Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	$ '000	Notes	Actual 2019	Actual 2018
	Income from continuing operations			
	Revenue:			
12,778	Rates and annual charges	3a	13,015	12,293
8,401	User charges and fees	3b	5,642	8,357
460	Interest and investment revenue	3c	461	423
1,097	Other revenues	3d	1,073	1,214
17,871	Grants and contributions provided for operating purposes	3e,3f	16,424	17,989
3,849	Grants and contributions provided for capital purposes	3e,3f	5,339	6,285
	Other income:			
240	Net gains from the disposal of assets	5	999	–
–	Net share of interests in joint ventures and associates using the equity method	15	15	41
44,696	**Total income from continuing operations**		42,968	46,602
	Expenses from continuing operations			
15,664	Employee benefits and on-costs	4a	14,484	15,943
236	Borrowing costs	4b	327	335
5,949	Materials and contracts	4c	6,551	7,186
11,688	Depreciation and amortisation	4d	11,868	11,421
8,049	Other expenses	4e	5,511	8,653
–	Net losses from the disposal of assets	5	–	1,201
41,586	**Total expenses from continuing operations**		38,741	44,739
3,110	**Operating result from continuing operations**		4,227	1,863
3,110	Net operating result for the year		4,227	1,863
3,110	Net operating result attributable to council		4,227	1,863

(739)	**Net operating result for the year before grants and contributions provided for capital purposes**		(1,112)	(4,422)

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

Statement of Financial Position
as at 30 June 2019

$ '000	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	4,738	5,544
Investments	6(b)	13,000	11,500
Receivables	7	3,501	6,153
Inventories	8a	758	738
Other	8b	89	220
Total current assets		22,086	24,155
Non-current assets			
Receivables	7	–	2
Inventories	8a	299	299
Infrastructure, property, plant and equipment	9(a)	487,850	481,138
Intangible assets	10	95	167
Investments accounted for using the equity method	15	400	385
Total non-current assets		488,644	481,991
TOTAL ASSETS		510,730	506,146
LIABILITIES			
Current liabilities			
Payables	11	2,038	1,775
Income received in advance	11	–	544
Borrowings	11	795	867
Provisions	12	4,446	4,438
Total current liabilities		7,279	7,624
Non-current liabilities			
Borrowings	11	3,870	4,777
Provisions	12	3,175	2,391
Total non-current liabilities		7,045	7,168
TOTAL LIABILITIES		14,324	14,792
Net assets		496,406	491,354
EQUITY			
Accumulated surplus	13a	408,721	404,494
Revaluation reserves	13a	87,685	86,860
Council equity interest		496,406	491,354
Total equity		496,406	491,354

The above Statement of Financial Position 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			
	Receipts			
12,778	Rates and annual charges		12,815	12,009
8,400	User charges and fees		4,986	9,501
461	Investment and interest revenue received		397	348
21,720	Grants and contributions		21,265	24,608
–	Bonds, deposits and retention amounts received		378	–
1,066	Other		4,553	1,851
	Payments			
(15,663)	Employee benefits and on-costs		(14,650)	(16,202)
(5,919)	Materials and contracts		(6,664)	(7,666)
(236)	Borrowing costs		(274)	(341)
–	Bonds, deposits and retention amounts refunded		–	(32)
(8,049)	Other		(4,497)	(10,438)
14,558	**Net cash provided (or used in) operating activities**	14b	18,309	13,638
	Cash flows from investing activities			
	Receipts			
840	Sale of infrastructure, property, plant and equipment		1,303	1,005
	Payments			
–	Purchase of investment securities		(1,500)	(8,500)
(15,257)	Purchase of infrastructure, property, plant and equipment		(17,938)	(15,119)
–	Purchase of intangible assets		(1)	–
(14,417)	**Net cash provided (or used in) investing activities**		(18,136)	(22,614)
	Cash flows from financing activities			
	Payments			
(867)	Repayment of borrowings and advances		(979)	(828)
(867)	**Net cash flow provided (used in) financing activities**		(979)	(828)
(726)	**Net increase/(decrease) in cash and cash equivalents**		(806)	(9,804)
9,307	Plus: cash and cash equivalents – beginning of year	14a	5,544	15,348
8,581	Cash and cash equivalents – end of the year	14a	4,738	5,544
	Additional Information:			
11,500	plus: Investments on hand – end of year	6(b)	13,000	11,500
20,081	Total cash, cash equivalents and investments		17,738	17,044

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

Note 1. Basis of preparation (continued)

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

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund including monies 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
- Warrumbungle Water Fund
- Warrumbungle Sewerage Fund
- Warrumbungle Quarry

(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.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. Council's assessment of the impact of the new standards, and interpretations relevant to them, is set out below:

AASB 16 *Leases*

Nature of change in accounting policy

AASB 16 will result in most of the operating leases of the council being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

continued on next page ...

Note 1. Basis of preparation (continued)

Effective date

Annual reporting periods beginning on or after 1 January 2019; i.e. councils' financial statements for year ended 30 June 2020.

Expected impact on council financial statements

Council reviewed each of the leases in place along with other contracts which can be potentially treated as leases under new AASB 16. As a result of this review, council does not expect significant impact of new standard in the year of implementation (2020).

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 comprehensive analysis of council's income streams, the impact of AASB15 is expected to be not material. Majority of income streams subject to requirements of AASB 15 in the next year will have the same treatment as under 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. It is expected that the main effect of AASB 1058 will be on specific purpose capital grants.

Based on review of majority of existing council's income streams and unspent grant money as at 30 June 2019, council does not expect significant impact on transition date 1 July 2019. In fact, council will have to recognise about $100k of liability on transition date. The liability represents amount of unsatisfied performance obligation as at 30 June 2019 for uncompleted grants (contracts), income for which will be accounted for under AASB 1058 with income recognised when performance obligation is satisfied. This liability will be settled through recognition of income once performance obligation is satisfied in 2020 financial year.

From 1 July 2019 onwards, accounting for income related to majority of specific purpose capital grants will change with income recognition deferred until performance obligation is satisfied.

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		242	277
Total interest bearing liability costs expensed		242	277
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	12	85	58
Total other borrowing costs		85	58
TOTAL BORROWING COSTS EXPENSED		327	335

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.

$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	5,312	4,895
Contractor and consultancy costs	12,123	13,087
Auditors remuneration [2]	48	106
Legal expenses:		
– Legal expenses: planning and development	24	38
– Legal expenses: debt recovery	33	138
– Legal expenses: other	785	50
Operating leases:		
– Operating lease rentals: minimum lease payments [1]	7	27
Other	617	674
Total materials and contracts	18,949	19,015
Less: capitalised costs	(12,398)	(11,829)
TOTAL MATERIALS AND CONTRACTS	6,551	7,186

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:

	2019	2018
Computers	7	27
	7	27

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

	2019	2018
Audit and review of financial statements	48	65

continued on next page ...

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

Note 4. Expenses from continuing operations (continued)

$ '000	2019	2018
(e) Other expenses		
Advertising	138	151
Bad and doubtful debts	186	179
Bank charges	47	48
Conferences	55	56
Contributions/levies to other levels of government		
– Noxious weeds	105	103
– NSW fire brigade levy	46	46
– NSW rural fire service levy	584	3,596
Councillor expenses – mayoral fee	26	26
Councillor expenses – councillors' fees	107	103
Councillors' expenses (incl. mayor) – other (excluding fees above)	26	20
Donations, contributions and assistance to other organisations (Section 356)	241	350
– Regional library contributions	577	550
Electricity and heating	660	583
Insurance	775	850
Postage	45	43
Printing and stationery	137	158
Quarry product cost of goods sold	194	311
Registration and licences	430	508
Training Costs	166	137
Street lighting	181	120
Subscriptions and publications	148	141
Telephone and communications	154	172
Valuation fees	108	20
Other	375	382
TOTAL OTHER EXPENSES	**5,511**	**8,653**

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

Note 6(a). Cash and cash equivalent assets

$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,476	362
Cash-equivalent assets		
– Deposits at call	3,262	5,182
Total cash and cash equivalents	4,738	5,544

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

Note 6(b). Investments

$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	13,000	–	11,500	–
Total Investments	13,000	–	11,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	17,738	–	17,044	–
Long term deposits (>3 mnths original maturity)	13,000	–	11,500	–
Total	13,000	–	11,500	–

Investments - Southern Phone Company Limited

Southern Phone Company Limited (Company) is an unlisted public company which provides fixed line, mobile and Internet communication services in regional Australia. It is owned by 35 local council shareholders, each of whom own an equal share. As a result, council holds 2.9 per cent equity interest in the Company which does not give control or influence over Company's related activities. The redeemable preference share gives council right to receive a formula-based portion of the 80% of the declared dividends.

In 2019 council received dividends from both ordinary and redeemable preference shares in amount of $12 thousand for the 2018 financial year which was recognised as interest and investment revenue ($12 thousand received in 2018).

Council did not recognise investments in ordinary and redeemable preference shares due to immateriality. If recognised, the investment in ordinary share would have to be classified as either Fair Value through Other Comprehensive Income or Fair Value through Profit or Loss starting 1 July 2018 (Available for Sale financial asset - before 1 July 2018) at a fair value of $55.5 thousand as at 30 June 2019 ($88.1 thousand as at 30 June 2018). Valuation was performed by Ernst & Young in August 2019. Valuation of the redeemable preference share at fair value would mostly be based on the dividends cash flows. Based on Company's advice the industry is undergoing significant disruption with expected loss to be recognised in 2019 financial year. Company does not expect to declare dividends for the 2019 financial year. As a result, council believes the value of redeemable preference share as at 30 June 2019 and 30 June 2018 would be immaterial as well.

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.

continued on next page ...

Note 6(b). Investments (continued)

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

Financial assets are not reclassified subsequent to their initial recognition.

As at 30 June 2019, Council did not have any investments at FVTPL or FVOCI-equity recognised.

Amortised cost
Assets measured at amortised cost are financial assets where:

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

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

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

Interest income, impairment and gain 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 investments in the following categories: financial assets at fair value through profit or loss; 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. Council did not have any financial assets at fair value through profit and loss at 30 June 2018.

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

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.

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 7. Receivables (continued)

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 debtors relating to rates and annual charges, council takes into account that these are secured against the property.

For non-rates debtors (other than amounts due from Government Departments), 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 60 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 provision matrix ("loss rate") approach.

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 60 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.

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

(a) Nature and purpose of reserves

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

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

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

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

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

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

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

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

Classification of financial assets
The financial assets of Council have been reclassified into the measured at amortised cost category on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

Transition Adjustment
Application of the new Expected Credit Loss model to impairment of trade receivables under AASB 9 did not result in a materially different amount of bad debt provision for trade receivables on transition date at 1 July 2018. Council, therefore, decided not to recognise extra amounts of bad debt provision on transition.

continued on next page ...

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

Classification of financial assets and financial liabilities
The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

Financial Assets

Financial assets	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139	Re-measurement	Carrying amount under AASB 9
			$'000	**$'000**	**$'000**
Cash and cash equivalents	Cost	Cost	5,544	-	5,544
Investments (Term deposits (i))	Held to maturity	Amortised cost	11,500	-	11,500
Trade and other receivables	Loans and receivables	Amortised cost	6,153	-	6,153
Total financial assets under AASB 9 at 1 July 2018			**23,197**	-	**23,197**

Financial Liabilities

Financial liability	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139	Re-measurement	Carrying amount under AASB 9
			$'000	**$'000**	**$'000**
Payables	Amortised cost	Amortised cost	1,775	-	1,775
Borrowings	Amortised cost	Amortised cost	5,644	-	5,644
Total financial liabilities under AASB 9 at 1 July 2018			**7,419**	-	**7,419**

Notes to the table:

- *Reclassification from 'held to maturity' to 'amortised cost'*

Term deposits that would previously have been classified as 'held to maturity' are now classified as 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

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

(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.

(iii) Potential Liability relating to the TRRRC development

Council received funding from State and Federal governments to construct the Three Rivers Regional Retirement Community (TRRRC). After tendering the project, Council engaged a contractor to undertake the construction of the facility. The contract with the contractor was terminated on 2 August 2018 due to default of contract. The contractor has listed the matter for consideration through the Supreme Court, which is being defended by Council. This action may lead to a future liability which at this stage is unable to be determined. Council has resolved to prefer an option to demolish all partially completed units, and seek permission from the two funding bodies to utilise remaining funding for site infrastructure and civil works relating to the project in possible readiness for construction of a smaller number of units if future funding is forthcoming.

ASSETS NOT RECOGNISED

(i) 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.