

Warrumbungle Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019



Warrumbungle 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

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

14-22 John Street
Coonabarabran NSW 2357

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.warrumbungle.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:

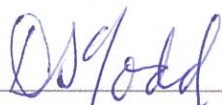
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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 17 October 2019.



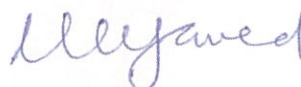
Clr Denis Todd
Mayor
17 October 2019



Clr Aniello Iannuzzi
Councillor
17 October 2019



Roger Bailey
General Manager
17 October 2019



Khurram Javed
Responsible Accounting Officer
17 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Restated Actual 2018
	Income from continuing operations			
	<u>Revenue:</u>			
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	5,886	7,240
	<u>Other income:</u>			
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
<u>44,696</u>	Total income from continuing operations		<u>43,515</u>	<u>47,557</u>
	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	10,024	7,186
11,688	Depreciation and amortisation	4d	12,267	11,769
8,049	Other expenses	4e	5,511	8,653
–	Net losses from the disposal of assets	5	–	1,201
<u>41,586</u>	Total expenses from continuing operations		<u>42,613</u>	<u>45,087</u>
<u>3,110</u>	Operating result from continuing operations		<u>902</u>	<u>2,470</u>
<u>3,110</u>	Net operating result for the year		<u>902</u>	<u>2,470</u>
3,110	Net operating result attributable to council		902	2,470
<u>(739)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>(4,984)</u>	<u>(4,770)</u>

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	Restated 2018
Net operating result for the year (as per Income Statement)		902	2,470
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	825	(5,849)
Impairment (loss) reversal relating to IPP&E	9	–	62
Total items which will not be reclassified subsequently to the operating result		825	(5,787)
Total other comprehensive income for the year		825	(5,787)
Total comprehensive income for the year		1,727	(3,317)
Total comprehensive income attributable to Council		1,727	(3,317)

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	Restated 2018	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	4,738	5,544	15,348
Investments	6(b)	13,000	11,500	3,000
Receivables	7	3,501	6,153	5,040
Inventories	8a	758	738	911
Other	8b	89	220	179
Total current assets		<u>22,086</u>	<u>24,155</u>	<u>24,478</u>
Non-current assets				
Receivables	7	–	2	–
Inventories	8a	299	299	299
Infrastructure, property, plant and equipment	9	488,081	484,694	488,117
Intangible assets	10	95	167	285
Investments accounted for using the equity method	15	400	385	344
Total non-current assets		<u>488,875</u>	<u>485,547</u>	<u>489,045</u>
TOTAL ASSETS		<u>510,961</u>	<u>509,702</u>	<u>513,523</u>
LIABILITIES				
Current liabilities				
Payables	11	2,038	1,775	1,769
Income received in advance	11	–	544	150
Borrowings	11	795	867	827
Provisions	12	4,446	4,438	4,579
Total current liabilities		<u>7,279</u>	<u>7,624</u>	<u>7,325</u>
Non-current liabilities				
Borrowings	11	3,870	4,777	5,645
Provisions	12	3,175	2,391	2,326
Total non-current liabilities		<u>7,045</u>	<u>7,168</u>	<u>7,971</u>
TOTAL LIABILITIES		<u>14,324</u>	<u>14,792</u>	<u>15,296</u>
Net assets		<u>496,637</u>	<u>494,910</u>	<u>498,227</u>
EQUITY				
Accumulated surplus	13a	408,952	408,050	405,580
Revaluation reserves	13a	87,685	86,860	92,647
Council equity interest		<u>496,637</u>	<u>494,910</u>	<u>498,227</u>
Total equity		<u>496,637</u>	<u>494,910</u>	<u>498,227</u>

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

Warrumbungle Shire Council

Financial Statements 2019

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

	Notes	2019		2018		
		Accumulated surplus	IPP&E revaluation reserve	Accumulated surplus	IPP&E revaluation reserve	
		Restated	Restated	Restated	Restated	
Opening balance		404,494	86,860	402,631	92,647	495,278
Correction of prior period errors	13b	3,556	—	2,949	—	2,949
Restated opening balance		408,050	86,860	405,580	92,647	498,227
Net operating result for the year		902	—	1,863	—	1,863
Correction of prior period errors	13b	—	—	607	—	607
Restated net operating result for the period		902	—	2,470	—	2,470
Other comprehensive income						
– Gain (loss) on revaluation of IPP&E	9	—	825	—	(5,849)	(5,849)
– Impairment (loss) reversal relating to IPP&E	9	—	—	—	62	62
Other comprehensive income		—	825	—	(5,787)	(5,787)
Total comprehensive income		902	825	2,470	(5,787)	(3,317)
Equity – balance at end of the reporting period		408,952	87,685	408,050	86,860	494,910

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>				
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		21,812	24,608
–	Bonds, deposits and retention amounts received		378	–
1,066	Other		4,553	1,851
<u>Payments</u>				
(15,663)	Employee benefits and on-costs		(14,650)	(16,202)
(5,919)	Materials and contracts		(10,137)	(7,666)
(236)	Borrowing costs		(274)	(341)
–	Bonds, deposits and retention amounts refunded		–	(32)
(8,049)	Other		(4,497)	(10,438)
<u>14,558</u>	Net cash provided (or used in) operating activities	14b	<u>15,383</u>	<u>13,638</u>
Cash flows from investing activities				
<u>Receipts</u>				
840	Sale of infrastructure, property, plant and equipment		1,303	1,005
<u>Payments</u>				
–	Purchase of investment securities		(1,500)	(8,500)
(15,257)	Purchase of infrastructure, property, plant and equipment		(15,012)	(15,119)
–	Purchase of intangible assets		(1)	–
<u>(14,417)</u>	Net cash provided (or used in) investing activities		<u>(15,210)</u>	<u>(22,614)</u>
Cash flows from financing activities				
<u>Payments</u>				
(867)	Repayment of borrowings and advances		(979)	(828)
<u>(867)</u>	Net cash flow provided (used in) financing activities		<u>(979)</u>	<u>(828)</u>
<u>(726)</u>	Net increase/(decrease) in cash and cash equivalents		<u>(806)</u>	<u>(9,804)</u>
9,307	Plus: cash and cash equivalents – beginning of year	14a	5,544	15,348
<u>8,581</u>	Cash and cash equivalents – end of the year	14a	<u>4,738</u>	<u>5,544</u>
Additional Information:				
11,500	plus: Investments on hand – end of year	6(b)	13,000	11,500
<u>20,081</u>	Total cash, cash equivalents and investments		<u>17,738</u>	<u>17,044</u>

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 17 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 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

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

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, 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 12
- (iii) employee benefit provisions – refer Note 12.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

The Consolidated Fund has been included in the Council's financial statements.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Effective date

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

Expected impact on Council's 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, there will not be any effects on the contracts existing as at June 30 2019.

Council expects that a new contract for lease of the Coonabarabran library building commencing in December 2019 will result in recognition of right-of-use asset (RUA) and lease liability in the amount of \$300 thousand. Following the requirements of lease accounting, as at 30 June 2020, value of RUA will be \$246 thousand, current lease liability will be \$45 thousand and non current lease liability will be \$223 thousand. Since commencement date 1 December 2019 until the end of June 2020, Council will also recognise amortisation of RUA in the amount of \$49 thousand and interest expense in the amount of \$6 thousand.

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

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

Note 1. Basis of preparation (continued)

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.

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 ⁽¹⁾	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾	2019	2018 ⁽¹⁾
Functions or activities										
General Revenue	15,557	14,947	–	–	15,557	14,947	7,337	7,033	2,299	3,485
Executive	1,542	3,372	3,043	2,745	(1,501)	627	–	–	49	–
Technical Services	8,859	10,303	17,145	17,005	(8,286)	(6,702)	5,057	7,192	365,144	367,395
Development Services	1,525	1,596	3,529	3,437	(2,004)	(1,841)	611	1,056	16,580	15,299
Corporate and Community Services	6,789	8,522	9,497	12,569	(2,708)	(4,047)	5,047	6,034	58,551	56,611
Warrumbungle Water	4,415	4,008	4,149	4,023	266	(15)	1,345	1,065	43,486	43,148
Warrumbungle Sewer	1,787	1,591	1,850	1,831	(73)	(240)	34	51	22,159	21,968
Warrumbungle Waste	2,400	2,116	2,369	2,248	31	(132)	–	–	456	290
Warrumbungle Quarry	641	1,102	1,021	1,229	(380)	(127)	–	–	2,237	1,506
Total functions and activities	43,515	47,557	42,613	45,087	902	2,470	19,431	22,431	510,961	509,702

(1) Values have been restated - refer note 13

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:

General Revenue

Includes rates revenue, interest revenue and general grants.

General Manager

Includes management and leadership, governance, Cobbora Transition Fund, human resource management, payroll services, WH&S and risk management and learning and development services.

Technical Services

Includes technical services management, design services, road operations, fleet services and urban services.

Development Services

Includes development services management, regulatory services, property and risk and development and tourism.

Corporate and Community Services

Includes corporate services, community and banking agency, bushfire and emergency services, children's and community services.

Warrumbungle Water

The core function of Warrumbungle Water is the provision of water supply to connected properties in each town within the Shire.

Warrumbungle Sewer

The core function of Warrumbungle Sewer is the collection and treatment of sewage effluent from connected properties in Baradine, Coolah, Coonabarabran and Dunedoo.

Warrumbungle Waste

Warrumbungle Waste provides waste services throughout the Warrumbungle Shire as a business arm of Council. The waste services are provided to residential and non-residential customers for both general waste and recycling.

Warrumbungle Quarry

Council has entered into a lease agreement with Boral to operate the basalt quarry south of Coonabarabran. The purpose of the operation is to produce aggregates for bitumen sealing and concrete production on a commercial basis.

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	2,271	2,209
Farmland	5,080	4,977
Business	582	576
Less: pensioner rebates (mandatory)	(159)	(169)
Rates levied to ratepayers	7,774	7,593
Pensioner rate subsidies received	88	92
Total ordinary rates	7,862	7,685
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,632	1,545
Water supply services	1,609	1,412
Sewerage services	1,535	1,284
Waste management services (non-domestic)	364	358
Less: pensioner rebates (mandatory)	(228)	(231)
Liquid trade waste	9	9
Stormwater levy	105	106
Annual charges levied	5,026	4,483
Pensioner subsidies received:		
– Water	39	39
– Sewerage	29	28
– Domestic waste management	59	58
Total annual charges	5,153	4,608
TOTAL RATES AND ANNUAL CHARGES	13,015	12,293

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	1,431	1,449
Sewerage services	95	104
Liquid trade waste	40	56
Total specific user charges	1,566	1,609
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	63	52
Private works – section 67	59	146
Registration fees	10	39
Regulatory fees	45	32
Section 10.7 certificates (EP&A Act)	30	29
Section 603 certificates	18	24
Planning regulation	52	36
Total fees and charges – statutory/regulatory	277	358
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	460	239
Cemeteries	93	116
Child care	766	1,085
Lease rentals	14	11
Leaseback fees – Council vehicles	62	76
Quarry revenues	555	1,069
RMS (formerly RTA) charges (state roads not controlled by Council)	1,587	3,515
Swimming centres	118	120
Tourism	63	58
Waste disposal tipping fees	47	29
Other	34	72
Total fees and charges – other	3,799	6,390
TOTAL USER CHARGES AND FEES	5,642	8,357

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)	136	97
– Cash and investments	313	314
Other	12	12
TOTAL INTEREST AND INVESTMENT REVENUE	461	423

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	140	169
Legal fees recovery – rates and charges (extra charges)	17	93
Commissions and agency fees	192	191
Diesel rebate	192	172
Insurance claims recoveries	15	137
Recycling income (non-domestic)	71	83
Container deposit Scheme	310	132
Gift of TRRRC land	–	147
Other	136	90
<u>TOTAL OTHER REVENUE</u>	<u>1,073</u>	<u>1,214</u>

Accounting policy for other revenue

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

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 Restated
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,331	2,207	–	–
Financial assistance – local roads component	1,227	1,188	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,417	2,250	–	–
Financial assistance – local roads component	1,273	1,235	–	–
Other				
Other grants	17	61	–	–
Total general purpose	7,265	6,941	–	–
Specific purpose				
Aged care	677	766	–	–
Bushfire and emergency services	479	3,649	776	1,141
Child care	1,289	812	–	–
Cobbora transition fund	–	–	(327)	3,250
Drought Communities	72	–	494	–
Economic development	120	129	–	–
Employment and training programs	53	99	–	–
Heritage and cultural	36	23	–	–
Library	51	58	–	–
LIRS subsidy	112	130	–	–
Recreation and culture	90	–	589	179
Secure Communities	266	94	683	–
Sewerage services	–	–	34	51
Street lighting	–	23	–	–
Transport (other roads and bridges funding)	787	106	2,190	1,515
Transport (roads to recovery)	2,297	2,191	–	–
Other	20	209	33	–
Water supplies	16	–	1,329	1,065
Total specific purpose	6,365	8,289	5,801	7,201
Total grants	13,630	15,230	5,801	7,201
Grant revenue is attributable to:				
– Commonwealth funding	11,257	10,506	494	–
– State funding	2,373	4,721	5,307	6,971
– Other funding	–	3	–	230
	13,630	15,230	5,801	7,201

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 Restated
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies		–	–	37	39
Total developer contributions	22	<u>–</u>	<u>–</u>	<u>37</u>	<u>39</u>
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		2,794	2,759	–	–
Total other contributions – cash		<u>2,794</u>	<u>2,759</u>	<u>–</u>	<u>–</u>
Non-cash contributions					
Heritage/cultural (Non-cash)		–	–	48	–
Total other contributions – non-cash		<u>–</u>	<u>–</u>	<u>48</u>	<u>–</u>
Total other contributions		<u>2,794</u>	<u>2,759</u>	<u>48</u>	<u>–</u>
Total contributions		<u>2,794</u>	<u>2,759</u>	<u>85</u>	<u>39</u>
TOTAL GRANTS AND CONTRIBUTIONS		<u>16,424</u>	<u>17,989</u>	<u>5,886</u>	<u>7,240</u>

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.

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

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

Operating grants

Unexpended at the close of the previous reporting period	3,050	3,461
Add: operating grants recognised in the current period but not yet spent	1,556	416
Less: operating grants recognised in a previous reporting period now spent	(3,111)	(827)
Unexpended and held as restricted assets (operating grants)	<u>1,495</u>	<u>3,050</u>

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	11,957	12,742
Employee termination costs	–	249
Employee leave entitlements (ELE)	2,357	2,382
Superannuation	1,301	1,367
Workers' compensation insurance	572	647
Fringe benefit tax (FBT)	60	44
Protective clothing	80	83
Total employee costs	16,327	17,514
Less: capitalised costs	(1,843)	(1,571)
TOTAL EMPLOYEE COSTS EXPENSED	14,484	15,943
Number of 'full-time equivalent' employees (FTE) at year end	177	175
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	213	204

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

\$ '000	Notes	2019	2018
(b) 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.

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	5,312	4,895
Contractor and consultancy costs	15,596	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	67	90
Other	557	611
Total materials and contracts	22,422	19,015
Less: capitalised costs	(12,398)	(11,829)
TOTAL MATERIALS AND CONTRACTS	10,024	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:

Library Building	60	63
Office Equipment	7	27
	67	90

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	48	65
Remuneration for audit and other assurance services	48	65
Total Auditor-General remuneration	48	65

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

Forensic Audit	–	41
Remuneration for audit and other assurance services	–	41
Total remuneration of non NSW Auditor-General audit firms	–	41
Total Auditor remuneration	48	106

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018 Restated
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		2,613	2,399
Office equipment		15	15
Furniture and fittings		29	39
Land improvements (depreciable)		49	43
Infrastructure:			
– Buildings – non-specialised		555	546
– Buildings – specialised		1,337	1,328
– Other structures		639	630
– Roads		4,346	4,193
– Bridges		382	361
– Footpaths		137	127
– Stormwater drainage		110	106
– Water supply network		1,316	1,217
– Sewerage network		603	574
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9.12	15	14
– Quarry assets	9.12	48	47
Intangible assets	10	73	130
Total depreciation and amortisation costs		12,267	11,769
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		12,267	11,769

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 and Note 10 for intangible 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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(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 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		1,303	1,005
Less: carrying amount of plant and equipment assets sold/written off		(304)	(650)
Net gain/(loss) on disposal		999	355
Infrastructure			
	9		
Less: carrying amount of infrastructure assets sold/written off		–	(1,556)
Net gain/(loss) on disposal		–	(1,556)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		999	(1,201)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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 months 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	17,738	–	17,044	–
attributable to:				
External restrictions	6,179	–	8,722	–
Internal restrictions	9,491	–	7,310	–
Unrestricted	2,068	–	1,012	–
	17,738	–	17,044	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Trust	667	293
Emergency Water Grants	–	97
Coonabarabran Netball Courts	–	89
External restrictions – included in liabilities	667	479

External restrictions – other

Developer contributions – general	150	123
Developer contributions – water fund	101	99
Developer contributions – sewer fund	31	30
Specific purpose unexpended grants	1,495	2,711
Specific purpose unexpended grants-water fund	–	33
Specific purpose unexpended grants-sewer fund	–	24
Water supplies	934	2,047
Sewerage services	2,764	2,657
Domestic waste management	–	(14)
Stormwater levy	37	6
Flood Repair Grant	–	503
Other	–	24
External restrictions – other	5,512	8,243

Total external restrictions	6,179	8,722
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Internal restrictions

Plant and vehicle replacement (fleet fund)	1,872	1,396
Employees leave entitlement	1,401	1,400
Carry over works (excl fleet carry overs)	1,946	757
FAG's 1st and 2nd qtr. prepayment	3,690	3,485
L.E.P.	–	48
Information technology (Software upgrade/telephone system)	358	–
Quarry remediation fund	224	224
Total internal restrictions	9,491	7,310

TOTAL RESTRICTIONS	15,670	16,032
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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	1,464	–	1,060	–
Interest and extra charges	298	–	213	–
User charges and fees	903	–	791	–
Accrued revenues				
– Interest on investments	16	–	37	–
– Other income accruals	171	–	2,267	–
Government grants and subsidies	450	–	–	–
Bonds & Deposits	2	–	–	2
Other debtors	657	–	2,081	–
Total	3,961	–	6,449	2
Less: provision of impairment				
Rates and annual charges	(320)	–	(116)	–
Other debtors	(140)	–	(180)	–
Total provision for impairment – receivables	(460)	–	(296)	–
TOTAL NET RECEIVABLES	3,501	–	6,153	2

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	296	219
+ new provisions recognised during the year	164	180
– previous impairment losses reversed	–	(103)
Balance at the end of the period	460	296

Accounting policy for receivables

Recognition and measurement

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. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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.

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

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	–	299	–	299
Stores and materials	420	–	400	–
Loose tools	22	–	22	–
Other (quarry product)	316	–	316	–
Total inventories at cost	758	299	738	299
TOTAL INVENTORIES	758	299	738	299
(b) Other assets				
Prepayments	89	–	220	–
TOTAL OTHER ASSETS	89	–	220	–

(i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development				
Industrial/commercial	–	299	–	299
Total real estate for resale	–	299	–	299
(Valued at the lower of cost and net realisable value)				
Represented by:				
Other properties – book value	–	299	–	299
Total costs	–	299	–	299
Total real estate for resale	–	299	–	299

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/2018				Asset movements during the reporting period				as at 30/06/2019				
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARS)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	8,532	-	8,532	-	1,246	-	-	(2,655)	-	-	7,123	-	7,123
Plant and equipment ²	33,045	(20,706)	12,337	4,233	102	(305)	(2,613)	-	-	-	34,351	(20,597)	13,754
Office equipment	1,665	(1,637)	28	121	15	-	(15)	-	-	-	1,801	(1,652)	149
Furniture and fittings	738	(643)	95	-	-	-	(29)	-	(1)	-	737	(672)	65
Land:													
- Operational land	5,738	-	5,738	-	-	-	-	-	55	8	5,801	-	5,801
- Community land	1,485	-	1,485	-	-	-	-	-	(56)	-	1,429	-	1,429
Land improvements – depreciable	1,861	(357)	1,504	-	11	-	(49)	-	1	-	1,873	(406)	1,467
Infrastructure:													
- Buildings – non-specialised	26,127	(15,064)	11,063	107	-	-	(555)	-	-	-	26,234	(15,619)	10,615
- Buildings – specialised	57,158	(32,058)	25,100	123	780	-	(1,337)	128	(480)	-	57,709	(33,395)	24,314
- Other structures	21,903	(8,248)	13,655	295	1,161	-	(639)	280	480	-	24,119	(8,887)	15,232
- Roads	256,543	(65,670)	200,873	4,037	281	-	(4,346)	1,137	-	-	262,003	(60,021)	201,982
- Bridges	56,540	(3,929)	52,611	20	571	-	(382)	127	-	-	57,257	(4,310)	52,947
- Footpaths	6,019	(1,891)	4,128	71	229	-	(137)	216	-	-	6,535	(2,028)	4,507
- Bulk earthworks (non-depreciable)	88,646	-	88,646	-	-	-	-	-	(1)	-	88,645	-	88,645
- Stormwater drainage	8,419	(3,567)	4,852	-	84	-	(110)	3	-	-	8,506	(3,677)	4,829
- Water supply network	67,256	(30,938)	36,318	339	241	-	(1,316)	304	-	560	69,216	(32,770)	36,446
- Sewerage network	32,946	(16,350)	16,596	190	16	-	(603)	460	-	257	34,139	(17,223)	16,916
Other assets:													
- Other	91	(91)	-	-	-	-	-	-	-	-	91	(91)	-
Reinstatement, rehabilitation and restoration assets (refer Note 12):													
- Tip assets	359	(69)	290	-	181	-	(15)	-	-	-	539	(83)	456
- Quarry assets	1,335	(492)	843	-	609	-	(48)	-	-	-	1,944	(540)	1,404
Total Infrastructure, property, plant and equipment	676,406	(191,712)	484,694	9,536	5,527	(305)	(12,194)	-	(2)	825	690,052	(201,971)	488,081

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

(2) Values have been restated - refer note 13

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

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

	Asset movements during the reporting period											as at 30/06/2018				
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions revaluations ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment losses recognised in P/L	Impairment losses recognised in equity	WIP transfers	Adjustments and transfers	Revaluation increments to equity (A/R)	Revaluation increments to equity (A/R)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	8,702	-	8,702	1,298	4,646	-	-	-	(48)	(5,902)	(164)	-	-	8,532	-	8,532
Plant and equipment ²	30,966	(19,817)	11,149	1,001	3,020	(650)	(2,399)	-	-	216	-	-	-	33,045	(20,708)	12,337
Office equipment	1,665	(1,622)	43	-	-	-	(15)	-	-	-	-	-	-	1,665	(1,637)	28
Furniture and fittings	737	(603)	134	-	-	-	(39)	-	-	-	-	-	-	738	(643)	95
Land:																
- Operational land	5,523	-	5,523	-	-	-	-	-	-	-	55	-	160	5,738	-	5,738
- Community land	1,393	-	1,393	-	-	-	-	-	-	-	92	-	-	1,485	-	1,485
Land improvements - depreciable	1,680	(314)	1,366	5	5	-	(43)	-	-	171	-	-	-	1,861	(357)	1,504
Infrastructure:																
- Buildings - non-specialised	21,308	(6,225)	15,083	-	39	-	(546)	-	-	362	-	(8,294)	4,419	26,127	(15,064)	11,063
- Buildings - specialised	43,287	(14,010)	29,277	40	237	-	(1,328)	-	-	96	-	(16,720)	13,498	57,158	(32,058)	25,100
- Other structures	21,612	(7,618)	13,994	93	116	-	(630)	-	-	82	-	-	-	21,903	(8,248)	13,655
- Roads	251,479	(92,120)	159,359	3,377	532	(944)	(4,193)	(110)	-	2,632	-	-	-	256,543	(55,870)	200,673
- Bridges	54,876	(3,942)	50,934	790	-	(564)	(361)	-	-	1,812	-	-	-	56,540	(3,929)	52,611
- Footpaths	5,637	(1,790)	3,847	94	156	(48)	(127)	-	-	206	-	-	-	6,019	(1,891)	4,128
- Bulk earthworks (non-depreciable)	88,458	-	88,458	139	-	-	-	-	-	49	-	-	-	88,646	-	88,646
- Stormwater drainage	8,145	(3,460)	4,685	14	172	-	(106)	-	-	87	-	-	-	8,419	(3,567)	4,852
- Water supply network	65,411	(29,084)	36,327	242	36	-	(1,217)	-	-	183	-	747	-	67,256	(30,938)	36,318
- Sewerage network	32,093	(15,439)	16,654	169	-	-	(574)	-	-	6	-	341	-	32,946	(16,350)	16,596
- Other infrastructure	-	-	-	-	-	-	-	62	(62)	-	-	-	-	-	-	-
Other assets:																
- Other	91	(91)	-	-	-	-	-	-	-	-	-	-	-	91	(91)	-
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
- Tip assets	361	(64)	307	-	-	-	(14)	-	-	-	(2)	-	-	359	(69)	290
- Quarry assets	1,327	(445)	882	-	-	-	(47)	-	-	-	8	-	-	1,335	(492)	843
Total Infrastructure, property, plant and equipment	644,751	(156,634)	488,117	7,262	8,959	(2,206)	(11,639)	(48)	(110)	110	(11)	(25,014)	19,165	676,406	(191,712)	484,694

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

(2) Values have been restated - refer note 13

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	7 to 33	Benches, seats etc.	10 to 20
Computer equipment	4 to 5		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	7 to 20	Buildings: masonry	30 to 90
Other plant and equipment	5 to 30	Buildings: other	15 to 90
Water and sewer assets		Stormwater assets	
Dams and reservoirs	15 to 200	Drains	67 to 87
Bores	20 to 60	Culverts	90 to 115
Reticulation pipes	40 to 80		
Pumps and telemetry	10 to 80		
Treatment plants	15 to 80		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	Nil
Sealed roads: structure	35 to 80	Other structures	10 to 70
Unsealed roads	30 to 60	Aerodromes	10 to 60
Bridges: concrete	135 to 180		
Bridges: other	100 to 170	Land improvements	
Road pavements	35 to 80	Land improvements	5 to 50
Kerb, gutter and footpaths	25 to 155		

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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".

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	710	697
Accumulated amortisation	(543)	(412)
Net book value – opening balance	167	285
Movements for the year		
– Development costs	–	13
– Amortisation charges	(73)	(131)
Closing values at 30 June		
Gross book value	710	710
Accumulated amortisation	(615)	(543)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	95	167
The net book value of intangible assets represents:		
– Software	95	167
	95	167

Accounting policy for intangible assets**IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services	556	–	649	–
Accrued expenses:				
– Borrowings	10	–	42	–
– Salaries and wages	–	–	82	–
– Other expenditure accruals	728	–	630	–
Security bonds, deposits and retentions	728	–	350	–
Other	16	–	22	–
Total payables	2,038	–	1,775	–
Income received in advance				
Payments received in advance	–	–	544	–
Total income received in advance	–	–	544	–
Borrowings				
Loans – secured ¹	795	3,870	867	4,777
Total borrowings	795	3,870	867	4,777
TOTAL PAYABLES AND BORROWINGS	2,833	3,870	3,186	4,777

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

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

\$ '000	2019	2018
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	–	37
Total payables and borrowings	–	37

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '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	5,644	(979)	–	–	–	4,665
TOTAL	5,644	(979)	–	–	–	4,665

\$ '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	6,472	(828)	–	–	–	5,644
TOTAL	6,472	(828)	–	–	–	5,644

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

Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	79	79
Total financing arrangements	579	579

Drawn facilities as at balance date:

– Credit cards/purchase cards	39	19
Total drawn financing arrangements	39	19

Undrawn facilities as at balance date:

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	40	60
Total undrawn financing arrangements	540	560

Additional financing arrangements information**Breaches and defaults**

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Annual leave	1,430	–	1,420	–
Long service leave	2,619	–	2,561	79
Other leave	71	–	112	–
ELE on-costs	326	–	345	13
Sub-total – aggregate employee benefits	4,446	–	4,438	92
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	3,175	–	2,299
Sub-total – asset remediation/restoration	–	3,175	–	2,299
TOTAL PROVISIONS	4,446	3,175	4,438	2,391

\$ '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	3,035	3,091
	3,035	3,091

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	2,299	2,299
Remeasurement effects	791	791
Unwinding of discount	85	85
Total other provisions at end of period	3,175	3,175
2018		
At beginning of year	2,236	2,236
Additional provisions	58	58
Remeasurement effects	5	5
Total other provisions at end of period	2,299	2,299

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tips and private gravel quarries it has used.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

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

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

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Council had not previously recognised rural fire-fighting equipment and vehicles used by the Rural Fire Service as Council assets. The impact of recognising these assets resulted in an increase of \$3.7 million to Infrastructure, Property, Plant and Equipment assets within the Statement of Financial Position at 30 June 2019.

As a result of this recognition, income from capital grants and depreciation have also changed in the income statement for 2018. The error identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through accumulated surplus at that date of \$2.9 million. Comparative figures have also been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2017

Statement of Financial Position

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Infrastructure, Property Plant and Equipment	485,168	2,949	488,117
Total assets	510,574	2,949	513,523
Total liabilities	15,296	–	15,296
Accumulated Surplus	402,631	2,949	405,580
Revaluation Reserve	92,647	–	92,647
Total equity	495,278	2,949	498,227

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure Property Plant and Equipment	481,138	3,556	484,694
Total assets	506,146	3,556	509,702
Total liabilities	14,792	–	14,792
Accumulated Surplus	404,494	3,556	408,050
Revaluation Reserves	86,860	–	86,860
Total equity	491,354	3,556	494,910

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income Statement

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Grants and contributions provided for capital purposes	6,285	955	7,240
Total income from continuing operations	46,602	955	47,557
Depreciation and amortisation	11,421	348	11,769
Total expenses from continuing operations	44,739	348	45,087
Net operating result for the year	1,863	607	2,470

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Net operating result for the year	1,863	607	2,470
Total comprehensive income for the year	1,863	607	2,470

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

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

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

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

Classification of financial assets

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).

Notes to the Financial Statements

for the year ended 30 June 2019

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

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 \$'000	Re-measurement \$'000	Carrying amount under AASB 9 \$'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 \$'000	Re-measurement \$'000	Carrying amount under AASB 9 \$'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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	4,738	5,544
Balance as per the Statement of Cash Flows		4,738	5,544
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		902	2,470
Adjust for non-cash items:			
Depreciation and amortisation		12,267	11,421
Net losses/(gains) on disposal of assets		(999)	1,201
Non-cash capital grants and contributions		(48)	(147)
Unwinding of discount rates on reinstatement provisions		85	-
Share of net (profits)/losses of associates/joint ventures using the equity method		(15)	(41)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,490	(1,192)
Increase/(decrease) in provision for impairment of receivables		164	77
Decrease/(increase) in inventories		(20)	173
Decrease/(increase) in other current assets		131	(41)
Increase/(decrease) in payables		(93)	66
Increase/(decrease) in accrued interest payable		(32)	(6)
Increase/(decrease) in other accrued expenses payable		16	(28)
Increase/(decrease) in other liabilities		(172)	368
Increase/(decrease) in provision for employee benefits		(84)	(139)
Increase/(decrease) in other provisions		791	63
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		15,383	14,245
(c) Non-cash investing and financing activities			
Asset contributions		48	147
Total non-cash investing and financing activities		48	147

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	15	41	400	385
Total	15	41	400	385

Joint arrangements

(i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method		
			2019	2018
Macquarie Regional Library	Joint venture	Equity	400	385
Total carrying amounts – material joint ventures			400	385

(b) Details

	Principal activity	Place of business
Macquarie Regional Library	Community library services	Dubbo, Coolah, Dunedoo, Coonabarabran, Narromine and Wellington

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Macquarie Regional Library	20.1%	19.0%	20.1%	19.0%	25.0%	25.0%

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

\$ '000	Macquarie Regional Library	
	2019	2018
(d) Summarised financial information for joint ventures		
Statement of financial position		
Current assets		
Cash and cash equivalents	1,598	1,930
Other current assets	19	32
Non-current assets	1,246	1,128
Current liabilities		
Other current liabilities	690	1,009
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	49	32
Net assets	2,124	2,049
Reconciliation of the carrying amount		
Opening net assets (1 July)	2,049	1,829
Profit/(loss) for the period	75	220
Closing net assets	2,124	2,049
Council's share of net assets (%)	20.1%	18.8%
Council's share of net assets (\$)	426	384
Statement of comprehensive income		
Income	2,962	2,666
Interest income	45	45
Depreciation and amortisation	(340)	(331)
Other expenses	(2,593)	(2,160)
Profit/(loss) from continuing operations	74	220
Profit/(loss) for the period	74	220
Total comprehensive income	74	220
Share of income – Council (%)	20.1%	18.8%
Profit/(loss) – Council (\$)	15	41
Total comprehensive income – Council (\$)	15	41

Reconciliation

Reconciliation of carrying amount of interest in joint venture to summarised financial information for individually material joint ventures accounted for using the equity method.

	Current year end \$'000	Prior year end \$'000
Share of 20.1% (18.8%) of net assets	426	384
Adjustment to share	26	0
Carrying amount	400	384
Fair value of investment (if there is a quoted price)	426	384

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

Accounting policy for joint arrangements

The council has determined that it has joint ventures only.

Joint ventures:

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

\$ '000	2019	2018
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(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

Land and buildings	236	5,537
Plant and equipment	201	1,503
Bridges	–	359
Infrastructure	765	259
Total commitments	1,202	7,658

These expenditures are payable as follows:

Within the next year	1,202	7,658
Total payable	1,202	7,658

(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	22	151
Later than one year and not later than 5 years	–	22
Total non-cancellable operating lease commitments	22	173

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

Council had leased computer servers, photocopy machines and a library building in Coonabarabran. A new lease for office equipment has not been negotiated.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised

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

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

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

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

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

Description of the funding arrangements.

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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 \$ 141,767.28 The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018 and covers the period ended 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Council's expected contribution to the plan for the next annual reporting period is \$130,291.36.

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 100.4	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 \$169,400 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

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 17. 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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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	4,738	5,544	10,738	5,544
Receivables	3,501	6,155	3,501	6,155
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	13,000	11,500	7,000	11,500
Total financial assets	21,239	23,199	21,239	23,199
Financial liabilities				
Payables	2,038	1,775	2,038	1,775
Loans/advances	4,665	5,644	4,665	5,644
Total financial liabilities	6,703	7,419	6,703	7,419

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 mkt 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 with the assistance of independent advisors.

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **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 18. 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 also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	177	177	(177)	(177)
2018				
Possible impact of a 1% movement in interest rates	170	170	(170)	(170)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(b) Credit risk

Council's major receivables comprise rates and annual charges and other receivables. The latter comprises of accrued income for government grants, user charges and fees, interest and extra charges, other debtors.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

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

Council makes suitable provision for doubtful receivables as required based on the lifetime expected credit loss at each reporting date.

A profile of Council's receivables credit risk at the reporting date follows.

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	–	1,274	190	–	–	1,464
2018						
Gross carrying amount	–	1,060	–	–	–	1,060

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 the result of a provision matrix which considers historical credit loss experience.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	1,851	90	297	18	241	2,497
Expected loss rate (%)	1.00%	5.00%	10.00%	20.00%	34.00%	5.54%
ECL provision	19	5	30	4	82	140
2018						
Gross carrying amount	3,186	1,308	51	649	197	5,391
Expected loss rate (%)	0.50%	1.10%	5.00%	8.00%	48.00%	3.33%
ECL provision	16	14	3	52	95	180

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	728	1,310	–	–	2,038	2,038
Loans and advances	4.70%	–	795	3,396	474	4,665	4,665
Total financial liabilities		728	2,105	3,396	474	6,703	6,703
2018							
Trade/other payables	0.00%	350	1,425	–	–	1,775	1,775
Loans and advances	4.70%	–	1,103	3,484	1,057	5,644	5,644
Total financial liabilities		350	2,528	3,484	1,057	7,419	7,419

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 21/06/2018 and is unaudited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	12,778	13,015	237	2% F
User charges and fees	8,401	5,642	(2,759)	(33)% U
\$222k Family Day Care Service put on hold for twelve months \$1,524k RMCC Contact work orders down \$522k Quarry income down \$125k Waste Transfer income down				
Interest and investment revenue	460	461	1	0% F
Other revenues	1,097	1,073	(24)	(2)% U
Operating grants and contributions	17,871	16,424	(1,447)	(8)% U
Capital grants and contributions	3,849	5,886	2,037	53% F
Major variation for capital grants for Bushfire equipment				
Net gains from disposal of assets	240	999	759	316% F
Better sales values realised than anticipated				
Joint ventures and associates – net profits	–	15	15	∞ F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----		
EXPENSES					
Employee benefits and on-costs	15,664	14,484	1,180	8%	F
Borrowing costs	236	327	(91)	(39)%	U
Original Budget missed a loan.					
Materials and contracts	5,949	10,024	(4,075)	(68)%	U
Major variation due to TRRRC, capital work in progress impairment of \$3.47m					
Depreciation and amortisation	11,688	12,267	(579)	(5)%	U
Other expenses	8,049	5,511	2,538	32%	F
\$2,608k RFS Budget overstated as only Mow Creek Station capitalised \$138k Communications IT exp down \$110k Insurances on Buildings down \$204k up - provision for debts not prev allowed					

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	14,558	15,383	825	6%	F
The key variations are the same as those for other expenses above,					
Net cash provided from (used in) investing activities	(14,417)	(15,210)	(793)	6%	U
Unexpended grants from the prior year resulted in increased capital expenditure of over \$2.5M					
Net cash provided from (used in) financing activities	(867)	(979)	(112)	13%	U
As per details above the missed loan repayment in the budget resulted in the variation to financing activities.					

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9					
Plant and equipment		30/06/19	–	–	13,754	13,754
Office equipment		30/06/19	–	–	149	149
Furniture and fittings		30/06/19	–	–	65	65
Land – Community		30/06/16	–	74	1,355	1,429
Land – Operational		30/06/18	–	2,721	3,080	5,801
Land improvements – depreciable		30/06/16	–	–	1,467	1,467
Buildings		30/06/18	–	–	34,929	34,929
Other structures		30/06/16	–	–	15,232	15,232
Roads		30/06/15	–	–	201,982	201,982
Bridges		30/06/15	–	–	52,947	52,947
Footpaths		30/06/15	–	–	4,507	4,507
Bulk earthworks		30/06/15	–	–	88,645	88,645
Stormwater drainage		30/06/15	–	–	4,829	4,829
Water supply network		30/06/17	–	–	36,446	36,446
Sewerage network		30/06/17	–	–	16,916	16,916
Tip assets		30/06/19	–	–	456	456
Quarry assets		30/06/19	–	–	1,404	1,404
Total infrastructure, property, plant and equipment			–	2,795	478,163	480,958

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy			Total Restated	
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs Restated
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9					
Plant and equipment		30/06/18	–	–	12,337	12,337
Office equipment		30/06/18	–	–	28	28
Furniture and fittings		30/06/18	–	–	95	95
Land – Community		30/06/16	–	74	1,411	1,485
Land – Operational		30/06/18	–	2,721	3,017	5,738
Land improvements – depreciable		30/06/16	–	–	1,505	1,505
Buildings		30/06/18	–	–	36,164	36,164
Other structures		30/06/16	–	–	13,655	13,655
Roads		30/06/15	–	–	200,873	200,873
Bridges		30/06/15	–	–	52,611	52,611
Footpaths		30/06/15	–	–	4,128	4,128
Bulk earthworks		30/06/15	–	–	88,645	88,645
Stormwater drainage		30/06/15	–	–	4,852	4,852
Water supply network		30/06/17	–	–	36,316	36,316
Sewerage network		30/06/17	–	–	16,596	16,596
Tip assets		30/06/14	–	–	289	289
Quarry assets		30/06/14	–	–	843	843
Total infrastructure, property, plant and equipment			–	2,795	473,365	476,160

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

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

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

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

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

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

Infrastructure, property, plant and equipment (IPP&E)Plant and equipment, office equipment and furniture, fixtures and fittings

Plant and equipment, office equipment and furniture, and fixtures and fittings are all valued at depreciated cost (original purchase price) as this assessment is considered to approximate fair value.

Roads, bulk earthworks, bridges, footpaths and stormwater drainage

The values currently displayed are based on the following:

The current replacement cost for these asset classes has been derived from a 2014/15 valuation survey undertaken, for this purpose, by APV Valuers. Roads are componentised into road pavement and road seal assets and differentiated between long and short life components, with pavements split into sealed and unsealed road pavements. A distinction is also made between road pavements on various soil types.

Bridges are componentised into bridges Long Life and Short Life and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned long and short life components and useful lives and are condition rated at the time of valuation. 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, and is

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

in the final processes of segmenting its local road network. Other information that is currently being sourced includes traffic volumes, more accurate dimensions and topography information, and better information on soil types.

Quarry and tip remediation liabilities

Council recognises remediation assets for quarries and tips under its control. These assets are based on the estimated cost to remediate the sites at the end of their useful life. Estimated remediation costs are based on engineering assessments and take into account the inputs needed to rehabilitate the quarry/tip sites. As the final remediation will not happen for several years the input costs are indexed out to the estimated remediation date through the use of CPI, and then discounted back to arrive at the present value, with the discount rate being the ten year government bond rate. No estimate is made for potential increases in rehabilitation scope in future years as such changes can not be reliably measured. Further details on these assets can be found in note 9.

Operational and community land

Land has been valued at market value, having regard to the "highest and best use", after identifying elements that would be taken into account by buyers and sellers in settling the price. These elements include: land description and dimensions, planning and other constraints on development and the potential for alternative use. Operational land has been valued by Assetval in 2017/18 using a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs). For community land, some are valued by Assetval in 2017/18 using observable inputs (level 2 inputs) while the majority is previously valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values.

Other structures and land improvements (depreciable)

The value of structures and depreciable land improvements have been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for preliminaries and professional fees. These values have been derived from a valuation by Australis Asset Advisory Group for 30/6/2016.

This asset class includes Aerodromes, Pools, landscaping, gardens, sport change rooms, grand stands etc., Major components include pool structures, walls, roofs, pumps, fences, sheds, garden beds etc. Each component is assigned a useful life and long life component, based on engineering estimates and are condition rated at the time of valuation. In some cases Council has limited data for this asset class in relation to original construction date, age, and past maintenance and renewals history.

Water and sewer network

This asset class is currently undergoing a valuation being conducted externally by Australis Asset Advisory Group.

In other years current replacement costs for water and sewer assets have been derived by Modern Engineering Equivalent Replacement Asset (MEERA) unit costs and lump sums. Water and sewer assets are componentised into mains, treatment plants, pumping stations, and reservoirs. All asset components are assigned a long life component, useful life and remaining useful life, and were condition rated at time of revaluation, with the condition rating determining the remaining useful life. Valuations require a level of professional judgement from both the valuer and Council engineers and the valuation was carried out through the use of condition assessments including through the use of cameras and maintenance/break histories for assets that could not be accessed through a simple inspection. Limitation on current valuations include further data issues around Council mains break historical data, and a lack of long term historical data on renewals.

Buildings

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 from over 120 Councils across NSW by Council's valuer (Valued by Assetval in 2017/18). Buildings assets are componentised into Super structure, Sub structure, Finishes, Fittings and Services. Each component is assigned a useful life and remaining useful life with the remaining useful life based on the condition assessment at the time of valuation. Further improvements to the valuation could be achieved with further details on the level of componentisation, as well as more in-depth maintenance history.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

\$ '000	Restated Plant and equipment	Office equipment	Furniture and fittings	Land	Land imp – depreciable
2018					
Opening balance	11,149	43	134	6,916	1,366
Purchases (GBV)	4,237	–	–	–	182
Disposals (WDV)	(650)	–	–	–	–
Depreciation and impairment	(2,399)	(15)	(39)	–	(43)
FV gains – other comprehensive income	–	–	–	147	–
Revaluation increment	–	–	–	160	–
Transfers from level 3 to level 2	–	–	–	(2,795)	–
Closing balance	12,337	28	95	4,428	1,505
2019					
Opening balance	12,337	28	95	4,428	1,505
Transfers from/(to) another asset class	–	–	(1)	–	–
Purchases (GBV)	4,335	136	–	–	11
Disposals (WDV)	(305)	–	–	–	–
Depreciation and impairment	(2,613)	(15)	(29)	–	(49)
Revaluation increment	–	–	–	8	–
Closing balance	13,754	149	65	4,436	1,467

\$ '000	Buildings	Other structures	Roads	Bridges	Footpaths
2018					
Opening balance	44,360	13,994	199,360	50,934	3,847
Purchases (GBV)	774	291	6,541	2,602	456
Disposals (WDV)	–	–	(944)	(564)	(48)
Depreciation and impairment	(1,874)	(630)	(4,193)	(361)	(127)
Revaluation increment	17,917	–	–	–	–
Revaluation decrement	(25,015)	–	–	–	–
Impairment	–	–	109	–	–
Closing balance	36,162	13,655	200,873	52,611	4,128
2019					
Opening balance	36,162	13,655	200,873	52,611	4,128
Transfers from/(to) another asset class	(352)	760	1,137	127	216
Purchases (GBV)	1,011	1,456	4,318	591	300
Depreciation and impairment	(1,892)	(639)	(4,346)	(382)	(137)
Closing balance	34,929	15,232	201,982	52,947	4,507

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Tip asset	
2018						
Opening balance	88,458	4,685	36,327	16,654	307	
Transfers from/(to) another asset class	–	–	183	6	–	
Purchases (GBV)	187	272	278	169	–	
Depreciation and impairment	–	(106)	(1,217)	(574)	(15)	
Revaluation increment	–	–	747	341	–	
Remediation adjustment	–	–	–	–	(2)	
Closing balance	88,645	4,851	36,318	16,596	290	
2019						
Opening balance	88,645	4,851	36,318	16,596	290	
Transfers from/(to) another asset class	–	3	304	460	–	
Purchases (GBV)	–	85	580	206	181	
Depreciation and impairment	–	(110)	(1,316)	(603)	(15)	
Revaluation increment	–	–	560	257	–	
Closing balance	88,645	4,829	36,446	16,916	456	
Quarry asset						
\$ '000					Quarry asset	Total
2018						
Opening balance					882	479,416
Transfers from/(to) another asset class					–	189
Purchases (GBV)					–	15,989
Disposals (WDV)					–	(2,206)
Depreciation and impairment					(48)	(11,641)
FV gains – other comprehensive income					–	147
Revaluation increment					–	19,165
Revaluation decrement					–	(25,015)
Transfers from level 3 to level 2					–	(2,795)
Impairment					–	109
Remediation adjustment					9	7
Closing balance					843	473,365
2019						
Opening balance					843	473,365
Transfers from/(to) another asset class					–	2,654
Purchases (GBV)					609	13,819
Disposals (WDV)					–	(305)
Depreciation and impairment					(48)	(12,194)
Revaluation increment					–	825
Closing balance					1,404	478,164

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

No transfers were made during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

	Valuation technique/s	Unobservable inputs
c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.		
Infrastructure, property, plant and equipment		
Plant and equipment	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Office equipment	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Furniture and fittings	Cost approach	* Gross Replacement Cost (purchase price) * Remaining Useful Life
Operational land	Market approach	* Similar local property prices * Alternative use
Community land	Market approach	* Unimproved capital value from Valuer General
Land improvements (depreciable)	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Buildings	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other structures	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Roads	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bridges	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Footpaths	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Bulk earthworks	Cost approach (replacement cost)	* Gross Replacement Cost
Stormwater drainage	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Water supply network	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Sewer supply network	Cost approach (depreciated replacement cost)	* Gross Replacement Cost * Asset Condition * Remaining Useful Life
Other	Cost approach	* Asset Condition * Remaining Useful Life
Tip assets	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes
Quarry assets	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

d. The valuation process for level 3 fair value measurements

Warrumbungle Shire Council undertakes to recognise its assets at fair value. Whilst this method does not suit some asset categories such as Plant & Equipment or Office furniture it is the best available method to determine the value of assets such as roads and buildings.

The process by council determines is through:

- * A re examination of the fair value of the relevant asset classes as specified by the OLG on a five year rotation;
- * Seek an external valuer with good knowledge and reputation to undertake the valuation;
- * The "Valuer" selects a sample of assets and in conjunction with Council Staff will then examine the sample to determine any adjustments required;
- * During this process the adequacy and accuracy of costing and usage assumptions are analysed and addressed as required;
- * After the physical examination the Valuer goes over the findings with Council and invites questions and feedback;
- * In conjunction with Council's input the Valuer will then make a determination on which Council will act.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(a) Key management personnel

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

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

	2019	2018
Compensation:		
Short-term benefits	846	1,150
Superannuation	61	87
Total	907	1,237

(b) Other transactions with KMP and their related parties

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

There are no other disclosures to be made by KMP.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. 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		Contributions received during the year				as at 30/6/2019		
	Opening Balance		Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	5		-	-	-	-	-	5	-
Open space	7		-	-	-	-	-	7	-
Community facilities	6		-	-	-	-	-	6	-
Other	2		-	-	-	-	-	2	-
Bushfire	12		-	-	-	-	-	12	-
S7.11 contributions – under a plan	32		-	-	-	-	-	32	-
Total S7.11 and S7.12 revenue under plans	32		-	-	-	-	-	32	-
S7.11 not under plans	91		37	-	2	(12)	-	118	-
S64 contributions	129		-	-	3	-	-	132	-
Total contributions	252		37	-	5	(12)	-	282	-

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

Note 22. Statement of developer contributions (continued)

	as at 30/6/2018		Contributions received during the year				Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash	Interest earned in year	Expenditure during year		Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN – WARRUMBUNGLE SHIRE COUNCIL									
Roads	5		-	-	-	-	-	5	-
Open space	7		-	-	-	-	-	7	-
Community facilities	6		-	-	-	-	-	6	-
Bushfire	12		-	-	-	-	-	12	-
Other	2		-	-	-	-	-	2	-
Total	32		-	-	-	-	-	32	-

S7.11 Contributions – not under a plan

CONTRIBUTIONS – NOT UNDER A PLAN

Other	91		37	-	2	-	(12)	118	-
Total	91		37	-	2	-	(12)	118	-

S64 contributions

S64 Contributions

Water	98		-	-	3	-	-	101	-
Sewer	31		-	-	-	-	-	31	-
Total	129		-	-	3	-	-	132	-

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. 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	9,991	1,539	1,485
User charges and fees	4,063	1,436	143
Interest and investment revenue	324	46	91
Other revenues	1,058	10	5
Grants and contributions provided for operating purposes	16,340	55	29
Grants and contributions provided for capital purposes	4,523	1,329	34
Other income			
Net gains from disposal of assets	999	–	–
Share of interests in joint ventures and associates using the equity method	15	–	–
Total income from continuing operations	37,313	4,415	1,787
Expenses from continuing operations			
Employee benefits and on-costs	12,965	1,006	513
Borrowing costs	299	28	–
Materials and contracts	9,243	670	111
Depreciation and amortisation	10,241	1,389	637
Other expenses	3,856	1,056	599
Total expenses from continuing operations	36,604	4,149	1,860
Operating result from continuing operations	709	266	(73)
Net operating result for the year	709	266	(73)
Net operating result attributable to each council fund	709	266	(73)
Net operating result for the year before grants and contributions provided for capital purposes	(3,814)	(1,063)	(107)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	907	1,036	2,795
Investments	13,000	–	–
Receivables	2,034	1,064	574
Inventories	752	6	–
Other	89	–	–
Total current assets	16,782	2,106	3,369
Non-current assets			
Receivables	–	–	1,059
Inventories	299	–	–
Infrastructure, property, plant and equipment	428,970	41,380	17,731
Investments accounted for using the equity method	400	–	–
Intangible assets	95	–	–
Total non-current assets	429,764	41,380	18,790
TOTAL ASSETS	446,546	43,486	22,159
LIABILITIES			
Current liabilities			
Payables	2,033	5	–
Borrowings	880	86	–
Provisions	4,175	190	81
Total current liabilities	7,088	281	81
Non-current liabilities			
Borrowings	4,563	366	–
Provisions	3,175	–	–
Total non-current liabilities	7,738	366	–
TOTAL LIABILITIES	14,826	647	81
Net assets	431,720	42,839	22,078
EQUITY			
Accumulated surplus	377,098	20,463	11,391
Revaluation reserves	54,622	22,376	10,687
Council equity interest	431,720	42,839	22,078
Total equity	431,720	42,839	22,078

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Internal Loan 1
Borrower (by purpose)	General Fund
Lender (by purpose)	Sewer Fund
Date of minister's approval	23/12/2012
Date raised	01/07/2012
Term (years)	10
Dates of maturity	30/6/2021
Rate of interest	5.8%
Amount originally raised	1,500,000
Total repaid during year (principal and interest)	37,000
Principal outstanding at end of year	1,229,877

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(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}	(5,998)	(16.38)%	(8.96)%	2.04%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	36,615				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	19,976	47.00%	46.45%	46.46%	>60.00%
Total continuing operating revenue ¹	42,501				
3. Unrestricted current ratio					
Current assets less all external restrictions	14,049	4.37x	4.05x	4.64x	>1.50x
Current liabilities less specific purpose liabilities	3,215				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,596	5.05x	7.30x	9.87x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,306				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,442	10.22%	8.69%	7.91%	<10.00%
Rates, annual and extra charges collectible	14,110				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	17,738	6.97 mths	5.76 mths	6.50 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,545				

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(15.19)%	(6.26)%	(34.45)%	(36.70)%	(6.10)%	(18.90)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	41.93%	42.12%	68.65%	72.46%	96.47%	95.03%	>60.00%
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	4.43x	4.05x	7.14x	4.48x	41.22x	43.05x	>1.50x
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.47x	7.16x	12.64x	4.46x	∞	∞	>2.00x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8.38%	7.28%	19.24%	17.39%	12.48%	11.53%	<10.00%
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.30	4.63	4.37	9.45	27.42	26.34	>3.00
Rates, annual and extra charges collectible	mths	mths	mths	mths	mths	mths	mths
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities							

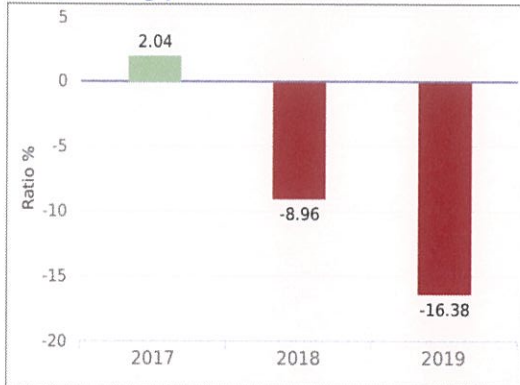
(1) - (2) Refer to Note 24a above.

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

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

Note 24(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio (16.38)%

The continued provision of capital grants maintains this ratio below benchmark.

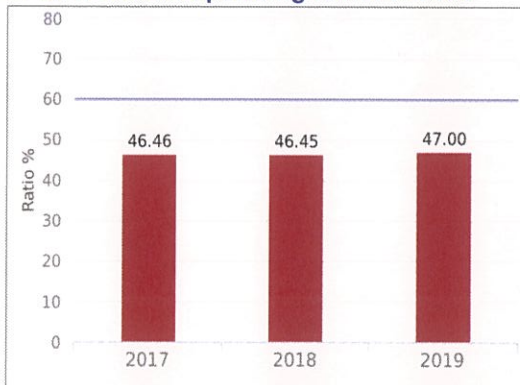
Benchmark: — > 0.00%

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 47.00%

This ratio, whilst important, by its nature will worsen as a council receives more grant monies. Ironically it has been Council's success in attracting Grant monies that is reflected in this result.

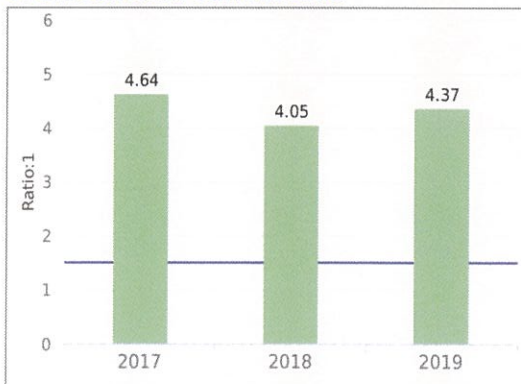
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.37x

This ratio is well above the benchmark. The 2017 spike was due to the initial prepayment of FAG's in that year. This will ultimately see a down spike when the prepayment is stopped.

Benchmark: — > 1.50x

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

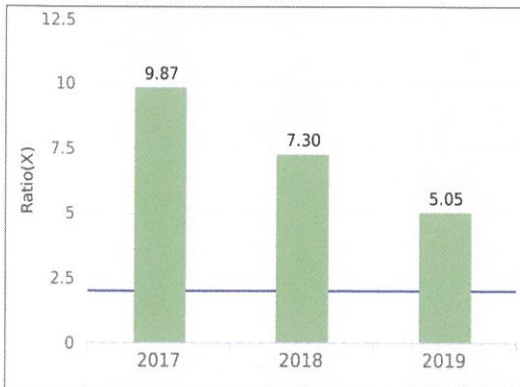
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 24(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.05x

This ratio is well above the OLG benchmark and reflects Council's commitment to use debt only as required and without reliance.

Benchmark: — > 2.00x

Ratio achieves benchmark

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

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 10.22%

The increase in this ratio demonstrates the struggles of a drought affected community.

Benchmark: — < 10.00%

Ratio achieves benchmark

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

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 6.97 mths

Council continues to remain well above the OLG benchmark.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements Warrumbungle Shire Council

To the Councillors of the Warrumbungle Shire Council

Opinion

I have audited the accompanying financial statements of Warrumbungle 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 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY

Warrumbungle 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.

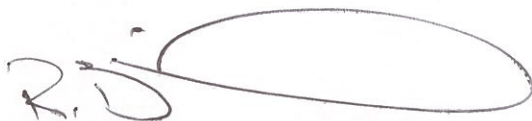
Signed in accordance with a resolution of Council made on 17 October 2019.




Clr Denis Todd
Mayor
17 October 2019



Clr Aniello Iannuzzi
Councillor
17 October 2019



Roger Bailey
General Manager
17 October 2019



Khurram Javed
Responsible Accounting Officer
17 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,539	1,340
User charges	1,433	1,467
Fees	3	8
Interest	46	79
Grants and contributions provided for non-capital purposes	55	39
Other income	10	10
Total income from continuing operations	3,086	2,943
Expenses from continuing operations		
Employee benefits and on-costs	1,006	1,101
Borrowing costs	28	28
Materials and contracts	670	643
Depreciation, amortisation and impairment	1,389	1,275
Other expenses	1,056	976
Total expenses from continuing operations	4,149	4,023
Surplus (deficit) from continuing operations before capital amounts	(1,063)	(1,080)
Grants and contributions provided for capital purposes	1,329	1,065
Surplus (deficit) from continuing operations after capital amounts	266	(15)
Surplus (deficit) from all operations before tax	266	(15)
SURPLUS (DEFICIT) AFTER TAX	266	(15)
Plus accumulated surplus	20,197	20,213
Plus/less: other adjustments	–	(1)
Closing accumulated surplus	20,463	20,197
Return on capital %	(2.5)%	(2.6)%
Subsidy from Council	1,581	2,106
Calculation of dividend payable:		
Surplus (deficit) after tax	266	(15)
Less: capital grants and contributions (excluding developer contributions)	(1,329)	(1,065)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,485	1,232
User charges	95	104
Liquid trade waste charges	48	64
Interest	91	106
Grants and contributions provided for non-capital purposes	29	28
Other income	5	6
Total income from continuing operations	1,753	1,540
Expenses from continuing operations		
Employee benefits and on-costs	513	530
Materials and contracts	111	163
Depreciation, amortisation and impairment	637	596
Other expenses	599	542
Total expenses from continuing operations	1,860	1,831
Surplus (deficit) from continuing operations before capital amounts	(107)	(291)
Grants and contributions provided for capital purposes	34	51
Surplus (deficit) from continuing operations after capital amounts	(73)	(240)
Surplus (deficit) from all operations before tax	(73)	(240)
SURPLUS (DEFICIT) AFTER TAX	(73)	(240)
Plus accumulated surplus	11,464	11,704
Closing accumulated surplus	11,391	11,464
Return on capital %	(0.6)%	(1.6)%
Subsidy from Council	341	757
Calculation of dividend payable:		
Surplus (deficit) after tax	(73)	(240)
Less: capital grants and contributions (excluding developer contributions)	(34)	(51)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Income Statement – Warrumbungle Quarry

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	567	1,102
Profit from the sale of assets	74	–
Total income from continuing operations	641	1,102
Expenses from continuing operations		
Employee benefits and on-costs	155	191
Borrowing costs	10	12
Materials and contracts	143	187
Depreciation, amortisation and impairment	62	–
Other expenses	651	839
Total expenses from continuing operations	1,021	1,229
Surplus (deficit) from continuing operations before capital amounts	(380)	(127)
Grants and contributions provided for capital purposes	256	–
Surplus (deficit) from continuing operations after capital amounts	(124)	(127)
Surplus (deficit) from all operations before tax	(124)	(127)
SURPLUS (DEFICIT) AFTER TAX	(124)	(127)
Plus accumulated surplus	312	439
Closing accumulated surplus	188	312
Return on capital %	(77.7)%	(36.9)%
Subsidy from Council	376	123

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,036	2,180
Receivables	1,064	905
Inventories	6	6
Total current assets	<u>2,106</u>	<u>3,091</u>
Non-current assets		
Infrastructure, property, plant and equipment	41,380	40,057
Total non-current assets	<u>41,380</u>	<u>40,057</u>
TOTAL ASSETS	<u>43,486</u>	<u>43,148</u>
LIABILITIES		
Current liabilities		
Payables	5	6
Income received in advance	–	413
Borrowings	86	82
Provisions	190	181
Total current liabilities	<u>281</u>	<u>682</u>
Non-current liabilities		
Borrowings	366	451
Provisions	–	2
Total non-current liabilities	<u>366</u>	<u>453</u>
TOTAL LIABILITIES	<u>647</u>	<u>1,135</u>
NET ASSETS	<u>42,839</u>	<u>42,013</u>
EQUITY		
Accumulated surplus	20,463	20,197
Revaluation reserves	22,376	21,816
TOTAL EQUITY	<u>42,839</u>	<u>42,013</u>

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,795	2,711
Receivables	574	456
Total current assets	3,369	3,167
Non-current assets		
Receivables	1,059	1,069
Infrastructure, property, plant and equipment	17,731	17,732
Total non-current assets	18,790	18,801
TOTAL ASSETS	22,159	21,968
LIABILITIES		
Current liabilities		
Provisions	81	73
Total current liabilities	81	73
Non-current liabilities		
Provisions	–	1
Total non-current liabilities	–	1
TOTAL LIABILITIES	81	74
NET ASSETS	22,078	21,894
EQUITY		
Accumulated surplus	11,391	11,464
Revaluation reserves	10,687	10,430
TOTAL EQUITY	22,078	21,894

Statement of Financial Position – Warrumbungle Quarry

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Receivables	41	35
Inventories	316	316
Total current assets	<u>357</u>	<u>351</u>
Non-current assets		
Infrastructure, property, plant and equipment	476	312
Total non-current assets	<u>476</u>	<u>312</u>
TOTAL ASSETS	<u>833</u>	<u>663</u>
LIABILITIES		
Current liabilities		
Due to General Fund	294	–
Payables	71	28
Borrowings	45	43
Total current liabilities	<u>410</u>	<u>71</u>
Non-current liabilities		
Borrowings	235	280
Total non-current liabilities	<u>235</u>	<u>280</u>
TOTAL LIABILITIES	<u>645</u>	<u>351</u>
NET ASSETS	<u>188</u>	<u>312</u>
EQUITY		
Accumulated surplus	188	312
TOTAL EQUITY	<u>188</u>	<u>312</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)

Warrumbungle Shire Council Combined Water Supply

All individual Water Funds are now combined into one entity known as Warrumbungle Water Fund. This entity incorporates the previous individual Operations and Net Assets of the Water Supply Systems of the towns of Baradine, Binnaway, Coonabarabran, Coolah, Dunedoo and Mendooran.

Category 2

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

a. Warrumbungle Shire Council Sewerage Service

All individual Sewerage Services are now combined into one entity known as Warrumbungle Sewerage Fund. This entity incorporates the previous individual Operations and Net Assets of the Sewerage Treatment and Reticulation Systems of the towns Baradine, Coonabarabran, Coolah and Dunedoo.

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

Note 1. Significant Accounting Policies (continued)

b. Warrumbungle Quarry

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%

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/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(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:

- 550% 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
Warrumbungle Shire Council

To the Councillors of the Warrumbungle Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Warrumbungle 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 Business Activity
- Sewerage Business Activity
- Warrumbungle Quarry.

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 their 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.



Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY

Warrumbungle Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

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

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	7,932	7,785
Plus or minus adjustments ²	b	4	(28)
Notional general income	c = a + b	7,936	7,757
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	214	178
Sub-total	$k = (c + g + h + i + j)$	8,150	7,935
Plus (or minus) last year's carry forward total	l	(4)	11
Less valuation objections claimed in the previous year	m	5	(11)
Sub-total	$n = (l + m)$	1	-
Total permissible income	$o = k + n$	8,151	7,935
Less notional general income yield	p	8,153	7,932
Catch-up or (excess) result	$q = o - p$	(2)	3
Plus income lost due to valuation objections claimed ⁴	r	-	(5)
Less unused catch-up ⁵	s	-	(2)
Carry forward to next year ⁶	$t = q + r + s$	(2)	(4)

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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Warrumbungle Shire Council

To the Councillors of Warrumbungle Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Cathy Wu', written in a cursive style.

Cathy Wu

Delegate of the Auditor-General for New South Wales

29 October 2019
SYDNEY

Warrumbungle Shire Council

Special Schedules 2019

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings												
	Council Offices	10	820	83	193	8,040	17,720	0.0%	64.0%	36.0%	0.0%	0.0%
	Council Works Depot	215	1,921	98	181	2,000	6,207	6.0%	60.0%	20.0%	5.0%	9.0%
	Council Public Halls	65	1,518	280	218	2,173	7,411	0.0%	93.0%	7.0%	0.0%	0.0%
	Council Houses	77	365	58	98	1,376	4,186	0.0%	20.0%	80.0%	0.0%	0.0%
	Medical Centres	13	65	42	71	1,993	3,851	0.0%	100.0%	0.0%	0.0%	0.0%
	Library	-	-	41	-	979	1,860	0.0%	100.0%	0.0%	0.0%	0.0%
	Recreation and Culture	615	6,927	193	84	5,397	18,743	1.0%	57.0%	40.0%	1.0%	1.0%
	Specialised Buildings	259	3,141	308	8	4,756	11,780	0.0%	83.0%	12.0%	3.0%	2.0%
	Childcare Centres	-	-	28	30	1,178	1,518	0.0%	96.0%	3.0%	1.0%	0.0%
	Amenities/Toilets	70	360	33	-	1,744	3,222	1.0%	94.0%	0.0%	0.0%	5.0%
	Emergency Centres	67	493	81	6	5,287	7,439	0.0%	93.0%	4.0%	3.0%	0.0%
	Other	-	-	-	68	6	6	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	1,391	15,610	1,245	957	34,929	83,943	0.7%	71.9%	24.7%	1.3%	1.4%
Other structures												
	Other structures	39	387	159	242	15,232	24,119	31.0%	28.0%	39.0%	1.0%	1.0%
	Sub-total	39	387	159	242	15,232	24,119	31.0%	28.0%	39.0%	1.0%	1.0%
Roads												
	Sealed roads	167	1,436	1,699	2,125	150,002	187,924	56.0%	25.0%	19.0%	0.0%	0.0%
	Unsealed roads	230	1,814	1,598	1,630	38,223	58,326	45.0%	12.0%	39.0%	1.0%	3.0%
	Bridges	581	2,922	135	2	52,947	57,257	96.0%	1.0%	3.0%	0.0%	0.0%
	Footpaths	5	67	124	44	4,507	6,535	30.0%	14.0%	54.0%	1.0%	1.0%
	Other road assets	-	-	1	-	753	808	86.0%	14.0%	0.0%	0.0%	0.0%
	Bulk earthworks	-	-	-	-	88,645	88,645	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	-	-	98	-	13,004	14,945	94.0%	6.0%	0.0%	0.0%	0.0%
	Sub-total	983	6,239	3,655	3,801	348,081	414,440	70.4%	13.6%	15.4%	0.2%	0.4%
Water supply network												
	Water supply network	269	3,631	636	916	36,446	69,216	7.0%	44.0%	43.0%	5.0%	1.0%
	Sub-total	269	3,631	636	916	36,446	69,216	7.0%	44.0%	43.0%	5.0%	1.0%
Sewerage network												
	Sewerage network	261	5,915	334	277	16,916	34,139	8.0%	25.0%	46.0%	21.0%	0.0%
	Sub-total	261	5,915	334	277	16,916	34,139	8.0%	25.0%	46.0%	21.0%	0.0%

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Warrumbungle Shire Council

Special Schedules 2019

Report on Infrastructure Assets (continued)

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
Stormwater drainage	Stormwater drainage	58	280	157	327	4,829	8,506	14.0%	10.0%	76.0%	0.0%	0.0%
	Sub-total	58	280	157	327	4,829	8,506	14.0%	10.0%	76.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	3,001	32,062	6,186	6,520	456,433	634,363	48.7%	25.8%	23.0%	2.0%	0.5%

(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 2018	Prior periods 2017	Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	5,182	54.98%	106.99%	64.44%	>=100.00%
Depreciation, amortisation and impairment	9,425				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	3,001	0.66%	0.65%	0.11%	<2.00%
Net carrying amount of infrastructure assets	456,433				
Asset maintenance ratio					
Actual asset maintenance	6,520	105.40%	107.71%	117.62%	>100.00%
Required asset maintenance	6,186				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	32,062	5.05%	5.02%	1.76%	
Gross replacement cost	634,363				

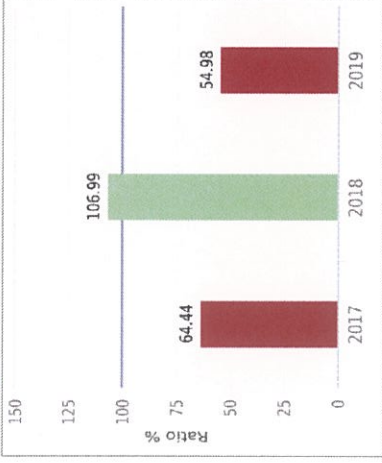
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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



Benchmark: — >= 100.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

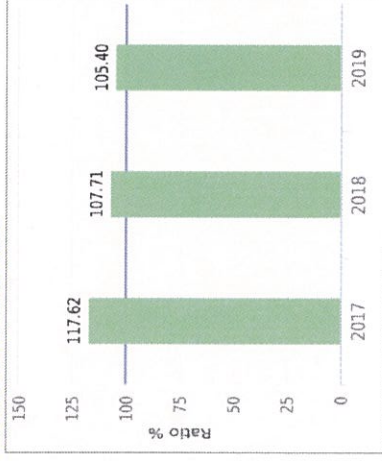
Buildings and infrastructure renewals ratio

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

Commentary on result
18/19 ratio 54.98%

Capital renewals are below the OLG benchmark but year on year are averaging close to the benchmark. Council is working towards allocating more resources to capital 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 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result
18/19 ratio 105.40%

Whilst it is noteworthy that Council is undertaking more than adequate maintenance this ratio compared to the "Infrastructure Renewals" may indicate that there is an imbalance between renewals and maintenance.

Infrastructure backlog ratio



Benchmark: — < 2.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

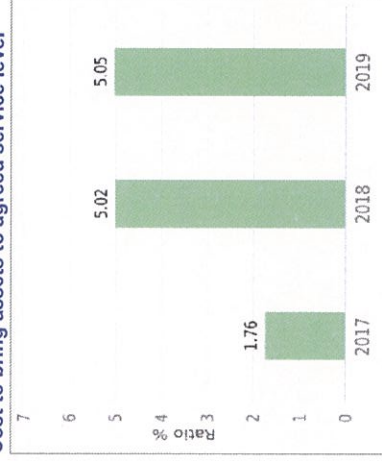
Infrastructure backlog ratio

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

Commentary on result
18/19 ratio 0.66%

The ratio is well under the OLG benchmark and consistent with last year even though Council's asset renewals ratio is lower. The increase in 2018 is primarily due to the Buildings revaluation.

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 5.05%

This jump in 2018 is almost entirely due to the building revaluation which saw the removal of residual values. Effectively increasing depreciation for this asset class by around 150%.

Warrumbungle Shire Council

Special Schedules 2019

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	61.99%	126.26%	25.76%	32.65%	31.51%	30.09%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	0.61%	0.60%	0.74%	0.69%	1.54%	1.52%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	102.13%	105.17%	144.03%	144.19%	82.93%	82.82%	>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	4.24%	4.21%	5.25%	5.27%	17.33%	17.52%	
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.