings: masonry	50 to 100
		Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	75 to 125
Water & Sewer Treatment Plants	70 to 100	Culverts	75 to 125
Reticulation pipes: PVC	70 to 115	Flood control structures	75 to 125
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Meters & Water Plant	10		
Water Mains	80 to 100	Other infrastructure assets	
Sewer Mains	70 to 100	Bulk earthworks	Infinite
Transportation assets		Swimming pools	50
Sealed roads: surface	15 to 20	Other open space/recreational assets	20
Sealed roads: structure	60 to 100	Other infrastructure	20
Unsealed roads	20 to 30		
Bridge: concrete	100		
Bridge: other	80		
Concrete 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	358	–	114	–
Goods and services – capital expenditure	371	–	348	–
Accrued expenses:				
– Borrowings	12	–	14	–
– Salaries and wages	164	–	167	–
– Other expenditure accruals	406	–	751	–
Retirement home contributions	2,317	–	2,000	–
TCS Funding	779	–	397	–
TCT Funding	215	–	45	–
Total payables	4,622	–	3,836	–
Income received in advance				
Payments received in advance	567	–	475	–
Total income received in advance	567	–	475	–
Borrowings				
Loans – secured ¹	233	2,194	221	2,423
Total borrowings	233	2,194	221	2,423
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,422</u>	<u>2,194</u>	<u>4,532</u>	<u>2,423</u>

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Resident Bonds	2,317	–	1,870	–
McMaugh garden (interest bearing liabilities)	6	43	5	49
Payables and borrowings relating to externally restricted assets	2,323	43	1,875	49
Total payables and borrowings relating to restricted assets	2,323	43	1,875	49
Total payables and borrowings relating to unrestricted assets	3,099	2,151	2,657	2,374
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,422</u>	<u>2,194</u>	<u>4,532</u>	<u>2,423</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

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

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

Retirement home contributions	984	785
Total payables and borrowings	984	785

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	2,644	(217)	–	–	–	2,427	
TOTAL	2,644	(217)	–	–	–	2,427	

\$ '000	as at 30/6/2017					as at 30/6/2018	
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance	
Loans – secured	2,846	(202)	–	–	–	2,644	
TOTAL	2,846	(202)	–	–	–	2,644	

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

Bank overdraft facilities ¹	100	100
Credit cards/purchase cards	35	35
Total financing arrangements	135	135

Drawn facilities as at balance date:

– Credit cards/purchase cards	10	10
Total drawn financing arrangements	10	10

Undrawn facilities as at balance date:

– Bank overdraft facilities	100	100
– Credit cards/purchase cards	25	25
Total undrawn financing arrangements	125	125

Additional financing arrangements information**Breaches and defaults**

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

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

Payables

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

Borrowings

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

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

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

Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	730	–	739	–
Sick leave	54	–	71	–
Long service leave	1,523	75	1,492	116
Other leave	64	–	49	–
Sub-total – aggregate employee benefits	2,371	75	2,351	116
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,461	–	2,125
Sub-total – asset remediation/restoration	–	2,461	–	2,125
<u>TOTAL PROVISIONS</u>	<u>2,371</u>	<u>2,536</u>	<u>2,351</u>	<u>2,241</u>

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

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

Provisions – employees benefits	1,430	1,525
	<u>1,430</u>	<u>1,525</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2019					
At beginning of year	739	71	1,608	49	2,467
Additional provisions	508	(17)	219	15	725
Amounts used (payments)	(517)	–	(229)	–	(746)
Total ELE provisions at end of period	730	54	1,598	64	2,446
2018					
At beginning of year	708	74	1,581	55	2,418
Additional provisions	518	(3)	144	81	740
Amounts used (payments)	(487)	–	(117)	(87)	(691)
Total ELE provisions at end of period	739	71	1,608	49	2,467

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	2,125	2,125
Changes to provision:		
Revised costs	289	289
Unwinding of discount	47	47
Total other provisions at end of period	2,461	2,461
2018		
At beginning of year	882	882
Revised costs	1,218	1,218
Unwinding of discount	25	25
Total other provisions at end of period	2,125	2,125

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

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

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	1,604	1,443
Balance as per the Statement of Cash Flows		1,604	1,443
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(176)	1,896
Adjust for non-cash items:			
Depreciation and amortisation		4,523	4,270
Net losses/(gains) on disposal of assets		1,531	84
Unwinding of discount rates on reinstatement provisions		47	25
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(194)	(1,010)
Increase/(decrease) in provision for impairment of receivables		4	-
Decrease/(increase) in inventories		(16)	(35)
Decrease/(increase) in other current assets		(5)	21
Increase/(decrease) in payables		244	(220)
Increase/(decrease) in accrued interest payable		(2)	(5)
Increase/(decrease) in other accrued expenses payable		(348)	41
Increase/(decrease) in other liabilities		640	581
Increase/(decrease) in provision for employee benefits		(21)	49
Increase/(decrease) in other provisions		(1)	-
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		6,226	5,697

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. 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		
Plant and equipment	239	96
Bundarra Sewer Scheme	289	540
Stronger Country Community Projects	199	15
Other	93	–
Total commitments	820	651
These expenditures are payable as follows:		
Within the next year	820	651
Total payable	820	651
Sources of funding of capital commitments:		
Future grants and contributions	300	540
Unexpended grants	199	–
Externally restricted reserves	46	15
Internally restricted reserves	259	96
Unexpended loans	16	–
Total sources of funding	820	651

(b) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	13	10
Later than one year and not later than 5 years	16	22
Total non-cancellable operating lease commitments	29	32

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

The operating lease in place is for business premises. The lease agreement does not impose any financial restrictions on Council regarding future debt. A further operating lease relates to rental for two photocopiers.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times employee contributions
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 \$ 130,870.28. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of additional contributions included in the total employer contribution advised above is \$64,000. Council's expected contribution to the plan for the next annual reporting period is \$133,444.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$120,800 as at 30 June 2019.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities

(i) Third party claims

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

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

(ii) 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 30/6/08.

(ii) Infringement notices/fines

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

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

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

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

(iii) Central Northern Libraries

The Uralla Shire Council is a member of the Central Northern Libraries Group.

This group operates under the Central Northern Library Regional Library Agreement renewed from 1 July 2010, administered by the Tamworth Regional Council on behalf of the six members.

From 1 July 2012, the Gwydir Shire Council has been admitted as a member of the Central Northern Regional Libraries. The Gwydir Shire Council will not be entitled to share in reserves which existed at 30 June 2012 (Clause 2 of the Variation of Central Northern Regional Library Regional Library Agreement 2012).

Clause 7.1 of the Agreement states: "Tamworth Regional Council shall own the assets acquired from Central Northern Regional Library's budget subject to the 'reimbursement rights' held by each of the Delegating Councils as provided by this clause."

Clause 7.3 states: "Upon the termination of this agreement, a proportion of the assets identified in the asset register shall be distributed to the Delegating Councils. The method for determining the a set distribution to each Delegating Council is specified in Schedule 4 of this Agreement."

Schedule 4 determines that the distribution of the net assets shall be apportioned in the ratio of the contributions made in the three preceding years or the current life of the existing agreement. The net assets of the Central Northern Regional Library at 30 June 2018 were \$1,586,151 with a Surplus from Ordinary Activities of \$321,781 for the 2017/2018 year. The percentage of contribution and share of net assets for the Uralla Shire Council is 7.2%.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(iv) Rural Fire Fighting Assets

Council has title to, and is the registered owner of vehicles including category 1 and 2 rural fire appliances and associated rural fire fighting equipment.

These assets are under the control of the Rural Fire Services to enable that authority to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have been recognised in these reports as assets (Note 10a Accounting policy for infrastructure, property, plant and equipment). In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	1,604	1,443	1,604	1,443
Receivables	2,136	2,065	2,136	2,065
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	14,900	13,550	14,900	13,550
Total financial assets	18,640	17,058	18,640	17,058
Financial liabilities				
Payables	4,622	3,836	4,622	3,836
Loans/advances	2,427	2,644	2,427	2,644
Total financial liabilities	7,049	6,480	7,049	6,480

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's 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 investments 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	146	146	(146)	(146)
2018				
Possible impact of a 1% movement in interest rates	140	140	(140)	(140)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	413	7	7	30	–	457
2018						
Gross carrying amount	275	5	5	20	–	305

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Financial risk management (continued)

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2	1,387	18	1	344	1,752
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	21.20%	4.16%
ECL provision	–	–	–	–	73	73
2018						
Gross carrying amount	1,573	–	–	–	256	1,829
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	2,317	2,306	–	–	4,623	4,622
Loans and advances	5.06%	–	347	1,496	1,234	3,077	2,427
Total financial liabilities		2,317	2,653	1,496	1,234	7,700	7,049
2018							
Trade/other payables	0.00%	2,000	1,836	–	–	3,836	3,836
Loans and advances	4.92%	–	352	1,305	1,465	3,122	2,644
Total financial liabilities		2,000	2,188	1,305	1,465	6,958	6,480

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 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 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	6,430	6,516	86	1% F
User charges and fees	4,959	5,058	99	2% F
Interest and investment revenue	312	408	96	31% F
The budget had expected a significant reduction in cash and investments as a result of the capital expenditure program. However, this did not eventuate due to staffing restrictions and a number of major government initiatives which reassigned staff to other projects not expected to be undertaken in the financial year.				
Other revenues	726	612	(114)	(16)% U
The budget had anticipated the receipt of the balance of the Innovation Fund program (\$75,000) which will not be received until 2019-20.				
Operating grants and contributions	6,539	7,659	1,120	17% F
Council received a number of additional grants that were not expected to be received in the financial year including \$667,000 from the Drought Communities Assistance Program and \$37,000 for Crown Land management changes.				
Capital grants and contributions	3,473	1,531	(1,942)	(56)% U
Council had anticipated the near completion of the Bundarra Sewer project with an expected capital grant of \$1.849 million. Due to issues associated with this project, only \$208,000 was received during the year.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	10,012	9,519	493	5% F
Borrowing costs	149	179	(30)	(20)% U
The budget did not include remediation costs of \$49,000 as a borrowing cost which has resulted in this variation.				
Materials and contracts	4,408	4,619	(211)	(5)% U
Depreciation and amortisation	4,274	4,523	(249)	(6)% U
The original budget was prepared prior to the update of asset values associated with revaluations in the 2018 year which lead to an under estimate of depreciation for the 2019 year.				
Other expenses	1,712	1,589	123	7% F
Net losses from disposal of assets	-	1,531	(1,531)	∞ U
The original budget did not allow for the write-off of assets that were replaced or remediated during the year.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) investing activities	(6,881)	(6,169)	712	(10)% F
The budget anticipated a significant spend on infrastructure, property, plant and equipment that did not arise due to staffing restrictions and a number of major government initiatives which reassigned staff to other projects not expected to be undertaken in the financial year. Consequently, the funds were partially reassigned to the purchase of additional investment securities.				
Net cash provided from (used in) financing activities	(223)	104	327	(147)% F
The budget did not provide for additional retirement home contributions which form part of the actual financing activities this year.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9					
Plant and equipment		30/06/19	–	–	3,919	3,919
Office equipment		30/06/19	–	–	101	101
Furniture and fittings		30/06/19	–	–	313	313
Operational land		30/06/18	–	–	1,821	1,821
Community land		30/06/18	–	–	3,949	3,949
Land improvements – non-depreciable		30/06/16	–	–	17	17
Buildings – non-specialised		30/06/18	–	–	13,193	13,193
Other structures		30/06/16	–	–	443	443
Sealed road structure		30/06/15	–	–	74,661	74,661
Unsealed roads		30/06/15	–	–	4,913	4,913
Bridges		30/06/15	–	–	20,453	20,453
Footpaths		30/06/15	–	–	1,528	1,528
Bulk earthworks		30/06/15	–	–	77,319	77,319
Stormwater drainage		30/06/15	–	–	1,867	1,867
Water supply network		30/06/19	–	–	13,534	13,534
Sewerage network		30/06/19	–	–	8,113	8,113
Heritage collection		30/06/14	–	–	90	90
Other assets		30/06/16	–	–	58	58
Other open space / recreational assets		30/06/16	–	–	507	507
Swimming pools		30/06/16	–	–	141	141
Total infrastructure, property, plant and equipment			–	–	226,940	226,940

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9					
Plant and equipment		30/06/18	–	–	3,756	3,756
Office equipment		30/06/18	–	–	90	90
Furniture and fittings		30/06/18	–	–	344	344
Operational land		30/06/18	–	–	1,821	1,821
Community land		30/06/18	–	–	3,933	3,933
Land improvements – non-depreciable		30/06/14	–	–	17	17
Buildings – non-specialised		30/06/18	–	–	13,578	13,578
Other structures		30/06/14	–	–	494	494
Sealed road structure		30/06/15	–	–	74,156	74,156
Unsealed roads		30/06/15	–	–	5,247	5,247
Bridges		30/06/15	–	–	20,515	20,515
Footpaths		30/06/15	–	–	1,574	1,574
Bulk earthworks		30/06/15	–	–	77,432	77,432
Stormwater drainage		30/06/15	–	–	1,890	1,890
Water supply network		30/06/18	–	–	13,760	13,760
Sewerage network		30/06/18	–	–	8,201	8,201
Heritage collection		30/06/14	–	–	90	90
Other assets		30/06/14	–	–	54	54
Other open space / recreational assets		30/06/14	–	–	468	468
Swimming pools		30/06/14	–	–	155	155
Total infrastructure, property, plant and equipment			–	–	227,575	227,575

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

(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)

Councils Plant & Equipment, Furniture and Fittings incorporates:

Major Plant - trucks, tractors, graders, rollers and excavators
 Fleet Vehicles - cars, vans, utes etc.
 Minor Plant - chainsaw, brush cutters, mowers, concrete mixers.
 Furniture and Fittings - desks, chairs, display system.
 Office Equipment - computers, monitors, projectors, laptops

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount reflects the fair value of the asset due to the nature of the items as shown above

The unobservable Level 3 inputs used include:

Pattern of Consumption
 Useful Life
 Asset Condition
 Residual Value

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

Gross Replacement Cost

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

Land - Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any parcel of land. Fair value for operational land is obtained from an external valuer every 5 years.

Last valuation was conducted in 2018 using Level 3 Inputs

Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by buyer. This is not necessarily the market selling price of the asset rather, the maximum value that Council would rationally pay to acquire the asset, taking into account quoted market price in an active and liquid market, current market price of similar asset, cost of replacing an asset.

Criteria for this include: Land description and dimensions, planning and other constraints on development and the potential for alternative use (Valued by AssetVal in March 2018).

The unobservable Level 3 inputs used include:

Rates per Square Metre
Description of Land

The 'Market Approach' is used to value operational land. There has been no change to the valuation process during the reporting period.

Land Improvements

Land Improvement are repairs to the dam located at The Glen on New England Highway and a small piece of land at the Sewerage Works. Values are determined based on actual cost of construction and maintenance.

Any infrastructure constructed on improved land is separately valued.

Council carries fair value of land reserves using Level 3 Inputs

The unobservable Level 3 inputs used include:

Useful Life
Asset Condition
Asset Condition

The cost approach is used to value the land improvements. There has been no change to the valuation process during the reporting period.

Land - Community Land

Council's "Community" Land (including owned by Council, The Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed or dedication under section 94 of the EPA Act 1979). This gives rise to the restriction in the Act, intended to preserve the qualities of the land. Community land is valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values. This land was revalued in 2018.

Community Land:

Cannot be sold

Cannot be leased, licensed, or any other estate granted over the land for more than 21 years

Must have a plan of management for it.

Buildings - Non Specialised

Council buildings includes Libraries, Public Amenities, Sporting Club, Kiosks and Amenities, Depot Building and Workshops, McMaugh's Aged Care Centre, Community Centre, Visitor Information Centre, Pre School, SES Shelter and others. Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

carries fair value buildings using level 3 inputs. Valuations were carried out by external valuers - AssetVAL in March 2018 using the cost approach.

This approach estimates the replacement cost for each building by componentising the building into significant parts with different useful life and taking into account a range of factors.

Buildings are valued by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost. These rates are derived from substantial analysis of construction costs by Council's valuer (Valued by AssetVal in March 2018). Each building is assigned a residual value. Further improvements could be achieved by componentising buildings.

The unobservable Level 3 inputs used include:

Pattern of Consumption	Future Economic Benefit
Useful Life	Residual Value
Asset Condition	Remaining useful life

The cost approach is used to value the Buildings. There has been no change to the valuation process during the reporting period.

Infrastructure - Roads

This asset class comprises the Road Carriageway, Bus Shelter, Car Parks, Guardrails, Kerb and Gutter, Suburb Markers, and Traffic Facilities.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved markers parking places along roadside.

Council's Asset Management System include condition assessment data for a 5 year cycle on sealed roads and routine inspections of unsealed roads. An asset condition assessment was carried out by council staff during 2015.

To determine the unit cost of seals, Council has researched actual costs for a range of sealing works on different road types carried out in 2013/14 and 2014/15. These costs were then averaged on a per square metre basis. The average costs were then indexed by 3% per annum in order to estimate current unit rates. For the costs of both sealed and unsealed pavement works, separate estimates have been prepared from first principles using actual 2015 plant and labour rates and applying appropriate contingency factors. The rates were calculated on a volume basis by taking into account the pavement thickness and then compared to recently completed works as a final check. Roads are componentised into road pavement and road seal assets, with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on various soil types. Council has increased significantly the amount of available information on its road network but still lacks some historical information such as rehabilitation dates for components such as road seals and pavements. Other information that is currently being sourced includes traffic volumes, more accurate dimensions and topography information, and better information on soil types.

Council fair values road infrastructure assets using Level 3 inputs at a component level.

The Cost Approach is used 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 Asset System.

The unobservable Level 3 inputs used include:

Pattern of Consumption	Asset Condition	Remaining useful life
Useful Life and Residual Value	Gross Replacement Cost	

The cost approach is used to value the Roads (Sealed and Unsealed). There has been no change in valuation technique from prior year.

Infrastructure- Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed. Council has specification for dimensions of cycleway and pathways. A full assessment was conducted in 2015 by council staff.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

These inspections were carried out to comply with insurance protocols and to provide data for the revaluation that occurred this year. Current replacement costs are based on recent works in King and Bridge Streets, Uralla and Bendemeer Street, Bundarra.

Councils fair values, footpaths, (non componentised) using Level 3 inputs

Pattern of Consumption
Useful Life
Asset Condition
Future Economic Benefit
Remaining useful life

The cost approach is used to value the Footpaths. There has been no change to the valuation process during the reporting period.

Infrastructure - Stormwater Drainage

Council's Drainage Assets comprises pits, culverts, open channels, headwalls and various type of water quality devices used to collect, store and remove stormwater. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. Council has adopted useful life of between 75 and 125 years for its stormwater drainage assets.

Condition assessment for all stormwater drainage was carried out in 2015, additionally physical inspection of one of council's major lines in Plane Avenue, Uralla was carried out in 2015 by the Bridge/Culvert work gang. All systems have been assessed as being satisfactory or better. Council carries fair value drainage assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

Pattern of Consumption
Useful Life and Residual Value
Asset Condition
Gross Replacement Cost
Remaining useful life

The cost approach is used to value the Stormwater Drainage. There has been no change in valuation technique from prior year.

Infrastructure-Sewerage Network

Council's Sewerage Network consist of Sewer pipes, pump stations, treatment plant, telemetry system, manholes. Council carries fair values Sewerage Network Assets (non - componentised) using Level 3 inputs.

Current replacement costs for sewer assets have been derived by utilizing Rawlinson Rates and NSW Office of Water Revenue rates, unit costs and lump sums. Council engaged a highly qualified and experienced engineer to undertake a revaluation of its sewer assets in 2017. 100% of above ground infrastructure was inspected.

Council identifies 10 critical mains section each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist based upon sampling of inspections, lack of historical maintenance and complaint data. All asset components were assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of valuation, with the condition rating determining the remaining useful life. A physical inspection of ground level assets was conducted and photographic evidence, including use of video, was collected of manholes and mains to support condition assessments.

The unobservable Level 3 inputs used include:

Useful Life
Asset Condition
Future Economic Benefit
Remaining useful life

The cost approach is used to value the Sewerage Network. 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 18. Fair Value Measurement (continued)

Other Assets

Council's other assets comprise of Heritage Collections - Thunderbolts Painting and other miscellaneous assets. A valuation of the collection of Thunderbolts paintings was undertaken by A.N.G Art Consulting in August 2011 providing a reasonable estimate of the replacement value of each work based on current market prices for similar works by the same artist. Other infrastructure assets were revalued during 2016 including the swimming pool which has now been recognised separately in note 9a. Council carries fair values of other assets using level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful Life and Residual Value
- Asset Condition
- Gross Replacement Cost
- Remaining useful life

The cost approach is used to value the Other Assets. There has been no change in valuation technique from prior year.

Infrastructure- Bridges

Council has 50 bridges/major culverts on local roads and 30 bridges/major culverts on regional roads. Of these, two bridges were replaced in 2017/18 with some additional work finalised in 2018/19.

All Council bridges are inspected by Council's qualified inspectors on a biannual program.

Council engaged an independent company to assess HML capacity on selected bridges in 2018-19.

The replacement costs have been upgraded utilising unit costs from the replacement of Abington and Emu Crossing bridges.

Bridges are componentised into bridges and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned residual values at the time of valuation conducted by AST roads assessment in 2014.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful Life and Residual Value

The cost approach is used to value the Bridges. There has been no change in valuation technique from previous years.

Infrastructure- Bulk Earthworks

Council Bulk Earthworks consists of cuttings, fill and levelling of earth and rocks.
Last valuation conducted by council staff.
Currently using unit rate estimated from first principles using current internal rates.

The unobservable Level 3 inputs used include Unit Rates & Asset Condition.

The cost approach is used to value the Bulk Earthworks. There has been no change in valuation technique from prior years.

Infrastructure- Water Supply Network

Council's Water Network consist of Water pipes, pump stations, treatment plant, telemetry system and reservoirs
Council carries fair value Water Supply Network Assets (non-componentised) using Level 3 inputs.

Current replacement costs for water assets have been derived by utilizing Rawlinson Rates and NSW Office of Water references rates, unit costs and lump sum. Council engaged an engineer to undertake a revaluation of water assets in 2017. Physical inspections were carried out with photographic evidence collected to support condition ratings. 100% of above ground infrastructure was inspected. Council identifies 10 critical mains sections each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist due to lack of records of historical maintenance and inspection and sampling of inspections. All asset components are assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of revaluation, with the condition rating determining the useful life.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

The unobservable Level 3 inputs used include:

Pattern of Consumption
Useful Life

The cost approach is used to value the Water Network. There has been no change in valuation technique from prior years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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	Operational Land	Community Land	Land improvement s	Buildings and other infrastructure	Sealed roads
2018					
Opening balance	1,736	3,532	17	17,721	74,193
Transfers from/(to) another asset class	–	–	–	582	–
Purchases (GBV)	36	–	–	440	1,418
Disposals (WDV)	–	–	–	–	(27)
Depreciation and impairment	–	–	–	(481)	(1,428)
FV gains – other comprehensive income	49	401	–	(3,722)	–
Closing balance	1,821	3,933	17	14,540	74,156
2019					
Opening balance	1,821	3,933	17	14,540	74,156
Purchases (GBV)	–	16	–	233	2,725
Disposals (WDV)	–	–	–	–	(720)
Depreciation and impairment	–	–	–	(630)	(1,500)
Closing balance	1,821	3,949	17	14,143	74,661

\$ '000	Unsealed roads	Bridges	Footpaths	Bulk earthworks (non-deprecia ble)	Stormwater drainage
2018					
Opening balance	5,606	20,818	1,522	76,786	1,914
Transfers from/(to) another asset class	–	1	1	(2)	–
Purchases (GBV)	195	16	96	648	–
Depreciation and impairment	(554)	(320)	(45)	–	(24)
Closing balance	5,247	20,515	1,574	77,432	1,890
2019					
Opening balance	5,247	20,515	1,574	77,432	1,890
Purchases (GBV)	277	812	–	398	–
Disposals (WDV)	(67)	(553)	–	(511)	–
Depreciation and impairment	(544)	(321)	(46)	–	(23)
Closing balance	4,913	20,453	1,528	77,319	1,867

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Other assets	Plant and equipment	Total
2018					
Opening balance	13,914	8,649	318	4,737	231,463
Transfers from/(to) another asset class	–	(400)	–	(183)	(1)
Purchases (GBV)	15	6	–	847	3,717
Disposals (WDV)	–	–	–	(527)	(554)
Depreciation and impairment	(453)	(223)	(19)	(684)	(4,231)
FV gains – other comprehensive income	284	169	–	–	(2,819)
Closing balance	13,760	8,201	299	4,190	227,575
2019					
Opening balance	13,760	8,201	299	4,190	227,575
Purchases (GBV)	–	–	14	858	5,333
Disposals (WDV)	–	–	(7)	(36)	(1,894)
Depreciation and impairment	(439)	(216)	(17)	(679)	(4,415)
FV gains – other comprehensive income	213	128	–	–	341
Closing balance	13,534	8,113	289	4,333	226,940

d. The valuation process for level 3 fair value measurements

The valuation techniques prescribed by AASB 13 can be summarised as:

Cost approach - Valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income approach - Valuation technique that converts future amounts (cash inflow /outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market approach - Valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

For the purpose of level 3 fair value measurement a Cost Approach was used for most assets except Land - Operational and Community where a market approach is required. The inputs used for this technique are:

Pattern of consumption
Residual Value
Asset Condition
Useful Life
Unit Rates

(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 19. Related Party Transactions

Key management personnel

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

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

	2019	2018
Compensation:		
Short-term benefits	712	729
Post-employment benefits	91	80
Total	803	809

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

Note 20. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018		as at 30/6/2019				Cumulative internal borrowings due/(payable)
	Opening Balance	Contributions received during the year	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	
		Cash	Non-cash				
\$ '000							
Roads	471	20	-	-	-	503	-
Traffic facilities	18	-	-	-	-	19	-
Community facilities	76	1	-	-	-	79	-
Other	52	1	-	-	-	54	-
S7.11 contributions – under a plan	617	22	-	-	-	655	-
Total S7.11 and S7.12 revenue under plans	617	22	-	-	-	655	-
Total contributions	617	22	-	-	-	655	-

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

Note 20. Statement of developer contributions (continued)

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
	Opening Balance		Cash	Non-cash					
\$ '000									
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN – RURAL INVERGOWRIE									
Roads	86		2	-	2	-	-	90	-
Traffic facilities	18		-	-	1	-	-	19	-
Community facilities	76		1	-	2	-	-	79	-
Other	47		1	-	1	-	-	49	-
Total	227		4	-	6	-	-	237	-
CONTRIBUTION PLAN – RURAL									
Other	5		-	-	-	-	-	5	-
Total	5		-	-	-	-	-	5	-
CONTRIBUTION PLAN – DCP ROAD MAINTENANCE ROYALTIES									
Roads	385		18	-	10	-	-	413	-
Total	385		18	-	10	-	-	413	-

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	5,375	415	726
User charges and fees	4,466	582	10
Interest and investment revenue	271	73	64
Other revenues	603	9	–
Grants and contributions provided for operating purposes	7,627	17	15
Grants and contributions provided for capital purposes	1,323	–	208
Total income from continuing operations	19,665	1,096	1,023
Expenses from continuing operations			
Employee benefits and on-costs	8,964	370	185
Borrowing costs	179	–	–
Materials and contracts	3,763	599	257
Depreciation and amortisation	3,834	464	225
Other expenses	1,575	5	9
Net losses from the disposal of assets	1,531	–	–
Total expenses from continuing operations	19,846	1,438	676
Operating result from continuing operations	(181)	(342)	347
Net operating result for the year	(181)	(342)	347
Net operating result attributable to each council fund	(181)	(342)	347
Net operating result for the year before grants and contributions provided for capital purposes	(1,504)	(342)	139

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,066	298	240
Investments	10,700	2,200	2,000
Receivables	1,796	258	82
Inventories	229	–	–
Other	59	–	–
Total current assets	13,850	2,756	2,322
Non-current assets			
Infrastructure, property, plant and equipment	207,265	14,378	9,184
Total non-current assets	207,265	14,378	9,184
TOTAL ASSETS	221,115	17,134	11,506
LIABILITIES			
Current liabilities			
Payables	4,622	–	–
Income received in advance	567	–	–
Borrowings	233	–	–
Provisions	2,371	–	–
Total current liabilities	7,793	–	–
Non-current liabilities			
Borrowings	2,194	–	–
Provisions	2,536	–	–
Total non-current liabilities	4,730	–	–
TOTAL LIABILITIES	12,523	–	–
Net assets	208,592	17,134	11,506
EQUITY			
Accumulated surplus	58,640	8,299	5,846
Revaluation reserves	149,952	8,835	5,660
Council equity interest	208,592	17,134	11,506
Total equity	208,592	17,134	11,506

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(176)				
Total continuing operating revenue excluding capital grants and contributions ¹	20,253	(0.87)%	2.16%	11.57%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	15,256				
Total continuing operating revenue ¹	21,784	70.03%	69.45%	71.30%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	8,975				
Current liabilities less specific purpose liabilities	4,040	2.22x	2.25x	2.07x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,526				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	396	11.43x	13.18x	16.74x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	501				
Rates, annual and extra charges collectible	6,802	7.37%	5.38%	4.33%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	16,504				
Monthly payments from cash flow of operating and financing activities	1,435	11.50 mths	10.26 mths	10.50 mths	>3.00 mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22(b). Statement of performance measures – by fund

	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
\$ '000							
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	0.15%	3.18%	(31.20)%	(19.21)%	17.06%	8.26%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	68.02%	67.03%	98.45%	98.34%	78.20%	87.12%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.22x	1.84x	∞	∞	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10.20x	11.62x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.39%	4.75%	13.49%	9.02%	11.43%	8.19%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.69	8.64	30.78	33.70	33.35	49.91	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

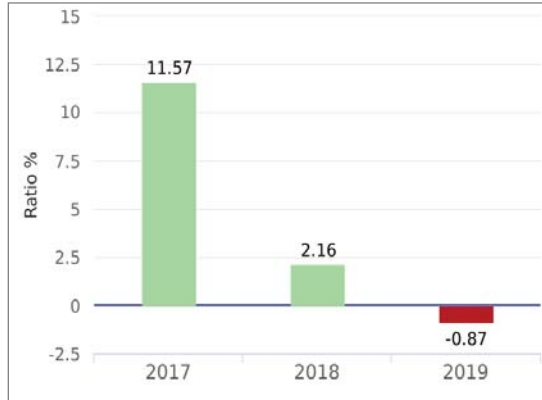
(1) - (2) Refer to Notes at Note 28a above.

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

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

Note 22(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 (0.87)%

A positive result was achieved this year despite showing a negative ratio as shown in this graph. The result has been skewed by \$1.5 million in losses from the disposal of assets associated with renewals carried out during the year. However, the result has also been boosted by operating grants from the Drought Communities Assistance Program.

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 70.03%

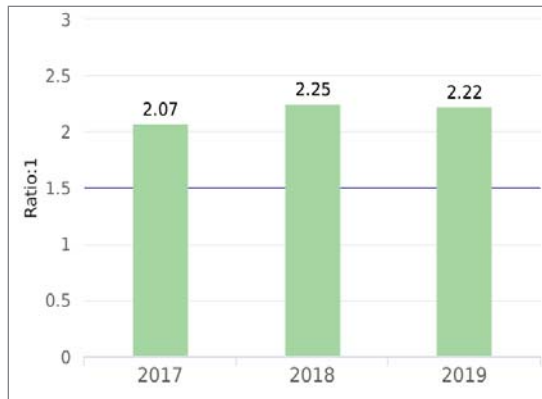
Council has maintained a ratio above the benchmark for the past six years reflecting less reliance on other government grants for continuing operations.

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 2.22x

This result reflects Council's ability to pay debts from reserves not restricted for other purposes. It is supported by the increase in unrestricted cash detailed at note 6(c). Council must continue to build these reserves to provide future fiscal flexibility.

Benchmark: — > 1.50x

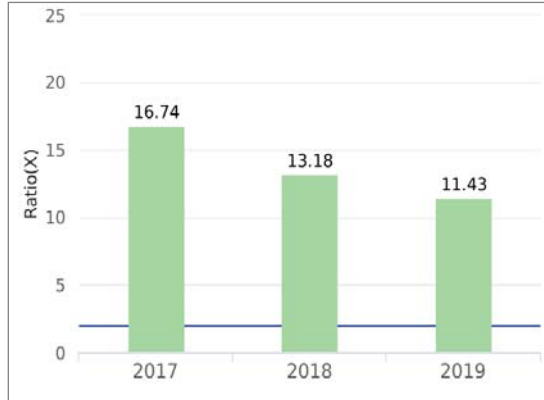
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

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

Note 22(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 11.43x

The high ratios here reflect Council's decision to fund asset replacement, renewal and expansion without the need to borrow for these activities.

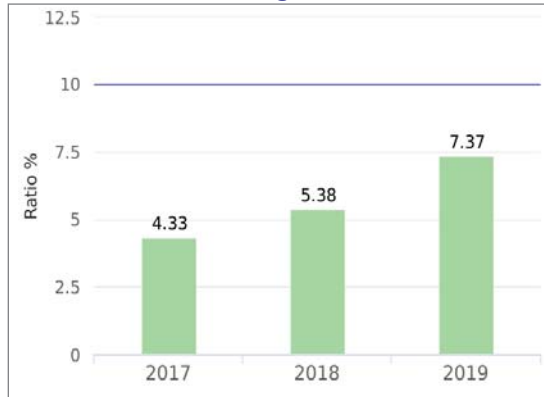
Benchmark: — > 2.00x

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 7.37%

Although Council remains below the OLG threshold for outstanding rates, this ratio is rising and is a reflection of the difficult conditions experienced from drought. Council will continue to monitor the outstanding debts to ensure that this ratio does not deteriorate further, through a focus on debt collection.

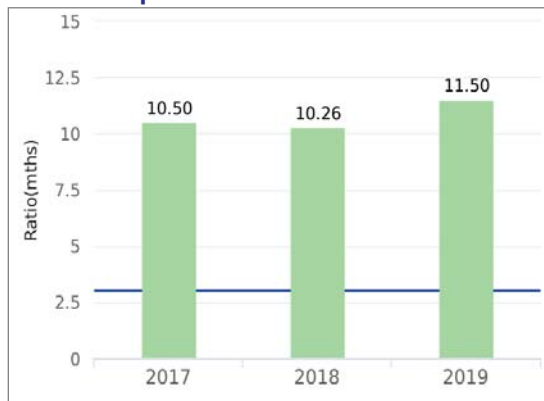
Benchmark: — < 10.00%

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 11.50 mths

Council continues to hold sufficient cash to pay for immediate expenses without the need for additional cash inflow.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Council information and contact details

Principal place of business:

32 Salisbury Street
Uralla NSW 2358

Contact details

Mailing Address:

PO Box 106
Uralla NSW 2358

Telephone: 02 6778 6300

Facsimile: 02 6778 6349

Opening hours:

8:30am - 4:30pm
Monday to Friday

Internet: <http://www.uralla.nsw.gov.au/>

Email: council@uralla.nsw.gov.au

Officers

Acting General Manager

Mr David Aber

Responsible Accounting Officer

Mr Simon Paul

Public Officer

Ms Susan Glasson

Auditors

Audit Office of NSW
Level 19, Darling Park Tower 2,
201 Sussex Street,
Sydney NSW 2000

Elected members

Mayor

Cr Michael Pearce

Councillors

Cr Robert Crouch
Cr Mark Dusting
Cr Levi Sampson
Cr Natasha Ledger
Cr Isabel Strutt
Cr Tom O'Connor
Cr Robert Bell
Cr Tara Toomey

Other information

ABN: 55 868 272 018



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Uralla Shire Council

To the Councillors of Uralla Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY



Cr Michael Pearce
Mayor
Uralla Shire Council
PO Box 106
URALLA NSW 2358

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D1924037/1798

24 October 2019

Dear Mayor Pearce

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




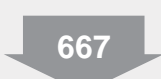
I have audited the general purpose financial statements (GPFS) of Uralla Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	6.5	6.3	 3.2
Grants and contributions revenue	9.2	9.2	 0.0
Operating result for the year	(0.2)	1.9	 111
Net operating result before capital grants and contributions	(1.7)	0.3	 667

Council's operating deficit of \$176,000 (including the effect of depreciation and amortisation expense of \$4.5 million) was \$2.1 million lower than the 2017–18 result. This was mainly due to \$1.5 million in losses from the disposal of assets associated with infrastructure asset renewals carried out in 2018–19.

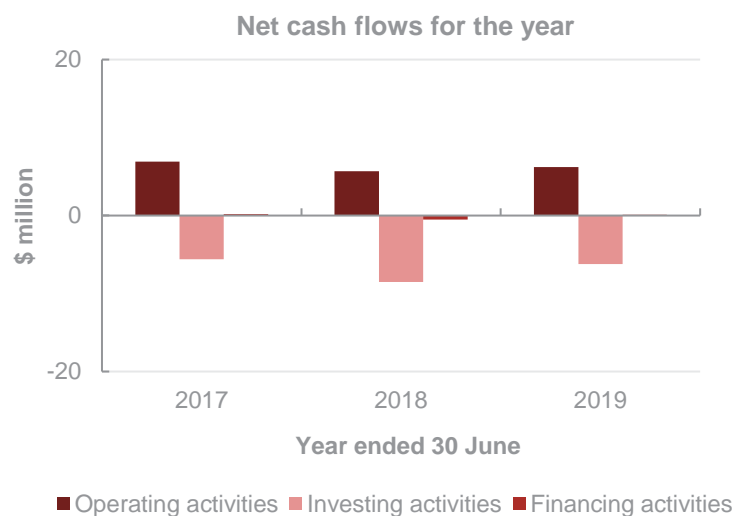
The net operating deficit before capital grants and contributions of \$1.7 million was \$2.0 million lower than the 2017–18 result. This is also mainly due to the net loss on disposal of assets of \$1.5 million mentioned above.

Rates and annual charges revenue of \$6.5 million increased by \$200,000 (3.2 per cent) in 2018–2019. This was due to rate peg increases and higher annual charges to cover growth in underlying costs for water, sewer and domestic waste operations.

Grants and contributions revenue (\$9.2 million) were consistent to the prior year and included Drought Communities Assistance Program and Stronger Country Communities Grants of \$666,000 and \$400,000 respectively.

STATEMENT OF CASH FLOWS

Cash flows from operations was consistent with prior years. Cash flows used in investing activities represented an increase in investments and expenditure on infrastructure, property, plant and equipment.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	9.6	9.1	<ul style="list-style-type: none"> Major external cash restrictions include water, sewer, McMaugh gardens resident bonds and developer contributions for specific purposes.
Internal restrictions	5.6	4.9	
Unrestricted	1.3	1.0	<ul style="list-style-type: none"> Major internal restrictions related to reserves to FAGS received in advance, plant replacements and employee leave entitlements. Internal restrictions increased mainly due to the creation of a reseals internal restriction in the current year.
Cash and investments	16.5	15.0	

PERFORMANCE

Operating performance ratio

The operating performance ratio decreased mainly due to a reduction in the operating result. This was mainly due to \$1.5 million in losses from the disposal of assets associated with infrastructure asset renewals carried out in 2018–19.

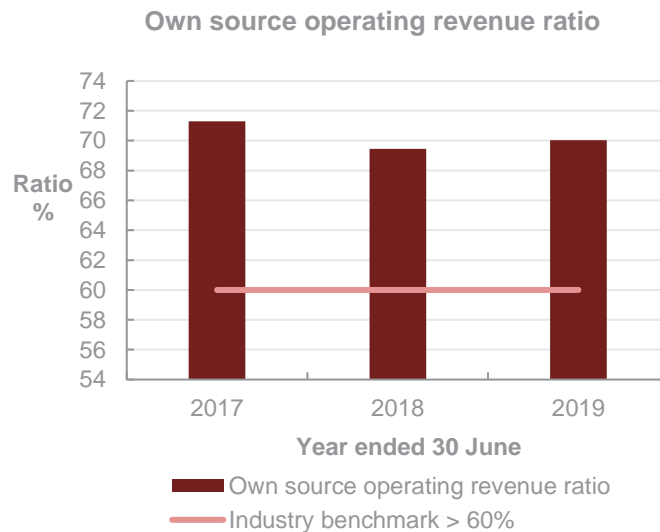
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

The own source operating revenue ratio has improved compared to 2017–18 due to increases in rates and annual charges, and user charges and fee revenues.

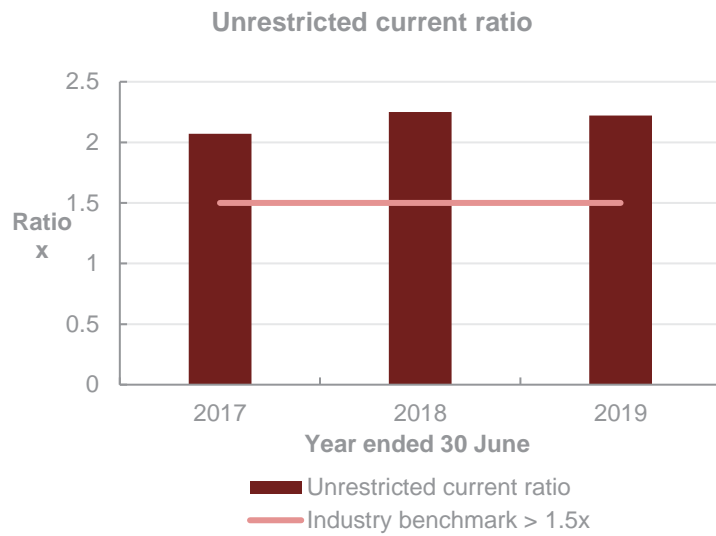
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to remain well above the OLG benchmark.

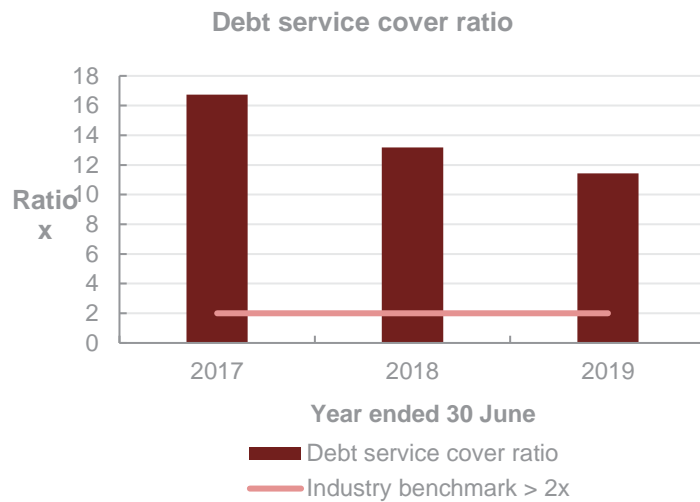
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio remains well above the OLG benchmark.

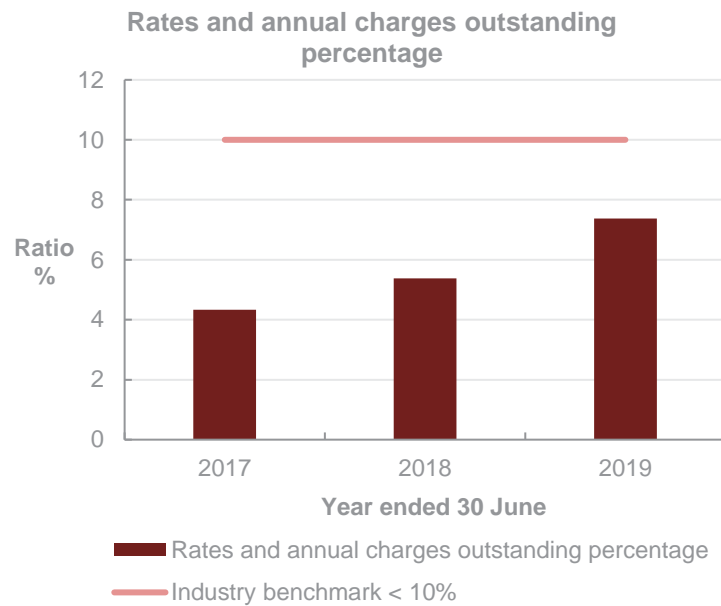
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the OLG is greater than two times.



Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding ratio has remained well within the OLG benchmark. The percentage increased due to an increase in outstanding rates.

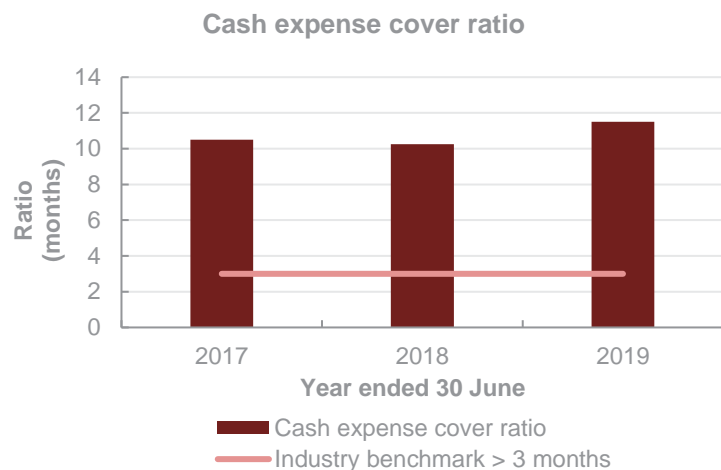
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The cash expense cover ratio has improved compared to 2017–18 due to an increase in cash reserves and remains well above the OLG benchmark.

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



Infrastructure, property, plant and equipment renewals

Council's Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$3.8 million in 2018–19, a \$800,000 decrease compared to 2017–18. Infrastructure renewals were 95.4 per cent in line with the depreciation, amortisation and impairment for the year.

OTHER MATTERS

New accounting standards implemented

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

Legislative compliance

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

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



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr David Aber, Acting General Manager
Mr Michael O'Connor, Chair of the Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Uralla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

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 22 October 2019.



Cr Michael Pearce
Mayor
22 October 2019



Cr Robert Crouch
Councillor
22 October 2019



Mr David Aber
Acting General Manager
22 October 2019



Mr Simon Paul
Responsible Accounting Officer
22 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	415	388
User charges	582	604
Interest	73	66
Grants and contributions provided for non-capital purposes	17	18
Other income	9	7
Total income from continuing operations	1,096	1,083
Expenses from continuing operations		
Employee benefits and on-costs	370	312
Materials and contracts	599	494
Depreciation, amortisation and impairment	464	485
Other expenses	5	–
Total expenses from continuing operations	1,438	1,291
Surplus (deficit) from continuing operations before capital amounts	(342)	(208)
Surplus (deficit) from continuing operations after capital amounts	(342)	(208)
Surplus (deficit) from all operations before tax	(342)	(208)
SURPLUS (DEFICIT) AFTER TAX	(342)	(208)
Plus accumulated surplus	8,641	8,849
Closing accumulated surplus	8,299	8,641
Return on capital %	(2.4)%	(1.4)%
Subsidy from Council	532	592
Calculation of dividend payable:		
Surplus (deficit) after tax	(342)	(208)

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	726	708
User charges	10	9
Interest	64	54
Grants and contributions provided for non-capital purposes	15	16
Total income from continuing operations	815	787
Expenses from continuing operations		
Employee benefits and on-costs	185	198
Materials and contracts	257	285
Depreciation, amortisation and impairment	225	235
Other expenses	9	4
Total expenses from continuing operations	676	722
Surplus (deficit) from continuing operations before capital amounts	139	65
Grants and contributions provided for capital purposes	208	98
Surplus (deficit) from continuing operations after capital amounts	347	163
Surplus (deficit) from all operations before tax	347	163
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(38)	(18)
SURPLUS (DEFICIT) AFTER TAX	309	145
Plus accumulated surplus	5,499	5,336
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	38	18
Closing accumulated surplus	5,846	5,499
Return on capital %	1.5%	0.7%
Subsidy from Council	–	170
Calculation of dividend payable:		
Surplus (deficit) after tax	309	145
Less: capital grants and contributions (excluding developer contributions)	(208)	(98)
Surplus for dividend calculation purposes	101	47
Potential dividend calculated from surplus	50	24

Income Statement – Private works

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	34	75
Total income from continuing operations	34	75
Expenses from continuing operations		
Employee benefits and on-costs	27	12
Materials and contracts	33	27
Total expenses from continuing operations	60	39
Surplus (deficit) from continuing operations before capital amounts	(26)	36
Surplus (deficit) from continuing operations after capital amounts	(26)	36
Surplus (deficit) from all operations before tax	(26)	36
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(10)
SURPLUS (DEFICIT) AFTER TAX	(26)	26
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	10
Less:		
– Dividend paid	–	(36)
Closing accumulated surplus	(26)	–
Subsidy from Council	26	–

Income Statement – McMaugh Gardens

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	920	930
Fees	4	8
Interest	55	57
Grants and contributions provided for non-capital purposes	2,319	2,203
Profit from the sale of assets	–	4
Other income	4	4
Total income from continuing operations	3,302	3,206
Expenses from continuing operations		
Employee benefits and on-costs	2,216	2,105
Borrowing costs	9	11
Materials and contracts	723	743
Depreciation, amortisation and impairment	206	169
Other expenses	50	52
Total expenses from continuing operations	3,204	3,080
Surplus (deficit) from continuing operations before capital amounts	98	126
Grants and contributions provided for capital purposes	370	–
Surplus (deficit) from continuing operations after capital amounts	468	126
Surplus (deficit) from all operations before tax	468	126
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(27)	(35)
SURPLUS (DEFICIT) AFTER TAX	441	91
Plus accumulated surplus	3,026	2,900
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	27	35
Closing accumulated surplus	3,494	3,026
Return on capital %	2.5%	3.2%

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	298	775
Investments	2,200	1,500
Receivables	258	374
Total current assets	2,756	2,649
Non-current assets		
Infrastructure, property, plant and equipment	14,378	14,614
Total non-current assets	14,378	14,614
TOTAL ASSETS	17,134	17,263
NET ASSETS	17,134	17,263
EQUITY		
Accumulated surplus	8,299	8,641
Revaluation reserves	8,835	8,622
TOTAL EQUITY	17,134	17,263

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	240	542
Investments	2,000	1,500
Receivables	82	65
Total current assets	<u>2,322</u>	<u>2,107</u>
Non-current assets		
Infrastructure, property, plant and equipment	9,184	8,924
Total non-current assets	<u>9,184</u>	<u>8,924</u>
TOTAL ASSETS	<u>11,506</u>	<u>11,031</u>
NET ASSETS	<u>11,506</u>	<u>11,031</u>
EQUITY		
Accumulated surplus	5,846	5,499
Revaluation reserves	5,660	5,532
TOTAL EQUITY	<u>11,506</u>	<u>11,031</u>

Statement of Financial Position – Private works

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
LIABILITIES		
Non-current liabilities		
Payables	26	–
Total non-current liabilities	<u>26</u>	<u>–</u>
TOTAL LIABILITIES	<u>26</u>	<u>–</u>
NET ASSETS	<u>(26)</u>	<u>–</u>
EQUITY		
Accumulated surplus	(26)	–
TOTAL EQUITY	<u>(26)</u>	<u>–</u>

Statement of Financial Position – McMaugh Gardens

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	43	70
Investments	2,700	1,800
Receivables	77	105
Total current assets	<u>2,820</u>	<u>1,975</u>
Non-current assets		
Infrastructure, property, plant and equipment	4,235	4,300
Total non-current assets	<u>4,235</u>	<u>4,300</u>
TOTAL ASSETS	<u>7,055</u>	<u>6,275</u>
LIABILITIES		
Current liabilities		
Payables	2,323	2,005
Total current liabilities	<u>2,323</u>	<u>2,005</u>
Non-current liabilities		
Payables	43	49
Total non-current liabilities	<u>43</u>	<u>49</u>
TOTAL LIABILITIES	<u>2,366</u>	<u>2,054</u>
NET ASSETS	<u>4,689</u>	<u>4,221</u>
EQUITY		
Accumulated surplus	3,494	3,026
Revaluation reserves	1,195	1,195
TOTAL EQUITY	<u>4,689</u>	<u>4,221</u>

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

(a) McMaugh Gardens Aged Care Centre

Comprising the operations and net assets of the 36 bed aged care facility "McMaugh Gardens Aged Care Centre" in King Street, Uralla.

Category 2

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

(b) Uralla Shire Council Combined Water Supplies

Comprising the operations and net assets of the water supply systems servicing the towns of Uralla and Bundarra, each of which were established as separate Special Rate Funds.

(c) Uralla Shire Council Combined Sewerage Fund

Comprising the operations and net assets of the sewerage reticulation and treatment system servicing the town of Uralla and the treatment system that is to be constructed in Bundarra and which was established as a Special Rate Fund.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(d) Private Works

Comprising the private works operations of the Council which are carried out on behalf of independent third parties.

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 \$4,321,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,321,000 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.

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

Note 1. Significant Accounting Policies (continued)

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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
Uralla Shire Council

To the Councillors of Uralla Shire Council

Opinion

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

The declared business activities of the Council are:

- Water Supply
- Sewerage
- Private works
- McMaugh Gardens.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Chris Harper
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Uralla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

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Special Schedules

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

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	3,821	3,725
Plus or minus adjustments ²	b	6	8
Notional general income	c = a + b	3,827	3,733
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	103	86
Sub-total	k = (c + g + h + i + j)	3,930	3,819
Plus (or minus) last year's carry forward total	l	2	3
Less valuation objections claimed in the previous year	m	(1)	—
Sub-total	n = (l + m)	1	3
Total permissible income	o = k + n	3,931	3,822
Less notional general income yield	p	3,909	3,821
Catch-up or (excess) result	q = o - p	22	1
Plus income lost due to valuation objections claimed ⁴	r	(1)	1
Carry forward to next year ⁶	t = q + r + s	21	2

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.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (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.

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
								1	2	3	4	5		
Buildings	Buildings – non-specialised	990	1,980	1,043	965	13,193	25,837	3.0%	16.0%	73.0%	8.0%	0.0%		
	Sub-total	990	1,980	1,043	965	13,193	25,837	3.0%	16.0%	73.0%	8.0%	0.0%		
Other structures	Other structures	-	-	-	-	443	1,308	40.0%	37.0%	22.0%	1.0%	0.0%		
	Sub-total	-	-	-	-	443	1,308	40.0%	37.0%	22.0%	1.0%	0.0%		
Roads	Sealed roads	1,695	2,986	1,047	851	74,661	103,602	38.0%	15.0%	31.0%	12.0%	4.0%		
	Unsealed roads	-	-	1,044	1,111	4,913	17,644	10.0%	4.0%	55.0%	31.0%	0.0%		
	Bridges	-	-	122	20	20,558	32,019	32.0%	61.0%	7.0%	0.0%	0.0%		
	Footpaths	-	-	93	88	1,528	1,888	34.0%	53.0%	12.0%	1.0%	0.0%		
	Bulk earthworks	-	-	-	-	77,319	77,319	100.0%	0.0%	0.0%	0.0%	0.0%		
	Sub-total	1,695	2,986	2,306	2,070	178,979	232,472	55.6%	15.8%	19.1%	7.7%	1.8%		
Water supply network	Water supply network	135	271	624	621	13,534	28,587	6.0%	58.0%	24.0%	10.0%	2.0%		
	Sub-total	135	271	624	621	13,534	28,587	6.0%	58.0%	24.0%	10.0%	2.0%		
Sewerage network	Sewerage network	81	162	311	218	8,113	13,901	25.0%	59.0%	1.0%	13.0%	2.0%		
	Sub-total	81	162	311	218	8,113	13,901	25.0%	59.0%	1.0%	13.0%	2.0%		
Stormwater drainage	Stormwater drainage	-	-	19	20	1,867	2,479	78.0%	13.0%	3.0%	6.0%	0.0%		
	Sub-total	-	-	19	20	1,867	2,479	78.0%	13.0%	3.0%	6.0%	0.0%		
Open space / recreational assets	Swimming pools	-	-	36	35	141	750	13.0%	0.0%	0.0%	87.0%	0.0%		
	Other	-	-	20	13	507	732	0.0%	62.0%	38.0%	0.0%	0.0%		
	Sub-total	-	-	56	48	648	1,482	6.6%	30.6%	18.8%	44.0%	0.0%		
	TOTAL - ALL ASSETS	2,901	5,399	4,359	3,942	216,777	306,066	45.0%	21.9%	23.1%	8.3%	1.7%		

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	3,557	95.39%	63.39%	84.00%	>=100.00%
Depreciation, amortisation and impairment	3,729				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	2,901	2.11%	0.66%	0.60%	<2.00%
Net carrying amount of infrastructure assets	137,203				
Asset maintenance ratio					
Actual asset maintenance	3,942	90.43%	97.99%	96.00%	>100.00%
Required asset maintenance	4,359				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	5,399	1.76%	0.53%	0.30%	
Gross replacement cost	306,066				

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

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



Benchmark: — >= 100.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure renewals ratio

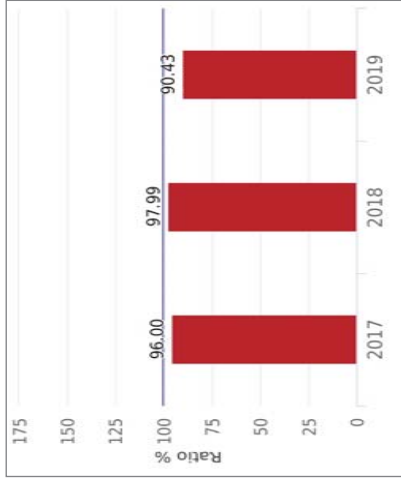
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result

18/19 ratio 95.39%

Council has nearly achieved the OLG benchmark for renewals this year partly through special grant funding provided by both levels of government. Over the past five years Council has achieved above 100% average renewals.

Asset maintenance ratio



Benchmark: — > 100.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio

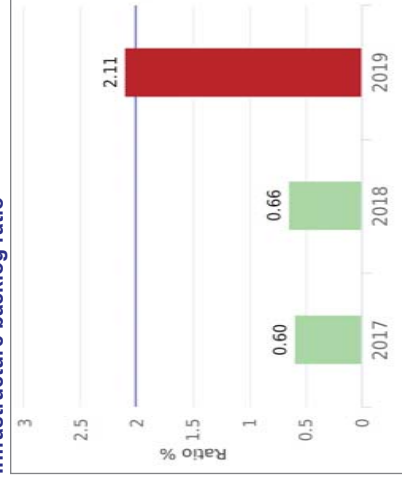
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

18/19 ratio 90.43%

Although Council has achieved an average ratio above the OLG benchmark, a better ratio would be actual maintenance against required maintenance (instead of budgeted maintenance).

Infrastructure backlog ratio ¹



Benchmark: — < 2.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio

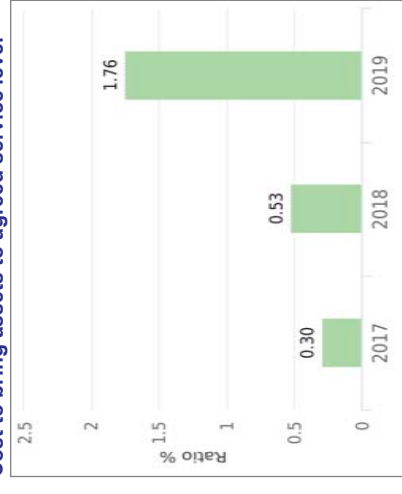
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result

18/19 ratio 2.11%

Based on available information, this ratio shows that Council continues to manage infrastructure in a responsible manner.

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

18/19 ratio 1.76%

As noted above, this ratio shows that Council continues to manage infrastructure in a responsible manner.

(1) Excludes Work In Progress (WIP)

Report on Infrastructure Assets (continued)
as at 30 June 2019

	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
\$ '000							
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	115.71%	77.61%	-	3.31%	-	2.69%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	2.32%	0.73%	1.00%	0.50%	1.00%	-	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	90.63%	96.73%	99.52%	103.51%	70.10%	104.43%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.88%	0.57%	0.95%	0.49%	1.17%	-	
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.