

# Balranald Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# Balranald Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# General Purpose Financial Statements

for the year ended 30 June 2019

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## Overview

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

70 Market Street  
Balranald NSW 2715

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

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## Balranald Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2019

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Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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


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

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

- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

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



Cr Alan Purtill

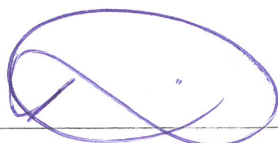
**Mayor**

17 September 2019



Cr Leigh Byron  
**Councillor**

17 September 2019



Mr Michael Kitzelmann

**General Manager**

17 September 2019



Mrs Terri Bilske

**Responsible Accounting Officer**

17 September 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 <sup>1</sup> \$ '000
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
2,690	Rates and annual charges	3a	3,289	2,358
2,017	User charges and fees	3b	2,133	2,076
172	Interest and investment revenue	3c	195	161
570	Other revenues	3d	373	529
6,318	Grants and contributions provided for operating purposes	3e,3f	7,245	7,306
5,167	Grants and contributions provided for capital purposes	3e,3f	3,844	363
<u>Other income:</u>				
–	Net gains from the disposal of assets	5	–	1,109
–	Net share of interests in joint ventures and associates using the equity method	16	1,461	–
16,934	<b>Total income from continuing operations</b>		18,540	13,902
<b>Expenses from continuing operations</b>				
3,584	Employee benefits and on-costs	4a	4,724	4,769
160	Borrowing costs	4b	159	157
2,744	Materials and contracts	4c	2,553	3,323
4,614	Depreciation and amortisation	4d	4,946	3,578
2,273	Other expenses	4e	1,297	1,343
–	Net losses from the disposal of assets	5	101	–
13,375	<b>Total expenses from continuing operations</b>		13,780	13,170
3,559	<b>Operating result from continuing operations</b>		4,760	732
3,559	<b>Net operating result for the year</b>		4,760	732
3,559	Net operating result attributable to council		4,760	732
(1,608)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		916	369

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 <sup>1</sup> \$ '000
<b>Net operating result for the year (as per Income Statement)</b>		<b>4,760</b>	<b>732</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	279	29,057
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>279</b>	<b>29,057</b>
<b>Total other comprehensive income for the year</b>		<b>279</b>	<b>29,057</b>
<b>Total comprehensive income for the year</b>		<b>5,039</b>	<b>29,789</b>
Total comprehensive income attributable to Council		5,039	29,789

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

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

# Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$ '000	2018 <sup>1</sup> \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	5,346	6,446
Investments	6(b)	4,500	3,000
Receivables	7	2,647	571
Inventories	8a	108	50
Other	8b	43	25
<b>Total current assets</b>		<b>12,644</b>	<b>10,092</b>
<b>Non-current assets</b>			
Receivables	7	114	131
Infrastructure, property, plant and equipment	10(a)	143,490	141,852
Intangible assets	11	399	424
Investments accounted for using the equity method	16	1,461	–
<b>Total non-current assets</b>		<b>145,464</b>	<b>142,407</b>
<b>TOTAL ASSETS</b>		<b>158,108</b>	<b>152,499</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	2,094	1,353
Income received in advance	12	70	81
Borrowings	12	265	257
Provisions	13	700	630
<b>Total current liabilities</b>		<b>3,129</b>	<b>2,321</b>
<b>Non-current liabilities</b>			
Payables	12	8	13
Borrowings	12	2,293	2,549
Provisions	13	244	221
<b>Total non-current liabilities</b>		<b>2,545</b>	<b>2,783</b>
<b>TOTAL LIABILITIES</b>		<b>5,674</b>	<b>5,104</b>
<b>Net assets</b>		<b>152,434</b>	<b>147,395</b>
<b>EQUITY</b>			
Accumulated surplus	14a	51,531	46,771
Revaluation reserves	14a	100,903	100,624
<b>Council equity interest</b>		<b>152,434</b>	<b>147,395</b>
<b>Total equity</b>		<b>152,434</b>	<b>147,395</b>

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

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



## Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance		46,771	100,624	147,395	46,039	71,567	117,606
<b>Restated opening balance</b>		<b>46,771</b>	<b>100,624</b>	<b>147,395</b>	<b>46,039</b>	<b>71,567</b>	<b>117,606</b>
Net operating result for the year		4,760	–	4,760	732	–	732
<b>Restated net operating result for the period</b>		<b>4,760</b>	<b>–</b>	<b>4,760</b>	<b>732</b>	<b>–</b>	<b>732</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10(a)	–	279	279	–	29,057	29,057
<b>Other comprehensive income</b>		<b>–</b>	<b>279</b>	<b>279</b>	<b>–</b>	<b>29,057</b>	<b>29,057</b>
<b>Total comprehensive income</b>		<b>4,760</b>	<b>279</b>	<b>5,039</b>	<b>732</b>	<b>29,057</b>	<b>29,789</b>
<b>Equity – balance at end of the reporting period</b>		<b>51,531</b>	<b>100,903</b>	<b>152,434</b>	<b>46,771</b>	<b>100,624</b>	<b>147,395</b>

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

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

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
<b>Cash flows from operating activities</b>				
	<u>Receipts</u>			
2,648	Rates and annual charges		3,206	2,494
2,665	User charges and fees		2,128	2,291
147	Investment and interest revenue received		197	135
10,778	Grants and contributions		9,209	7,753
696	Other		1,136	847
	<u>Payments</u>			
(5,580)	Employee benefits and on-costs		(4,546)	(4,715)
(1,451)	Materials and contracts		(3,289)	(3,456)
(160)	Borrowing costs		(160)	(165)
(1,570)	Other		(1,651)	(1,682)
8,173	<b>Net cash provided (or used in) operating activities</b>	15b	6,230	3,502
<b>Cash flows from investing activities</b>				
	<u>Receipts</u>			
–	Sale of investment securities		11,250	14,700
–	Sale of infrastructure, property, plant and equipment		225	1,931
	<u>Payments</u>			
–	Purchase of investment securities		(12,750)	(17,700)
(7,924)	Purchase of infrastructure, property, plant and equipment		(5,807)	(3,107)
(7,924)	<b>Net cash provided (or used in) investing activities</b>		(7,082)	(4,176)
<b>Cash flows from financing activities</b>				
	<u>Payments</u>			
(249)	Repayment of borrowings and advances		(248)	(257)
(249)	<b>Net cash flow provided (used in) financing activities</b>		(248)	(257)
–	<b>Net increase/(decrease) in cash and cash equivalents</b>		(1,100)	(931)
5,173	Plus: cash and cash equivalents – beginning of year	15a	6,446	7,377
5,173	<b>Cash and cash equivalents – end of the year</b>	15a	5,346	6,446
Additional Information:				
3,000	plus: Investments on hand – end of year	6(b)	4,500	3,000
8,173	<b>Total cash, cash equivalents and investments</b>		9,846	9,446

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 20 – 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 15.

#### (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 10
- (ii) estimated tip remediation provisions – refer Note 13
- (iii) employee benefit provisions – refer Note 13.

## 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.

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

- General purpose operations
- Balranald water supply
- Euston water supply
- Balranald sewerage service
- Euston sewerage service
- 

#### Goods and Services Tax (GST)

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

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

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

#### New accounting standards and interpretations issued not yet effective

##### New accounting standards and interpretations issued but not yet effective

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

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

##### AASB 16 Leases

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

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

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

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

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$4,231 - refer Note 17.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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Of these commitments, approximately \$4,231 relate to short-term leases.

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

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

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

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.

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

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

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The implementation of AASB15 may have some impact on the future recognition of revenues but that impact is not expected to be material for Council's financial performance, financial position or cash flows.

#### **AASB 1058 Income of NFP Entities**

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

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

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

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

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

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

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

The implementation of AASB 1058 may have some impact on the future recognition of revenues but that impact is not expected to be material for Council's financial performance, financial position or cash flows.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

The specific impacts of AASB 2018-8 are not expected to have a material impact on Council's future financial performance, financial position and cash flows.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Functions or activities	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	40	36	696	1,064	(656)	(1,028)	–	–	5	–
Administration	2,039	657	3,506	2,502	(1,467)	(1,845)	100	–	13,514	18,837
Public order and safety	174	265	365	248	(191)	17	147	45	557	342
Health	13	8	68	33	(55)	(25)	–	–	115	282
Environment	384	342	323	412	61	(70)	26	16	7,573	3,697
Community services and education	1,387	1,313	939	1,303	448	10	1,008	868	1,754	1,253
Housing and community amenities	119	97	339	303	(220)	(206)	18	18	6,706	8,355
Water supplies	1,319	1,241	834	663	485	578	–	–	11,730	10,979
Sewerage services	451	404	314	430	137	(26)	–	–	9,868	9,281
Recreation and culture	340	88	441	891	(101)	(803)	171	52	7,966	16,905
Mining, manufacturing and construction	9	21	32	59	(23)	(38)	–	–	377	–
Transport and communication	5,318	3,440	5,181	4,453	137	(1,013)	4,174	1,550	96,706	80,968
Economic affairs	707	671	742	809	(35)	(138)	–	5	1,237	1,600
General Purpose Income	6,240	5,319	–	–	6,240	5,319	4,110	3,872	–	–
<b>Total functions and activities</b>	<b>18,540</b>	<b>13,902</b>	<b>13,780</b>	<b>13,170</b>	<b>4,760</b>	<b>732</b>	<b>9,754</b>	<b>6,426</b>	<b>158,108</b>	<b>152,499</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Governance

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

#### Administration

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

#### Public order and safety

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

#### Health

Includes immunisation, food control, health centres etc.

#### Environment

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

#### Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

#### Housing and community amenities

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

#### Water supplies

#### Sewerage services

#### Recreation and culture

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

#### Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

#### Transport and communication

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### **Economic affairs**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

#### **General Purpose Income**

This includes financial assistance grant funding which has no specific function allocation and is expended in areas of council.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

	2019 \$ '000	2018 \$ '000
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	293	254
Farmland	986	905
Business	750	140
Less: pensioner rebates (mandatory)	(16)	(17)
<b>Rates levied to ratepayers</b>	<b>2,013</b>	<b>1,282</b>
Pensioner rate subsidies received	9	9
<b>Total ordinary rates</b>	<b>2,022</b>	<b>1,291</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	269	221
Water supply services	613	518
Sewerage services	404	346
Less: pensioner rebates (mandatory)	(40)	(39)
<b>Annual charges levied</b>	<b>1,246</b>	<b>1,046</b>
Pensioner subsidies received:		
– Water	3	6
– Sewerage	9	9
– Domestic waste management	9	6
<b>Total annual charges</b>	<b>1,267</b>	<b>1,067</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>3,289</b>	<b>2,358</b>

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

**Accounting policy for rates and charges**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	635	504
Sewerage services	13	7
Waste management services (non-domestic)	62	94
Sewerage services contract aboriginal mission	10	32
Water service contract aboriginal mission	21	63
<b>Total specific user charges</b>	<b>741</b>	<b>700</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Private works – section 67	29	113
Town planning	47	69
Building services	33	16
<b>Total fees and charges – statutory/regulatory</b>	<b>109</b>	<b>198</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aged care	333	336
Caravan park	621	471
Cemeteries	37	30
RMS (formerly RTA) charges (state roads not controlled by Council)	135	219
Swimming centres	5	5
Tourism	19	14
Waste disposal tipping fees	22	11
Water connection fees	9	2
Rent and hire of non-investment property	62	36
Other	40	54
<b>Total fees and charges – other</b>	<b>1,283</b>	<b>1,178</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>2,133</b>	<b>2,076</b>

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	15	9
– Cash and investments	180	152
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>195</u></b>	<b><u>161</u></b>

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

Overdue rates and annual charges (general fund)	8	9
General Council cash and investments	131	121

**Restricted investments/funds – external:**

Water fund operations	36	10
Sewerage fund operations	20	21

<b>Total interest and investment revenue</b>	<b><u>195</u></b>	<b><u>161</u></b>
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**Accounting policy for interest and investment revenue**

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

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

**(d) Other revenues**

Rental income – other council properties	60	40
Legal fees recovery – rates and charges (extra charges)	3	6
Commissions and agency fees	68	57
Diesel rebate	49	54
Insurance claims recoveries	12	8
Bond retention	18	–
Motor vehicle contributions	8	6
Raw water sandpipe sales	30	1
Rebates	29	13
Sales – miscellaneous	7	1
Tourist information centre sales	44	48
Other	45	295
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>373</u></b>	<b><u>529</u></b>

**Accounting policy for other revenue**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	2,018	1,910	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance	2,092	1,962	–	–
<b>Total general purpose</b>	<b>4,110</b>	<b>3,872</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Aged care	941	866	–	–
Bushfire and emergency services	147	41	–	4
Community care	65	2	2	–
Library – per capita	21	25	–	–
Noxious weeds	26	16	–	–
Recreation and culture	–	–	148	27
Storm/flood damage	250	51	–	–
Street lighting	18	18	–	–
Transport (roads to recovery)	255	1,166	–	–
Transport (other roads and bridges funding)	–	–	3,669	332
Crown Land Management	100	–	–	–
Youth week	2	1	–	–
Tourism	–	5	–	–
<b>Total specific purpose</b>	<b>1,825</b>	<b>2,191</b>	<b>3,819</b>	<b>363</b>
<b>Total grants</b>	<b>5,935</b>	<b>6,063</b>	<b>3,819</b>	<b>363</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,311	5,911	–	–
– State funding	624	152	3,805	363
– Other funding	–	–	14	–
	<b>5,935</b>	<b>6,063</b>	<b>3,819</b>	<b>363</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
Notes				
(f) Contributions				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Bushfire services	–	–	25	–
RMS contributions (regional roads, block grant)	1,310	1,243	–	–
<b>Total other contributions – cash</b>	<b>1,310</b>	<b>1,243</b>	<b>25</b>	<b>–</b>
<b>Total other contributions</b>	<b>1,310</b>	<b>1,243</b>	<b>25</b>	<b>–</b>
<b>Total contributions</b>	<b>1,310</b>	<b>1,243</b>	<b>25</b>	<b>–</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>7,245</b>	<b>7,306</b>	<b>3,844</b>	<b>363</b>

**Accounting policy for grants and contributions**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

**Operating grants**

Unexpended at the close of the previous reporting period	56	553
<b>Add:</b> operating grants recognised in the current period but not yet spent	184	23
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(20)	(520)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>220</b>	<b>56</b>

Council has received grant funding for infrastructure projects of a capital nature and these funds are unspent as at 30 June 2019.

**Capital grants**

Unexpended at the close of the previous reporting period	318	50
<b>Add:</b> capital grants recognised in the current period but not yet spent	934	268
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(110)	–
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>1,142</b>	<b>318</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

	2019 \$ '000	2018 \$ '000
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	4,164	3,876
Travel expenses	2	1
Employee leave entitlements (ELE)	416	420
Superannuation – defined contribution plans	358	374
Superannuation – defined benefit plans	87	44
Workers' compensation insurance	130	69
Fringe benefit tax (FBT)	53	27
Training costs (other than salaries and wages)	75	93
Protective clothing	22	14
Medicals	9	17
Recruitment	60	48
Other	11	–
<b>Total employee costs</b>	<b>5,387</b>	<b>4,983</b>
Less: capitalised costs	(663)	(214)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>4,724</b>	<b>4,769</b>
Number of 'full-time equivalent' employees (FTE) at year end	56	50
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	74	71

**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 19 for more information.

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

Interest on loans	159	157
<b>Total interest bearing liability costs expensed</b>	<b>159</b>	<b>157</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>159</b>	<b>157</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
<b>(c) Materials and contracts</b>		
Raw materials and consumables	995	1,081
Contractor and consultancy costs	130	333
– Caravan park management	351	300
– Contractor and consultancy costs – transport	689	1,116
– Waste	137	158
Auditors remuneration <sup>2</sup>	48	70
<b>Legal expenses:</b>		
– Legal expenses: debt recovery	3	–
– Legal expenses: other	80	27
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	112	231
Other	8	7
<b>Total materials and contracts</b>	<b>2,553</b>	<b>3,323</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>2,553</b>	<b>3,323</b>

**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:**

Computers	5	5
Sewer Reconstruction	35	78
Plant	72	148
	<b>112</b>	<b>231</b>

**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	70
<b>Remuneration for audit and other assurance services</b>	<b>48</b>	<b>70</b>

**Total Auditor-General remuneration****Non NSW Auditor-General audit firms****Total remuneration of non NSW Auditor-General audit firms**

	–	–
<b>Total Auditor remuneration</b>	<b>48</b>	<b>70</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 \$ '000	2018 \$ '000
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
<b>Depreciation and amortisation</b>			
Plant and equipment		350	310
Office equipment		12	16
Furniture and fittings		10	8
<b>Infrastructure:</b>			
– Buildings – non-specialised		549	674
– Buildings – specialised		8	8
– Other structures		107	512
– Roads and bridges		3,266	1,495
– Kerb and gutter		63	65
– Footpaths		32	27
– Stormwater drainage		59	31
– Water supply network		263	201
– Sewerage network		157	187
– Swimming pools		23	21
<b>Other assets:</b>			
– Other		22	23
Intangible assets	11	25	–
<b>Total gross depreciation and amortisation costs</b>		<b>4,946</b>	<b>3,578</b>
<b>Total depreciation and amortisation costs</b>		<b>4,946</b>	<b>3,578</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>			
		<b>4,946</b>	<b>3,578</b>

**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 10 for IPPE assets and Note 11 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

	2019 \$ '000	2018 \$ '000
<b>(e) Other expenses</b>		
Advertising	53	77
Bad and doubtful debts	12	–
Bank charges	15	17
Cleaning	17	13
Computer software charges	11	21
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	197	205
– NSW fire brigade levy	14	22
– Region Fire Control Contribution	15	13
Councillor expenses – mayoral fee	26	27
Councillor expenses – councillors' fees	92	92
Councillors' expenses (incl. mayor) – other (excluding fees above)	14	29
Donations, contributions and assistance to other organisations (Section 356)	38	18
Electricity and heating	208	208
Insurance	283	289
Office expenses (including computer expenses)	3	8
Postage	13	16
Printing and stationery	21	37
Street lighting	55	48
Subscriptions and publications	28	10
Telephone and communications	35	39
Tourism expenses (excluding employee costs)	17	93
Valuation fees	73	22
Memberships	44	36
Other	13	3
<b>Total other expenses</b>	<b>1,297</b>	<b>1,343</b>
<b>TOTAL OTHER EXPENSES</b>	<b>1,297</b>	<b>1,343</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Notes	2019 \$ '000	2018 \$ '000
<b>Plant and equipment</b>	10(a)		
Proceeds from disposal – plant and equipment		248	308
Less: carrying amount of plant and equipment assets sold/written off		(349)	(322)
<b>Net gain/(loss) on disposal</b>		<b>(101)</b>	<b>(14)</b>
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		11,250	14,700
Less: carrying amount of investments sold/redeemed/matured		(11,250)	(14,700)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Non-current assets classified as ‘held for sale’</b>	9		
Proceeds from disposal – non-current assets ‘held for sale’		–	1,623
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>1,123</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(101)</b>	<b>1,109</b>

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 \$ '000	2018 \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	439	2,351
Cash-equivalent assets		
– Deposits at call	2,907	2,095
– Short-term deposits	2,000	2,000
<b>Total cash and cash equivalents</b>	<b>5,346</b>	<b>6,446</b>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	4,500	–	3,000	–
<b>Total Investments</b>	<b>4,500</b>	<b>–</b>	<b>3,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>9,846</b>	<b>–</b>	<b>9,446</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	4,500	–	3,000	–
<b>Total</b>	<b>4,500</b>	<b>–</b>	<b>3,000</b>	<b>–</b>

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

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

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

**Financial assets**

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

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

#### Accounting policy under AASB 139 – applicable for 2018 comparatives only

#### Classification

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

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

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

#### (b) Held to maturity investments

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

#### (c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

#### (d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

#### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

#### Impairment of financial assets

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total cash, cash equivalents and investments	9,846	–	9,446	–
<b>attributable to:</b>				
External restrictions	4,091	–	2,950	–
Internal restrictions	5,075	–	5,363	–
Unrestricted	680	–	1,133	–
	9,846	–	9,446	–

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

## External restrictions – other

Specific purpose unexpended grants	1,362	374
Water supplies	1,531	943
Sewerage services	748	1,371
Domestic waste management	400	212
Other contributions	50	50

## External restrictions – other

## Total external restrictions

## Internal restrictions

Plant and vehicle replacement	467	701
Infrastructure replacement	214	214
Employees leave entitlement	269	269
Carry over works	–	427
Deposits, retentions and bonds	13	13
Caravan park reserve	248	202
Euston cemetery	38	38
Gravel pits rehabilitation	234	234
Hostel bonds	432	211
Health reserve	6	6
Lake Benanee capital improvements	1	1
Market St improvements	20	20
Other assets replacement	286	286
Theatre royal improvements	–	5
Town clock	3	3
Financial Assistance Funds	2,092	1,962
Future Development Fund	750	750
Heritage Contribution	–	19
Berrett Park Revitalisation	2	2

## Total internal restrictions

## TOTAL RESTRICTIONS



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Purpose</b>				
Rates and annual charges	153	58	72	56
Interest and extra charges	–	10	–	12
User charges and fees	372	46	236	63
Accrued revenues				
– Interest on investments	30	–	30	–
– Other income accruals	65	–	254	–
Government grants and subsidies	1,883	–	–	–
Net GST receivable	170	–	–	–
<b>Total</b>	<b>2,673</b>	<b>114</b>	<b>592</b>	<b>131</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(21)	–	(21)	–
Other debtors	(5)	–	–	–
<b>Total provision for impairment – receivables</b>	<b>(26)</b>	<b>–</b>	<b>(21)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,647</b>	<b>114</b>	<b>571</b>	<b>131</b>

## Externally restricted receivables

## Water supply

– Rates and availability charges	35	19	14	6
– Other	258	46	213	63

## Sewerage services

– Rates and availability charges	22	13	16	11
– Other	9	–	4	–

<b>Total external restrictions</b>	<b>324</b>	<b>78</b>	<b>247</b>	<b>80</b>
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<b>Unrestricted receivables</b>	<b>2,323</b>	<b>36</b>	<b>324</b>	<b>51</b>
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<b>TOTAL NET RECEIVABLES</b>	<b>2,647</b>	<b>114</b>	<b>571</b>	<b>131</b>
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	2019 \$ '000	2018 \$ '000
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	21	21
+ new provisions recognised during the year	5	–
<b>Balance at the end of the period</b>	<b>26</b>	<b>21</b>

## Accounting policy for receivables

## Recognition and measurement

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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

#### Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 6 years past due, whichever occurs first.

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

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

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
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## (a) Inventories

## (i) Inventories at cost

Stores and materials	63	—	27	—
Trading stock	45	—	23	—
<b>Total inventories at cost</b>	<b>108</b>	<b>—</b>	<b>50</b>	<b>—</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>108</u></b>	<b><u>—</u></b>	<b><u>50</u></b>	<b><u>—</u></b>

## (b) Other assets

Prepayments	43	—	25	—
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>43</u></b>	<b><u>—</u></b>	<b><u>25</u></b>	<b><u>—</u></b>

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Total externally restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total internally restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total unrestricted assets</b>	<b>151</b>	<b>—</b>	<b>75</b>	<b>—</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>151</u></b>	<b><u>—</u></b>	<b><u>75</u></b>	<b><u>—</u></b>

## Accounting policy for inventories and other assets

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

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

## Inventory held for distribution

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

Council did not classify any non-current assets and disposal group assets.

#### (ii) Details of assets and disposal groups

Council did not classify any Details of assets and disposal groups.

#### (iii) Disposal group liabilities

Council did not classify any disposal group liabilities.

#### (iv) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

	2019 Assets 'held for sale' \$ '000	2018 Assets 'held for sale' \$ '000
Opening balance	–	500
Less: carrying value of assets/operations sold	–	(500)
<b>Balance still unsold after 12 months:</b>	–	–
<b>Closing balance of 'held for sale' non-current assets and operations</b>	–	–

#### (v) Reconciliation of discontinued operations related liabilities

Council did not classify any reconciliation of discontinued operations related liabilities.

#### Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	178	–	178	–	–	–	–	6	–	–	184	–	184
Plant and equipment	5,078	(3,111)	1,967	702	194	(266)	(350)	–	–	–	5,440	(3,193)	2,247
Office equipment	407	(355)	52	56	2	–	(12)	–	–	–	465	(367)	98
Furniture and fittings	249	(175)	74	28	7	–	(10)	–	–	–	284	(185)	99
<b>Land:</b>													
– Operational land	3,506	–	3,506	–	9	–	–	–	(105)	–	3,410	–	3,410
– Community land	3,951	–	3,951	–	–	–	–	–	105	–	4,056	–	4,056
Land improvements – non-depreciable	680	–	680	–	–	–	–	–	–	–	680	–	680
Land improvements – depreciable	280	(152)	128	–	–	–	–	–	(16)	–	280	(168)	112
<b>Infrastructure:</b>													
– Buildings – non-specialised	33,979	(12,776)	21,203	27	–	–	(549)	(27)	551	–	33,977	(12,772)	21,205
– Buildings – specialised	894	(301)	593	–	–	–	(8)	–	–	–	894	(309)	585
– Other structures	15,137	(7,794)	7,343	97	510	(83)	(107)	7	(1,008)	–	15,579	(8,820)	6,759
– Roads and bridges	118,357	(43,236)	75,121	1,819	2,173	–	(3,266)	(40)	(19)	–	122,290	(46,502)	75,788
– Kerb and gutter	5,073	(1,253)	3,820	–	–	–	(63)	–	–	–	5,073	(1,316)	3,757
– Footpaths	1,714	(754)	960	23	14	–	(32)	–	–	–	1,751	(786)	965
– Stormwater drainage	4,747	(1,050)	3,697	–	–	–	(59)	12	–	–	4,759	(1,109)	3,650
– Water supply network	15,839	(6,298)	9,541	124	–	–	(263)	(8)	–	153	16,209	(6,662)	9,547
– Sewerage network	11,893	(4,020)	7,873	825	–	–	(157)	53	–	126	12,960	(4,240)	8,720
– Swimming pools	1,649	(948)	701	–	3	–	(23)	(3)	492	–	1,755	(585)	1,170
<b>Other assets:</b>													
– Library books	163	(163)	–	16	–	–	–	–	–	–	179	(163)	16
– Other	652	(188)	464	–	–	–	(22)	–	–	–	652	(210)	442
<b>Total Infrastructure, property, plant and equipment</b>	<b>224,426</b>	<b>(82,574)</b>	<b>141,852</b>	<b>3,717</b>	<b>2,912</b>	<b>(349)</b>	<b>(4,921)</b>	<b>–</b>	<b>–</b>	<b>279</b>	<b>230,877</b>	<b>(87,387)</b>	<b>143,490</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Capital work in progress	871	–	871	–	–	–	–	(520)	(173)	–	178	–	178
Plant and equipment	4,824	(2,834)	1,990	652	–	(322)	(310)	–	(43)	–	5,078	(3,111)	1,967
Office equipment	408	(341)	67	2	–	–	(16)	–	(1)	–	407	(355)	52
Furniture and fittings	227	(167)	60	22	–	–	(8)	–	–	–	249	(175)	74
<b>Land:</b>													
– Operational land	1,478	–	1,478	–	37	–	–	–	–	1,991	3,506	–	3,506
– Community land	498	–	498	–	–	–	–	–	–	3,453	3,951	–	3,951
Land improvements – non-depreciable	680	–	680	–	–	–	–	–	–	–	680	–	680
Land improvements – depreciable	–	–	–	–	–	–	–	–	128	–	280	(152)	128
<b>Infrastructure:</b>													
– Buildings – non-specialised	26,872	(15,928)	10,944	20	–	–	(674)	–	(638)	11,551	33,979	(12,776)	21,203
– Buildings – specialised	358	(68)	290	–	114	–	(8)	–	–	197	894	(301)	593
– Other structures	13,778	(6,258)	7,520	87	–	–	(512)	(5)	253	–	15,137	(7,794)	7,343
– Roads	91,380	(24,381)	66,999	1,728	–	–	(1,495)	435	–	7,454	118,357	(43,236)	75,121
– Footpaths	1,620	(709)	911	–	–	–	(27)	–	–	76	1,714	(754)	960
– Stormwater drainage	2,482	(559)	1,923	431	–	–	(31)	(12)	–	1,386	4,747	(1,050)	3,697
– Water supply network	14,109	(6,031)	8,078	142	–	–	(201)	–	–	1,522	15,839	(6,298)	9,541
– Sewerage network	11,831	(4,649)	7,182	6	–	–	(187)	102	–	818	11,893	(4,020)	7,873
– Swimming pools	1,500	(847)	653	–	–	–	(21)	–	–	69	1,649	(948)	701
– Kerb and gutter	5,715	(2,370)	3,345	–	–	–	(65)	–	–	540	5,073	(1,253)	3,820
<b>Other assets:</b>													
– Library books	–	–	–	–	–	–	–	–	–	–	163	(163)	–
– Other	498	(245)	253	–	–	–	(23)	–	234	–	652	(188)	464
<b>Total Infrastructure, property, plant and equipment</b>	<b>179,129</b>	<b>(65,387)</b>	<b>113,742</b>	<b>3,090</b>	<b>151</b>	<b>(322)</b>	<b>(3,578)</b>	<b>–</b>	<b>(240)</b>	<b>29,057</b>	<b>224,426</b>	<b>(82,574)</b>	<b>141,852</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	20 to 100	Drains	70 to 100
Bores	10 to 50	Culverts	50 to 80
Reticulation pipes: PVC	50 to 80	Flood control structures	20 to 80
Reticulation pipes: other	25 to 50		
Pumps and telemetry	8 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	15	Bulk earthworks	Indefinite
Sealed roads: structure	35 to 150	Swimming pools	25 to 140
Unsealed roads	90 to 150	Other open space/recreational assets	20
Bridge: concrete	80 to 120	Other infrastructure	20
Bridge: other	80 to 120		
Road pavements	35 to 130		
Kerb, gutter and footpaths	40		

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

**Crown reserves**

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

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

**Rural Fire Service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land and buildings but will not recognise plant and vehicles.

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

	2019			2018		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
<b>Water supply</b>						
WIP	8	—	8	—	—	—
Plant and equipment	284	31	253	284	16	268
Land						
– Operational land	34	—	34	34	—	34
Infrastructure	16,209	6,662	9,547	15,839	6,298	9,541
<b>Total water supply</b>	<b>16,535</b>	<b>6,693</b>	<b>9,842</b>	<b>16,157</b>	<b>6,314</b>	<b>9,843</b>
<b>Sewerage services</b>						
WIP	—	—	—	55	—	55
Plant and equipment	285	17	268	246	8	238
Land						
– Operational land	88	—	88	88	—	88
Infrastructure	12,960	4,240	8,720	11,893	4,020	7,873
<b>Total sewerage services</b>	<b>13,333</b>	<b>4,257</b>	<b>9,076</b>	<b>12,282</b>	<b>4,028</b>	<b>8,254</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>29,868</b>	<b>10,950</b>	<b>18,918</b>	<b>28,439</b>	<b>10,342</b>	<b>18,097</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Intangible assets

	2019 \$ '000	2018 \$ '000
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	424	260
<b>Net book value – opening balance</b>	<b>424</b>	<b>260</b>
<b>Movements for the year</b>		
– Purchases	–	124
– Other capitalised costs	–	40
– Amortisation charges	(25)	–
<b>Closing values at 30 June</b>		
Gross book value	424	424
Accumulated amortisation	(25)	–
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b>	<b><u>399</u></b>	<b><u>424</u></b>
<b>The net book value of intangible assets represents:</b>		
– Bidgee haven hostel (bed licences)	300	300
– Software	99	124
	<b>399</b>	<b>424</b>

## 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 12. Payables and borrowings

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Payables</b>				
Goods and services – operating expenditure	290	–	731	–
Goods and services – capital expenditure	1,046	–	224	–
Accrued expenses:				
– Borrowings	7	–	8	–
– Salaries and wages	271	–	173	–
– Other expenditure accruals	16	–	–	–
Security bonds, deposits and retentions	13	–	–	13
ATO – net GST payable	–	–	2	–
Retirement home contributions	432	–	212	–
Other	19	8	3	–
<b>Total payables</b>	<b>2,094</b>	<b>8</b>	<b>1,353</b>	<b>13</b>
<b>Income received in advance</b>				
Payments received in advance	70	–	81	–
<b>Total income received in advance</b>	<b>70</b>	<b>–</b>	<b>81</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	265	2,293	257	2,549
<b>Total borrowings</b>	<b>265</b>	<b>2,293</b>	<b>257</b>	<b>2,549</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>2,429</u></b>	<b><u>2,301</u></b>	<b><u>1,691</u></b>	<b><u>2,562</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Water	114	721	14	891
Payables and borrowings relating to externally restricted assets	114	721	14	891
<b>Total payables and borrowings relating to restricted assets</b>	<b>114</b>	<b>721</b>	<b>14</b>	<b>891</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>2,315</b>	<b>1,580</b>	<b>1,677</b>	<b>1,671</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>2,429</u></b>	<b><u>2,301</u></b>	<b><u>1,691</u></b>	<b><u>2,562</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	432	212
<b>Total payables and borrowings</b>	<b>432</b>	<b>212</b>

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

	as at 30/6/2018					as at 30/6/2019
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000
Loans – secured	2,806	(248)	–	–	–	2,558
<b>TOTAL</b>	<b>2,806</b>	<b>(248)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,558</b>

	as at 30/6/2017					as at 30/6/2018
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	Closing balance \$ '000
Loans – secured	3,063	(257)	–	–	–	2,806
<b>TOTAL</b>	<b>3,063</b>	<b>(257)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,806</b>

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

Bank overdraft facilities <sup>1</sup>	200	200
Credit cards/purchase cards	150	150
<b>Total financing arrangements</b>	<b>350</b>	<b>350</b>

**Drawn facilities as at balance date:**

– Credit cards/purchase cards	6	8
<b>Total drawn financing arrangements</b>	<b>6</b>	<b>8</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	200	200
– Credit cards/purchase cards	144	142
<b>Total undrawn financing arrangements</b>	<b>344</b>	<b>342</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Payables and borrowings (continued)

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#### 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.

##### Accounting policy for payables and borrowings

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

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

##### Payables

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

##### Borrowings

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Provisions

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	366	–	289	–
Long service leave	334	74	341	51
<b>Sub-total – aggregate employee benefits</b>	<b>700</b>	<b>74</b>	<b>630</b>	<b>51</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	170	–	170
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>170</b>	<b>–</b>	<b>170</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>700</u></b>	<b><u>244</u></b>	<b><u>630</u></b>	<b><u>221</u></b>

## (a) Provisions relating to restricted assets

<b>Total provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>700</b>	<b>244</b>	<b>630</b>	<b>221</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>700</u></b>	<b><u>244</u></b>	<b><u>630</u></b>	<b><u>221</u></b>

	<b>2019 \$ '000</b>	<b>2018 \$ '000</b>
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## (b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	405	398
	<b>405</b>	<b>398</b>

## (c) Description of and movements in provisions

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
<b>2019</b>			
At beginning of year	289	392	681
Additional provisions	285	111	396
Amounts used (payments)	(222)	(101)	(323)
Remeasurement effects	9	29	38
Unused amounts reversed	(3)	(26)	(29)
Other – Net Superannuation	8	3	11
<b>Total ELE provisions at end of period</b>	<b>366</b>	<b>408</b>	<b>774</b>
<b>2018</b>			

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

	ELE provisions		
	Annual leave	Long service leave	Total
	\$ '000	\$ '000	\$ '000
At beginning of year	303	497	800
Additional provisions	241	113	354
Amounts used (payments)	(256)	(140)	(396)
Remeasurement effects	6	6	12
Unused amounts reversed	–	(54)	(54)
Other – Net Superannuation	(5)	(30)	(35)
<b>Total ELE provisions at end of period</b>	<b>289</b>	<b>392</b>	<b>681</b>

	Other provisions	
	Asset remediation	Total
	\$ '000	\$ '000
<b>2019</b>		
At beginning of year	170	170
<b>Total other provisions at end of period</b>	<b>170</b>	<b>170</b>
<b>2018</b>		
At beginning of year	170	170
<b>Total other provisions at end of period</b>	<b>170</b>	<b>170</b>

### Nature and purpose of non-employee benefit provisions

#### Asset remediation

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

#### 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 long service 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 long service 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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

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the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### On-costs

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

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

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

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

##### Restoration

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

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

##### Rehabilitation

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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

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

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

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

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

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

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

#### (d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

#### (e) Changes in accounting estimates

##### **Nature and effect of changes in accounting estimates on current year**

Depreciation expense was re-assessed after full infrastructure revaluation was done in the 2017/18 year. Depreciation expense went from \$3,578,000 in 2017/18 year to \$4,921,000 in 2018/19 year.

##### **Nature and effect of changes in accounting estimates on future years**

Depreciation expense was re-assessed after full infrastructure revaluation was done in the 2017/18 year. Depreciation expense went from \$3,578,000 in 2017/18 year to \$4,921,000 in 2018/19 year. This expense will continue to be around \$4,900,000 into future years.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Statement of cash flows - additional information

	Notes	2019 \$ '000	2018 \$ '000
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	5,346	6,446
<b>Balance as per the Statement of Cash Flows</b>		<b>5,346</b>	<b>6,446</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		4,760	732
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		4,946	3,578
Net losses/(gains) on disposal of assets		101	(1,109)
Share of net (profits)/losses of associates/joint ventures using the equity method		(1,461)	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(2,064)	51
Increase/(decrease) in provision for impairment of receivables		5	–
Decrease/(increase) in inventories		(58)	26
Decrease/(increase) in other current assets		5	(25)
Increase/(decrease) in payables		(441)	99
Increase/(decrease) in accrued interest payable		(1)	(8)
Increase/(decrease) in other accrued expenses payable		114	171
Increase/(decrease) in other liabilities		231	106
Increase/(decrease) in provision for employee benefits		93	(119)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>6,230</b>	<b>3,502</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000
Joint ventures	1,461	—	1,461	—
<b>Total</b>	<b>1,461</b>	<b>—</b>	<b>1,461</b>	<b>—</b>

## Joint arrangements

The following information is provided for joint arrangements that are individually material to the Council. Included are the amounts as per the individual joint arrangement's financial statements, adjusted for fair-value adjustments, rather than Council's share.

Council is a member of the Far West Joint Organisation of Councils (FWJO). Details of Council's membership and participation is as follows:

The FWJO is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008.

The FWJO has the same year end date as the Council.

The principal functions of the Far West Joint Organisation will be to:

1. Establish strategic regional priorities for the joint organisation area and develop strategies and plans for delivering these priorities;
2. Provide regional leadership for the joint organisation area and to be an advocate for strategic regional priorities;
3. Identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area;
4. Enhancing strategic capacity to support member councils to deliver services to their communities;
5. Service delivery to provide services directly to communities within the region

The percentage ownership interest held is equivalent to the percentage voting rights for all associates as follows:

FWJO comprises the Councils of the Shires of Balranald, Wentworth, Broken Hill and Central Darling Shire Councils. The Board of the FWJO comprises 4 voting members being the Mayors of the four member Councils, and non voting members being the General Managers of the four member Councils, as well as 3 appointed members from the State Government and Cabinet (non-voting).

Balranald Shire Council, as a member of the FWJO, has a one quarter voting right (25%) in respect to the decisions of the Board.

For the 2018/19 year, no member Councils were required to make contributions to the FWJO.

Members of the FWJO are indemnified from liability for functions and duties carried out or omitted honestly, in good faith and with due care and diligence.

The FWJO has engaged an Executive Officer on a standard Local Government employment contract for 3 years. The contact in the initial year (2018/2019) is \$85,000.

There are no liability issues identified for Council in the short to medium term.

## Far West Joint Organisation 2019

Equity Method \$'000

## Summarised Statement of Financial Position

Current assets	6,369
Non-current assets	42
Current liabilities	(567)
Non-current liabilities	-
<b>Net assets</b>	<b>5,844</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities (continued)

**Summarised Statement of Income and other Comprehensive Income**

Grant funding	6,000
Interest income	<u>2</u>
Total Income from Continuing Operations	6,002

Employee benefits	(100)
Borrowing costs	-
Depreciation and amortisation	(3)
Administration expense	<u>(55)</u>
Total Expense from Continuing Operations	(158)

Profit/(loss) from continuing operations 5,844

Other Comprehensive Income -  
Total Comprehensive Income 5,844

**Summarised Statement of Cash Flows**

Cash flows from operating activities	5,842
Cash flows from investing activities	2
Cash flows from financing activities	-

**Net Increase/(Decrease) in cash and cash equivalents 5,844**

**Reconciliation of carrying amount of interest in the joint arrangement to summarised financial information for FWJO accounted for using the Equity method:**

Balranald Shire Council's share of 25% of Net Assets	1,461
Carrying amount	1,461

**Accounting policy for joint arrangements**

Interests in joint arrangements 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 investee after the date of acquisition. If the Council's share of losses of a joint arrangement equals or exceeds its interest in the joint arrangement, the Council discontinues recognising its share of further losses.

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

Adjustments are made to the joint arrangement'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 17. Commitments

	2019 \$ '000	2018 \$ '000
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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**

Buildings	184	—
Roads	831	—
<b>Total commitments</b>	<b>1,015</b>	<b>—</b>

**These expenditures are payable as follows:**

Within the next year	1,015	—
<b>Total payable</b>	<b>1,015</b>	<b>—</b>

**Sources for funding of capital commitments:**

Future grants and contributions	124	—
Unexpended grants	891	—
<b>Total sources of funding</b>	<b>1,015</b>	<b>—</b>

**Details of capital commitments**

Upgrade Balranald swimming pool  
Resealing roads program

## (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	4	100
<b>Total non-cancellable operating lease commitments</b>	<b>4</b>	<b>100</b>

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

Leased: 1 x Isuzu NPR400 Truck. 5 year lease terminating in September 2019.

**Conditions relating to finance and operating leases:**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. 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	1.90 times employee contributions
Division C	2.50% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

##### *Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$99,222. 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 18. Contingencies and other assets/liabilities not recognised (continued)

The amount of additional contributions included in the total employer contribution advised above is \$32,000. Council's expected contribution to the plan for the next annual reporting period is \$53,583.

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

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

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

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 *	3.50% per annum
Increase in CPI	2.50% per annum

\* Plus promotional increases

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

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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

#### (iv) Other guarantees

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Contingencies and other assets/liabilities not recognised (continued)

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#### 2. Other liabilities

##### (i) Third party claims

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

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

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

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

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

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

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

##### (ii) Infringement notices/fines

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Financial risk management

#### Risk management

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

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

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

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

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

	Carrying value 2019 \$ '000	Carrying value 2018 \$ '000	Fair value 2019 \$ '000	Fair value 2018 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	5,346	6,446	5,346	6,446
Receivables	2,761	702	2,761	702
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	4,500	3,000	4,500	3,000
<b>Total financial assets</b>	<b>12,607</b>	<b>10,148</b>	<b>12,607</b>	<b>10,148</b>
<b>Financial liabilities</b>				
Payables	2,102	1,366	2,102	1,366
Loans/advances	2,558	2,806	2,558	2,806
<b>Total financial liabilities</b>	<b>4,660</b>	<b>4,172</b>	<b>4,660</b>	<b>4,172</b>

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

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

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

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

The risks associated with the instruments held are:

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



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
<b>2019</b>				
Possible impact of a 1% movement in interest rates	99	99	(99)	(99)
<b>2018</b>				
Possible impact of a 1% movement in interest rates	94	94	(94)	(94)

## (b) Credit risk

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

**Receivables – rates and annual charges**

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
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**Credit risk profile****2019**

Gross carrying amount	–	153	27	23	8	211
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**2018**

Gross carrying amount	–	72	23	24	9	128
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**Receivables - non-rates and annual charges**

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
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**2019**

Gross carrying amount	310	1,847	51	278	90	2,576
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Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	5.00%	0.17%
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<b>ECL provision</b>	–	–	–	–	5	5
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**2018**

Gross carrying amount	63	313	8	67	144	595
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Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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<b>ECL provision</b>	–	–	–	–	–	–
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
<b>2019</b>							
Trade/other payables	0.01%	13	2,089	–	–	2,102	2,102
Loans and advances	5.24%	–	383	1,600	575	2,558	2,558
<b>Total financial liabilities</b>		<b>13</b>	<b>2,472</b>	<b>1,600</b>	<b>575</b>	<b>4,660</b>	<b>4,660</b>
<b>2018</b>							
Trade/other payables	0.01%	13	1,353	–	–	1,366	1,366
Loans and advances	6.50%	–	437	1,957	412	2,806	2,806
<b>Total financial liabilities</b>		<b>13</b>	<b>1,790</b>	<b>1,957</b>	<b>412</b>	<b>4,172</b>	<b>4,172</b>

## Loan agreement breaches

There were not any breaches to loan agreements which have occurred during the reporting year.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>2,690</b>	<b>3,289</b>	<b>599</b>	<b>22% F</b>
Council recieved additional rating revenue as a result of two rating categories been rated during the 2018/19 year. \$490,000 for Business Mining Sand and \$138,000 for Business Solar Farms.				
<b>User charges and fees</b>	<b>2,017</b>	<b>2,133</b>	<b>116</b>	<b>6% F</b>
<b>Interest and investment revenue</b>	<b>172</b>	<b>195</b>	<b>23</b>	<b>13% F</b>
Better than expected return on surplus funds invested. In part, due to Council not fully spending all of the capital program budget.				
<b>Other revenues</b>	<b>570</b>	<b>373</b>	<b>(197)</b>	<b>(35)% U</b>
Council over-estimated other revenues when preparing the budget for 2018/2019.				
<b>Operating grants and contributions</b>	<b>6,318</b>	<b>7,245</b>	<b>927</b>	<b>15% F</b>
Additional grant funding received when compared to the 2018/19 original budget, some of which include:				
<ul style="list-style-type: none"> <li>- Financial assistance grant (Commonwealth). An additional \$229,000 was received over budget expectation for the year;</li> <li>- Roads and Maritime Service flood grant funding (State). Approved flood project from 2016/17 year was completed in the 2018/19 year. Funding recieved was \$250,000;</li> <li>- Crown reserve management funding (State). \$100,000 Funding received to undertake plan management of crown reserves;</li> <li>- Roads and Maritime Services repair program (State). An additional \$115,000 received over budget estimates due to 2017/18 repair program not been fully expended in the 2017/18 year. Completed in 2018/19 year;</li> <li>- RMS block, supplementary and traffic grant funding (State). An additional \$50,000 received over budget estimates;</li> <li>- Roads to Recovery funding (Commonwealth) - Council received an additional \$40,000 over budgeted estimate.</li> </ul>				
<b>Capital grants and contributions</b>	<b>5,167</b>	<b>3,844</b>	<b>(1,323)</b>	<b>(26)% U</b>
Council had budgeted for two grant amounts been fully received in the 2018/19 year, but due to project delays, work will carry on into the 2019/20 year. As a result, the following grant amounts were not fully received in 2018/19 year:				
<ul style="list-style-type: none"> <li>- Market Street Revitalisation project (State). Budget was set as \$1,223,000 for 2018/19, but only \$317,000 recieved in 2018/19. A difference of \$906,000. This project will continue into 2019/20 year;</li> <li>- Wooltrack MR67 project (State). Originally budgeted as \$2,775,000 for 2018/19, the project wasn't fully expended as at 30 June 2019. Council recieved \$2,432,000 for the 2018/19 year, leaving a difference of \$343,000 to be recieved in 2019/20 year</li> </ul>				
<b>Net gains from disposal of assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>∞ F</b>
<b>Joint ventures and associates – net profits</b>	<b>-</b>	<b>1,461</b>	<b>1,461</b>	<b>∞ F</b>
Far South West Joint Organisation (JO) was not factored into the setting of the 2018/19 budget as at the time the budget was set, the JO was in its early days of operation.				

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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**EXPENSES**

<b>Employee benefits and on-costs</b>	<b>3,584</b>	<b>4,724</b>	<b>(1,140)</b>	<b>(32)%</b>	<b>U</b>
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The variance is the result of an error in classification of salaries and wages when setting the original budget. When budget was set, wages cost is assigned to projects such as roads maintenance and when the budget documents were prepared, the split back to the salaries and wages line was not done. Hence, materials/ contracts and other expenses are over-stated in terms of budget for the 2018/19 year.

Council also received grant funding which required employment of additional employees for the duration of the projects associated with the grant funding.

<b>Borrowing costs</b>	<b>160</b>	<b>159</b>	<b>1</b>	<b>1%</b>	<b>F</b>
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<b>Materials and contracts</b>	<b>2,744</b>	<b>2,553</b>	<b>191</b>	<b>7%</b>	<b>F</b>
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<b>Depreciation and amortisation</b>	<b>4,614</b>	<b>4,946</b>	<b>(332)</b>	<b>(7)%</b>	<b>U</b>
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<b>Other expenses</b>	<b>2,273</b>	<b>1,297</b>	<b>976</b>	<b>43%</b>	<b>F</b>
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Due to the coding error on salaries and wages variation, other expenses budget overstated as a result. There was also a general cost saving in overall other expenses.

<b>Net losses from disposal of assets</b>	<b>—</b>	<b>101</b>	<b>(101)</b>	<b>∞</b>	<b>U</b>
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Council disposed of 4 plant items which were not considered at the time of setting the 2018/19 budget.

**STATEMENT OF CASH FLOWS**

<b>Net cash provided from (used in) operating activities</b>	<b>8,173</b>	<b>6,230</b>	<b>(1,943)</b>	<b>(24)%</b>	<b>U</b>
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Lower than expected as a result of receiving less than expected overall budgeted grant funding (budgeted cash was \$10,778,000 but only \$9,525,000 actually received), a timing mis-match with certain user fees and charges (budgeted cash was \$2,665,000 and actual received was \$1,761,000). Overall cash flows for expenses were, in total, within budgeted expectation.

<b>Net cash provided from (used in) investing activities</b>	<b>(7,924)</b>	<b>(7,082)</b>	<b>842</b>	<b>(11)%</b>	<b>F</b>
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A delay in capital works programs meant that not all projects were completed by 30 June 2019 and fully funded by 30 June 2019. This has resulted in a mis-match across financial years.

<b>Net cash provided from (used in) financing activities</b>	<b>(249)</b>	<b>(248)</b>	<b>1</b>	<b>0%</b>	<b>F</b>
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>2019</b>	Notes					
<b>Infrastructure, property, plant and equipment</b>	10(a)					
Plant and equipment		30/06/19	–	–	2,247	2,247
Office equipment		30/06/19	–	–	98	98
Furniture and fittings		30/06/19	–	–	99	99
Land – operational		30/06/18	–	3,401	9	3,410
Land community		30/06/18	–	975	3,081	4,056
Land improvements		30/06/18	–	–	792	792
Buildings specialised		30/06/18	–	1,430	19,775	21,205
Buildings non – specialised		30/06/18	–	–	585	585
Other structures		30/06/18	–	–	6,759	6,759
Roads and bridges		30/06/18	–	–	75,788	75,788
Kerb and channels		30/06/18	–	–	3,757	3,757
Footpaths		30/06/18	–	–	965	965
Stormwater drainage		30/06/18	–	–	3,650	3,650
Water supply network		30/06/19	–	–	9,547	9,547
Sewerage network		30/06/19	–	–	8,720	8,720
Swimming pools		30/06/18	–	–	1,170	1,170
Other		30/06/18	–	–	458	458
<b>Total infrastructure, property, plant and equipment</b>			–	5,806	137,500	143,306

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>2018</b>	Notes					
<b>Infrastructure, property, plant and equipment</b>	10(a)					
Plant and equipment		30/06/18	–	–	1,967	1,967
Office equipment		30/06/18	–	–	52	52
Furniture and fittings		30/06/18	–	–	74	74
Land – operational		30/06/18	–	3,506	–	3,506

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Land community		30/06/18	—	975	2,976	3,951
Land improvements		30/06/18	—	—	808	808
Buildings specialised		30/06/18	—	1,430	19,773	21,203
Buildings non – specialised		30/06/18	—	—	593	593
Other structures		30/06/18	—	—	7,343	7,343
Roads and bridges		30/06/18	—	—	75,121	75,121
Kerb and channels		30/06/18	—	—	3,820	3,820
Footpaths		30/06/18	—	—	960	960
Stormwater drainage		30/06/18	—	—	3,697	3,697
Water supply network		30/06/18	—	—	9,541	9,541
Sewerage network		30/06/18	—	—	7,873	7,873
Swimming pools		30/06/18	—	—	701	701
Other		30/06/18	—	—	464	464
<b>Total infrastructure, property, plant and equipment</b>			<b>—</b>	<b>5,911</b>	<b>135,763</b>	<b>141,674</b>

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

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

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

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 & Equipment

##### Plant & Equipment, Office Equipment and Furniture & Fittings

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

- Plant & equipment- Graders, Trucks, rollers, tractors and motor vehicles.
- Office equipment- Computers, photocopies, calculators etc.
- Furniture & Fittings- Chairs, desks and display boards.

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

#### Operational & Community Land

Operational & community Land are based on either the market value approach (level 2) or the cost approach (level 3). Operational Land is represented by actual market values in the Balranald Shire LGA. Operational land was valued based on observable market values (level 2). Community land includes a component of market values, but the bulk of community land was considered to be non observable market evidence and as such have been classified at a level 3.

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

#### Buildings- Non Specialised & Specialised

Non- Specialised & Specialised Buildings have been valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the market or cost approach, with effective date 30 June 2018. The approaches estimated the replacement cost of each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square market based evidence (level) 2 was established for some building assets, the majority of building assets were valued at a level 3.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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#### Other Structures

Other structures comprise of aerodrome runway, lighting, irrigation systems and fencing etc. have been valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, however the revaluation was not applied for Other Structures as the levee banks were accidentally excluded from the revaluation process. Therefore, the asset class could not have the revaluation applied as not all of the asset class was revalued. The approach estimated the replacement cost of the asset by componentising the asset into significant parts. No market evidence (level 2) inputs are available therefore level 3 valuation inputs were used for this asset class.

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

#### Roads, Bridges, Footpaths & Drainage Infrastructure.

Roads comprise roads carriageway, roadside shoulders & Kerb and Gutter and Channels. Bridges comprised of Bridges and Major Culverts. All these asset classes were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018. The approach estimated the replacement cost for each asset by componentising the assets into significant parts using Balranald Shire Council's internal data base of costs. From field observations taken during this revaluation most of the unsealed road network has been reclassified from a formed and paved road asset to a formed only road asset. Further, the useful life of formations was changed to better align with the useful lives of formations by neighbouring Councils. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

Apart from reclassifying certain components of the road network, there had been no change to the valuation process during the reporting period.

#### Water Supply Network

Assets within this class comprise reservoirs, pumping stations and water pipelines.

The cost approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. All Water Supply Network Assets were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018. This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

#### Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The cost approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. All Water Supply Network Assets were valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the cost approach, with effective date 30 June 2018. This valuation is based on inventory information provided by Council validated by onsite inspections and CCTV data. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

#### Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. valued externally by APV Valuers and Asset Management of Level 18, 344 Queen Street Brisbane QLD 4000 using the market or cost approach, with effective date 30 June 2018. The approach estimated the replacement cost for each pool by componentising its significant parts. While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

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

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

	Plant and equipment \$ '000	Office equipment \$ '000	Furniture and fittings \$ '000	Operational land \$ '000	Community Land \$ '000
<b>2018</b>					
<b>Opening balance</b>	1,990	67	60	—	498
Purchases (GBV)	615	1	22	—	—
Disposals (WDV)	(322)	—	—	—	—
Depreciation and impairment	(310)	(16)	(8)	—	—
Adjustments and Transfers	(6)	—	—	—	1
Revaluations	—	—	—	—	2,477
<b>Closing balance</b>	<b>1,967</b>	<b>52</b>	<b>74</b>	<b>—</b>	<b>2,976</b>

<b>2019</b>					
<b>Opening balance</b>	1,967	52	74	—	2,976
Purchases (GBV)	896	58	33	9	—
Disposals (WDV)	(266)	—	—	—	—
Depreciation and impairment	(350)	(12)	(10)	—	—
Adjustments and Transfers	—	—	2	—	105
<b>Closing balance</b>	<b>2,247</b>	<b>98</b>	<b>99</b>	<b>9</b>	<b>3,081</b>

	Land improvement s \$ '000	Buildings non specialised \$ '000	Building specialised \$ '000	Other structures \$ '000	Roads and bridges \$ '000
<b>2018</b>					
<b>Opening balance</b>	680	10,944	290	7,520	66,999
Purchases (GBV)	—	20	113	87	1,728
Depreciation and impairment	—	(674)	(8)	(512)	(1,495)
WIP Transfers	—	—	—	(5)	435
Adjustments and Transfers	128	(638)	6	253	—
Revaluations	—	10,121	192	—	7,454
<b>Closing balance</b>	<b>808</b>	<b>19,773</b>	<b>593</b>	<b>7,343</b>	<b>75,121</b>

<b>2019</b>					
<b>Opening balance</b>	808	19,773	593	7,343	75,121
Purchases (GBV)	—	27	—	607	3,992
Depreciation and impairment	—	(549)	(8)	(107)	(3,266)
WIP Transfers	—	(27)	—	7	(40)
Adjustments and Transfers	(16)	551	—	(1,091)	(19)
<b>Closing balance</b>	<b>792</b>	<b>19,775</b>	<b>585</b>	<b>6,759</b>	<b>75,788</b>

	Kerb and gutter \$ '000	Footpaths \$ '000	Stormwater drainage \$ '000	Water supply network \$ '000	Sewerage network \$ '000
<b>2018</b>					
<b>Opening balance</b>	3,345	911	1,923	8,078	7,182
Purchases (GBV)	—	—	431	142	114

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Fair Value Measurement (continued)

	Kerb and gutter \$ '000	Footpaths \$ '000	Stormwater drainage \$ '000	Water supply network \$ '000	Sewerage network \$ '000
Depreciation and impairment	(65)	(27)	(31)	(201)	(187)
WIP Transfers	—	—	(12)	—	149
Adjustments and Transfers	(43)	20	(132)	—	(155)
Revaluations	583	56	1,518	1,522	770
<b>Closing balance</b>	<b>3,820</b>	<b>960</b>	<b>3,697</b>	<b>9,541</b>	<b>7,873</b>
<b>2019</b>					
<b>Opening balance</b>	3,820	960	3,697	9,541	7,873
Purchases (GBV)	—	37	—	124	825
Depreciation and impairment	(63)	(32)	(59)	(263)	(157)
WIP Transfers	—	—	12	(8)	53
Revaluations	—	—	—	153	126
<b>Closing balance</b>	<b>3,757</b>	<b>965</b>	<b>3,650</b>	<b>9,547</b>	<b>8,720</b>
			Swimming pool \$ '000	Other assets \$ '000	Total \$ '000
<b>2018</b>					
<b>Opening balance</b>			653	253	111,393
Purchases (GBV)			—	—	3,273
Disposals (WDV)			—	—	(322)
Depreciation and impairment			(21)	(23)	(3,578)
WIP Transfers			—	—	567
Adjustments and Transfers			(3)	234	(335)
Revaluations			72	—	24,765
<b>Closing balance</b>			<b>701</b>	<b>464</b>	<b>135,763</b>
<b>2019</b>					
<b>Opening balance</b>			701	464	135,763
Purchases (GBV)			3	16	6,627
Disposals (WDV)			—	—	(266)
Depreciation and impairment			(23)	(22)	(4,921)
WIP Transfers			(3)	—	(6)
Adjustments and Transfers			—	—	(468)
Revaluations			492	—	771
<b>Closing balance</b>			<b>1,170</b>	<b>458</b>	<b>137,500</b>

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

There were no transfers between FV hierarchy.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. 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.

	Fair value (30/6/19) \$ '000	Valuation technique/s	Unobservable inputs
<b>c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.</b>			
<b>Infrastructure, property, plant and equipment</b>			
Plant and equipment	2,247	Replacement Cost	Current Replacement Cost, Remaining Useful Life, Residual Value
Office equipment	98	Replacement Cost	Current Replacement Cost, Remaining Useful Life
Furniture and fittings	99	Replacement Cost	Current Replacement Cost, Remaining Useful Life
Operational land	9	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Community Land	3,081	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Land improvements	792	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Buildings non specialised	19,775	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Building specialised	585	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other structures	6,759	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Roads and bridges	75,788	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Kerb and gutter	3,757	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Footpaths	965	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Stormwater drainage	3,650	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Water supply network	9,547	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Sewerage network	8,720	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Swimming pool	1,170	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other assets	458	Fair Value	Current Replacement Cost, Remaining Useful Life, Residual Value

## (4) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Related Party Transactions

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#### (a) Key management personnel

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

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

	2019 \$ '000	2018 \$ '000
<b>Compensation:</b>		
Short-term benefits	784	719
Termination benefits	26	–
<b>Total</b>	<b>810</b>	<b>719</b>

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

### Note 23. Events occurring after the reporting date

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

### Note 24. Statement of developer contributions

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Council currently has no S94 developer contribution plans or S94 funds on hand from prior years.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. Financial result and financial position by fund

	General <sup>1</sup> 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	2,209	671	409
User charges and fees	1,338	779	16
Interest and investment revenue	140	35	20
Other revenues	312	51	10
Grants and contributions provided for operating purposes	7,242	–	3
Grants and contributions provided for capital purposes	3,844	–	–
<b>Other income</b>			
Share of interests in joint ventures and associates using the equity method	1,461	–	–
<b>Total income from continuing operations</b>	<b>16,546</b>	<b>1,536</b>	<b>458</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	4,453	215	56
Borrowing costs	108	51	–
Materials and contracts	2,262	208	83
Depreciation and amortisation	4,503	278	165
Other expenses	1,011	218	68
Net losses from the disposal of assets	101	–	–
<b>Total expenses from continuing operations</b>	<b>12,438</b>	<b>970</b>	<b>372</b>
<b>Operating result from continuing operations</b>	<b>4,108</b>	<b>566</b>	<b>86</b>
<b>Net operating result for the year</b>	<b>4,108</b>	<b>566</b>	<b>86</b>
<b>Net operating result attributable to each council fund</b>	<b>4,108</b>	<b>566</b>	<b>86</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>264</b>	<b>566</b>	<b>86</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 25. Financial result and financial position by fund (continued)

	General <sup>1</sup> 2019 \$ '000	Water 2019 \$ '000	Sewer 2019 \$ '000
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,167	931	248
Investments	3,400	600	500
Receivables	2,323	293	31
Inventories	108	—	—
Other	43	—	—
<b>Total current assets</b>	<b>10,041</b>	<b>1,824</b>	<b>779</b>
<b>Non-current assets</b>			
Receivables	36	65	13
Infrastructure, property, plant and equipment	124,572	9,842	9,076
Investments accounted for using the equity method	1,461	—	—
Intangible assets	399	—	—
<b>Total non-current assets</b>	<b>126,468</b>	<b>9,907</b>	<b>9,089</b>
<b>TOTAL ASSETS</b>	<b>136,509</b>	<b>11,731</b>	<b>9,868</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	2,091	3	—
Income received in advance	70	—	—
Borrowings	154	111	—
Provisions	700	—	—
<b>Total current liabilities</b>	<b>3,015</b>	<b>114</b>	<b>—</b>
<b>Non-current liabilities</b>			
Payables	8	—	—
Borrowings	1,572	721	—
Provisions	244	—	—
<b>Total non-current liabilities</b>	<b>1,824</b>	<b>721</b>	<b>—</b>
<b>TOTAL LIABILITIES</b>	<b>4,839</b>	<b>835</b>	<b>—</b>
<b>Net assets</b>	<b>131,670</b>	<b>10,896</b>	<b>9,868</b>
<b>EQUITY</b>			
Accumulated surplus	44,787	3,946	2,798
Revaluation reserves	86,883	6,950	7,070
<b>Council equity interest</b>	<b>131,670</b>	<b>10,896</b>	<b>9,868</b>
<b>Total equity</b>	<b>131,670</b>	<b>10,896</b>	<b>9,868</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(444)	(3.35)%	(5.95)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	13,235			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	5,960	34.90%	39.82%	>60.00%
Total continuing operating revenue <sup>1</sup>	17,079			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	8,229	3.78x	4.06x	>1.50x
Current liabilities less specific purpose liabilities	2,178			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	4,661	11.45x	7.23x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	407			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	200	5.89%	4.60%	<10.00%
Rates, annual and extra charges collectible	3,396			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	9,846	11.94 mths	11.03 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	824			

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

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>(9.75)%</b>	(9.19)%	<b>36.85%</b>	31.31%	<b>18.78%</b>	(38.82)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>26.31%</b>	30.50%	<b>100.00%</b>	100.00%	<b>99.34%</b>	97.88%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>3.78x</b>	4.06x	<b>16.00x</b>	83.57x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>11.84x</b>	7.97x	<b>8.14x</b>	5.33x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>4.87%</b>	4.57%	<b>7.85%</b>	3.11%	<b>8.20%</b>	7.34%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>10.16</b>	11.81	<b>24.46</b>	5.47	<b>43.36</b>	3.68	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

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

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

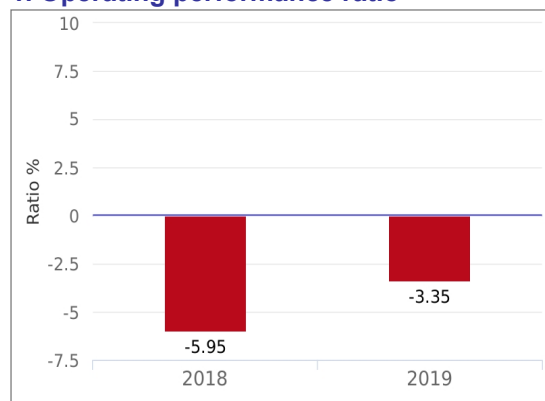


## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 26(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 (3.35)%

Council has been actively improving in rates and user charges revenue, but unfortunately this ratio is still under the minimum benchmark of 0.00%. There has been a slight improvement when compared to previous year. Grant funding remains the main source of revenue for Council.

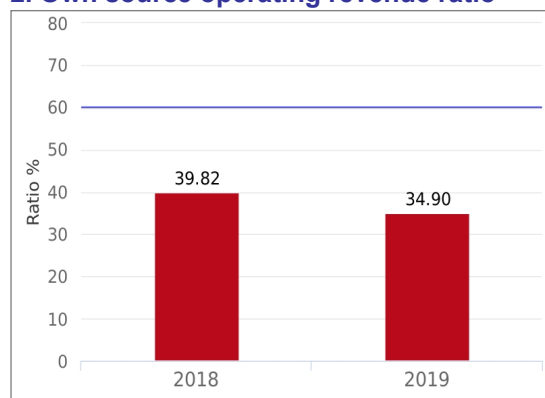
Benchmark: — > 0.00%

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 34.90%

Unfortunately, Council will struggle to ever achieve the minimum 60% benchmark as the shire doesn't have sufficient rating base to raise revenue from in the form of rates and annual charges.

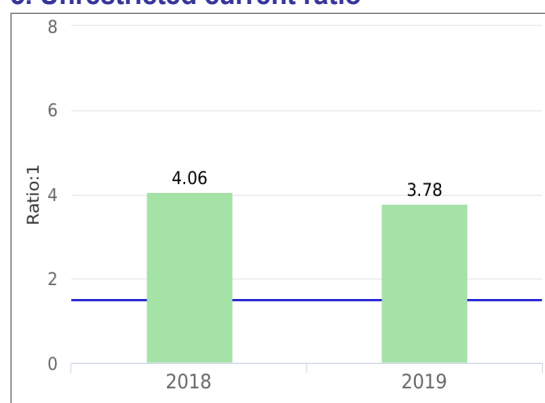
Benchmark: — > 60.00%

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 3.78x

Continues to be a strong result for Council. Council received part of the 2019/20 Financial Assistance Grant in advance again.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

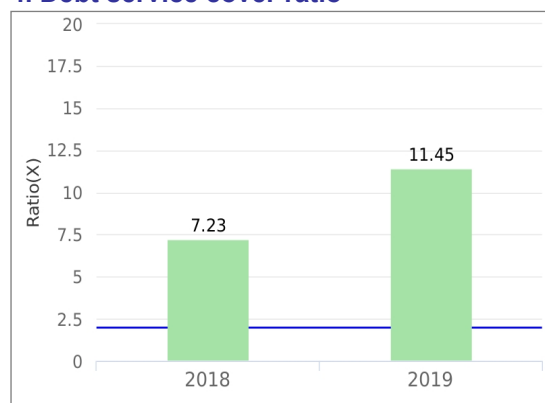
Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 26(c). Statement of performance measures – consolidated results (graphs)

## 4. Debt service cover ratio



## Purpose of debt service cover ratio

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

## Commentary on 2018/19 result

2018/19 ratio 11.45x

Council has not taken on any new loans during the 2018/19 year. The outstanding loan balances continues to decrease, helping to improve this ratio.

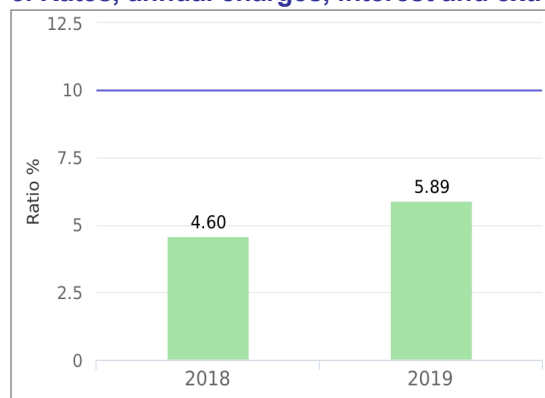
Benchmark: — > 2.00x

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 5.89%

Council continues to actively collect outstanding rates and charges.

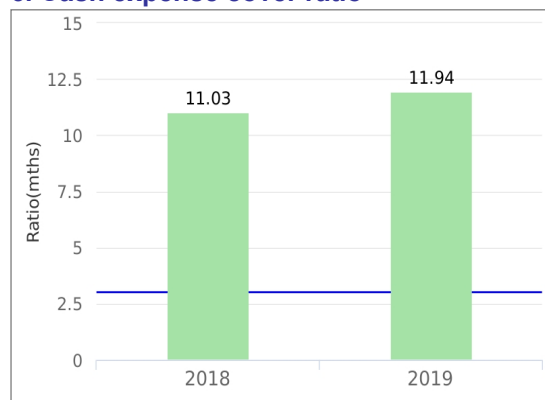
Benchmark: — < 10.00%

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 11.94 mths

Council receiving part of the 2019/20 Financial Assistance Grant before 30 June 2019 has helped to return a strong cash expense cover ratio result. Council continues to improve its overall cash holdings.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

## Balranald Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 27. Segment reporting

	2019 \$ '000	2018 \$ '000
<b>Residential Aged Care: Bidgee Haven Hostel</b>		
<b>Income Statement</b>		
<b>Income from Continuing Operations</b>		
Residential Fees	358	327
Respite Care Subsidies	941	866
Interest on entry Contributions	7	4
Other	23	3
<b>Total Income from Continuing Operations</b>	<b>1,329</b>	<b>1,200</b>
<b>Expenses from Continuing Operations</b>		
Employee Costs	906	834
Consultancy Costs	6	7
Care and Catering Costs	58	54
Cleaning and Laundry Expenses	12	11
Administration Cost	54	64
Repairs and Maintenance	47	51
Insurance	13	14
Utilities Costs	38	20
General Expenses	20	11
Depreciation	58	69
<b>Total Expenses from Continuing Operations</b>	<b>1,212</b>	<b>1,135</b>
<b>Operating Result from Continuing Operations</b>	<b>117</b>	<b>65</b>
<b>Net Operating Result for the Year</b>	<b>117</b>	<b>65</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>117</b>	<b>65</b>

## Balranald Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 27. Segment reporting (continued)

	2019 \$ '000	2018 \$ '000
<b>Residential Aged Care: Bidgee Haven Hostel</b>		
<b>Balance Sheet</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Investments	432	211
Other	1	–
<b>Total Current Assets</b>	<b>433</b>	<b>211</b>
<b>Non-Current Assets</b>		
Office Equipment	24	27
Furniture and Fittings	21	17
Buildings	2,588	2,639
Intangible Assets	300	300
<b>Total Non-Current Assets</b>	<b>2,933</b>	<b>2,983</b>
<b>TOTAL ASSETS</b>	<b>3,366</b>	<b>3,194</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Subsidy from Council	413	569
Provisions	51	70
<b>Total Current Liabilities</b>	<b>464</b>	<b>639</b>
<b>Non-Current Liabilities</b>		
Hostel Bonds	432	211
Provisions	14	5
<b>Total Non-Current Liabilities</b>	<b>446</b>	<b>216</b>
<b>TOTAL LIABILITIES</b>	<b>910</b>	<b>855</b>
<b>Net Assets</b>	<b>2,456</b>	<b>2,339</b>
<b>EQUITY</b>		
Retained earnings B/FWD	234	169
Revaluation Reserves	2,105	2,105
Operating result for year	117	65
<b>Total Equity</b>	<b>2,456</b>	<b>2,339</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 28. Council information and contact details

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**Principal place of business:**

70 Market street  
BALRANALD NSW 2715

**Contact details**

**Mailing Address:**

PO Box 120  
BALRANALD NSW 2715

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Telephone:** 03 5020 1300

**Facsimile:** 03 5020 1620

**Internet:** [www.balranald.nsw.gov.au](http://www.balranald.nsw.gov.au)

**Email:** [council@balranald.nsw.gov.au](mailto:council@balranald.nsw.gov.au)

**Officers**

**General Manager**

Mr Michjael Kitzelmann

**Responsible Accounting Officer Title**

Mrs Terri Bilske

**Public Officer**

Mrs Terri Bilske

**Auditors**

Auditor General of NSW  
Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney  
NSW 2000

**Elected members**

**Mayor**

Cr A Purtill

**Councillors**

Cr L Byron  
Cr J Mannix  
Cr G Urgate  
Cr T Jolliffe  
Cr S O'Halloran  
Cr J Roberts  
Cr D Allen



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Balranald Shire Council

To the Councillors of Balranald Shire Council

### Opinion

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

In my opinion:

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

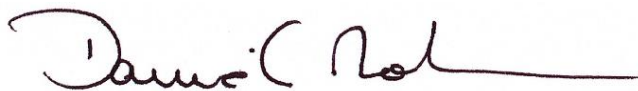
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY





Cr Alan Purtill  
Mayor  
Balranald Shire Council  
PO Box 120  
Balranald NSW 2715

Contact: David Nolan  
Phone no: 02 9275 7377  
Our ref: D1925892/1687

28 October 2019

Dear Mayor

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

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

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

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

## **INCOME STATEMENT**

### **Operating result**

	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	3.29	2.36	↑ 39.4
Grants and contributions revenue	11.09	7.67	↑ 44.6
Operating result for the year	4.76	0.73	↑ 552
Net operating result before capital grants and contributions	0.92	0.37	↑ 149

Council's operating result (\$4.76 million including the effect of depreciation and amortisation expense of \$4.95 million) was \$4.03 million higher than the 2017–18 result. This was mainly due to increased capital grants and contributions and the recognition of Council's share of the net assets of the Far South West Joint Organisation (FSWJO) amounting to \$1.46 million.

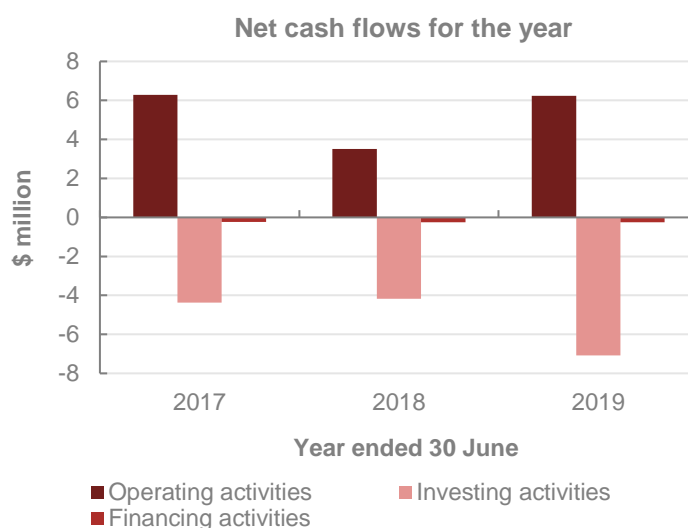
The net operating result before capital grants and contributions (\$916,000) was \$547,000 higher than the 2017–18 result. This was mainly due to the recognition of Council's share of the net assets of the FSWJO noted above.

Rates and annual charges revenue (\$3.29 million) increased by \$931,000 (39 per cent) in 2018–2019. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 10 per cent in 2018–19. Additional rating income was also generated due to supplementary valuations issued by the Valuer-General during the year.

Grants and contributions revenue (\$11.09 million) increased by \$3.42 million (45 per cent) in 2018–2019 due to additional receipts of capital grants for road projects.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$1.1 million to \$5.3 million at the close of the year.
- The decrease is mainly due to investing in longer term investments.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	4.1	3.0	<ul style="list-style-type: none"> <li>External restrictions include unspent specific purpose grants and domestic waste management charges, and water and sewerage funds.</li> <li>Balances are internally restricted due to Council policy or decisions for forward plans including works program.</li> <li>Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>
Internal restrictions	5.1	5.4	
Unrestricted	0.7	1.1	
<b>Cash and investments</b>	<b>9.9</b>	<b>9.5</b>	

### Debt

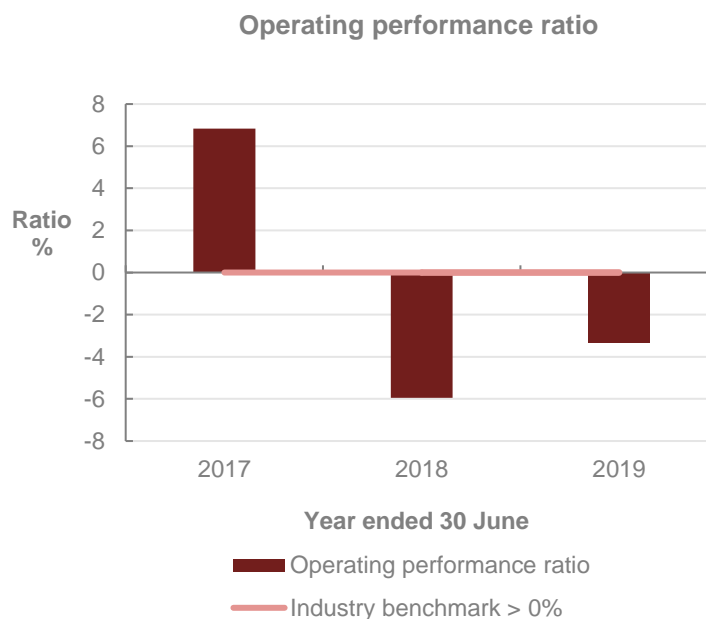
After repaying principal and interest of \$407,000, total debt as at 30 June 2019 was \$2.6 million (2018: \$2.8 million).

## PERFORMANCE

### Operating performance ratio

- Council's operating performance indicator of -3.4 per cent in 2018–19 (-6 per cent in 2017–18) failed to meet the industry benchmark.
- This is mainly due to a reduction in the operating result before capital items after excluding the effects of recognising Council's share of the FSWJO.

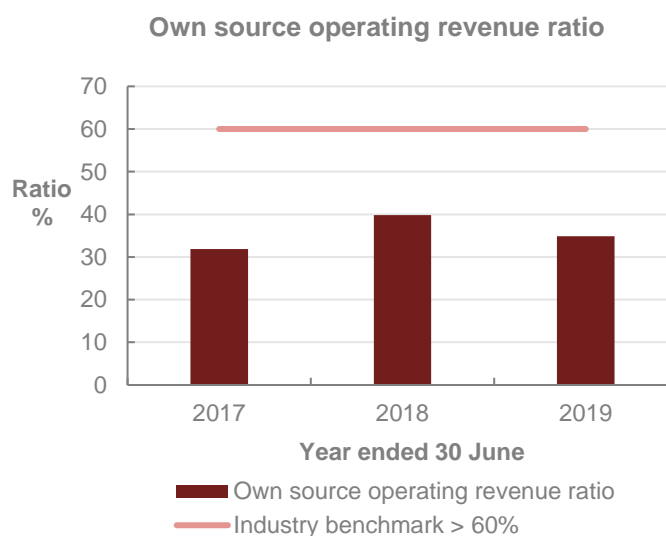
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

- Council's own source operating revenue ratio of 34.9 per cent in 2018–19 (39.8 per cent in 2017–18) failed to meet the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.

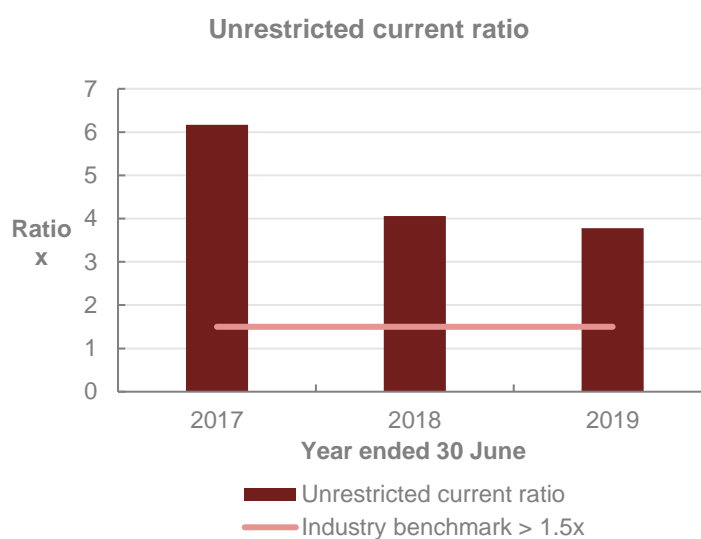
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

- This ratio indicated that Council had 3.8 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities.
- Council's unrestricted current ratio decreased to 3.8 as at 30 June 2019 (4.1 for 2018) and exceeded the industry benchmark.

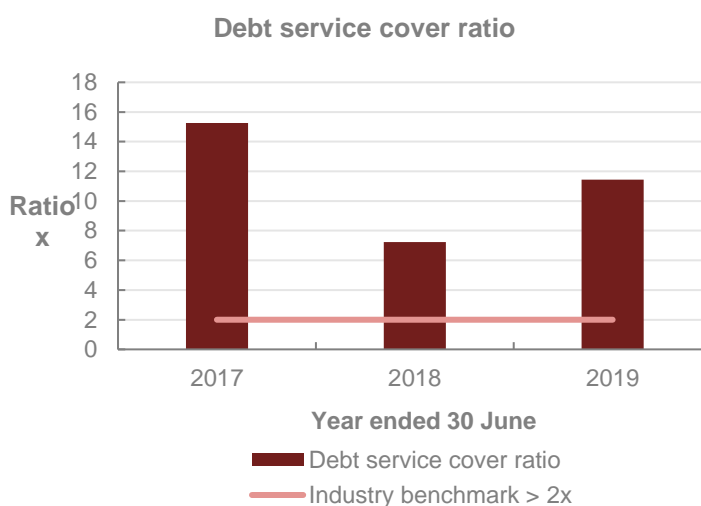
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Debt service cover ratio

- The debt service cover ratio for 2018–19 was 11.5 (7.2 in 2017–18) which is above the industry benchmark.

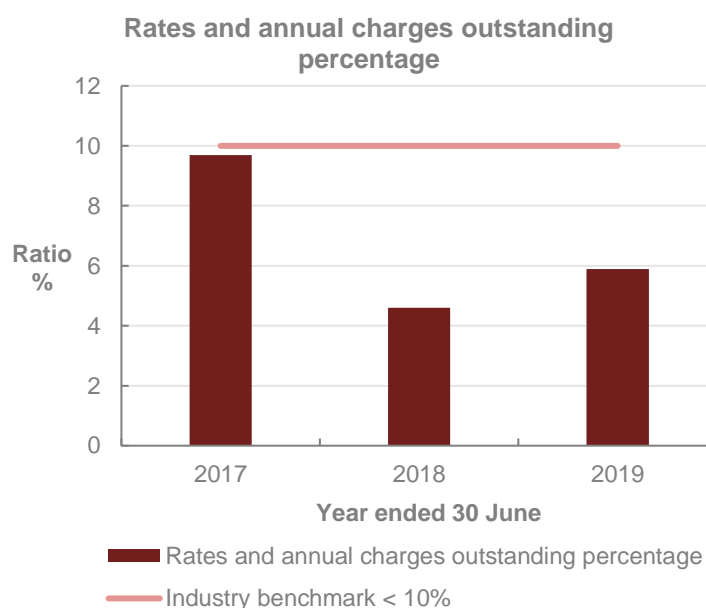
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

- Council's indicator of 5.9 per cent as at 30 June 2019 (4.6 per cent as at 30 June 2018) met the benchmark.

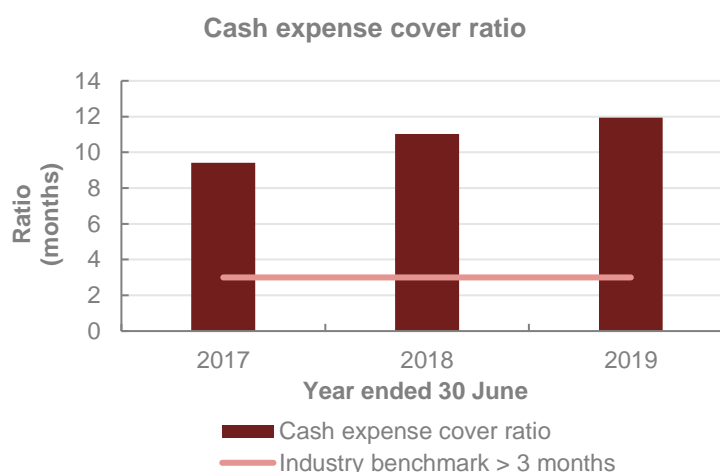
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

- Council's cash expense cover ratio of 11.9 months for 2018–19 (11 months for 2017–18) exceeded the benchmark.

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



## Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$3.7 million compared \$3.1 million for the prior year
- The level of asset renewals during the year represented 76 percent of the total depreciation expense (\$4.9 million) for the year.

## OTHER MATTERS

### New accounting standards implemented

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

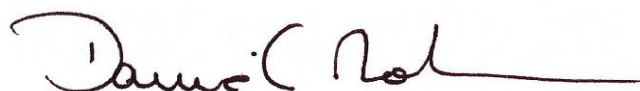
### Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Michael Kitzelmann, General Manager  
Rosanne Kava, Chair of Audit Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Balranald Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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## Special Purpose Financial Statements

for the year ended 30 June 2019

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### 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).



## Balranald Shire Council

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

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

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

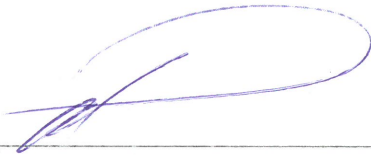
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

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

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

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



Cr Alan Purtill  
Mayor  
17 September 2019



Cr Leigh Byron  
Councillor  
17 September 2019



Mr Michael Kitzelmann  
General Manager  
17 September 2019



Mrs Terri Bilske  
Responsible Accounting Officer  
17 September 2019

# Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
<b>Income from continuing operations</b>		
Access charges	671	574
User charges	776	654
Fees	3	1
Interest	35	10
Other income	51	64
<b>Total income from continuing operations</b>	<b>1,536</b>	<b>1,303</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	215	197
Borrowing costs	51	51
Materials and contracts	208	223
Depreciation, amortisation and impairment	278	218
Water purchase charges	24	29
Other expenses	194	177
<b>Total expenses from continuing operations</b>	<b>970</b>	<b>895</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>566</b>	<b>408</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>566</b>	<b>408</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>566</b>	<b>408</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(156)	(112)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>410</b>	<b>296</b>
<b>Plus accumulated surplus</b>	<b>3,380</b>	<b>2,972</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	156	112
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>3,946</b>	<b>3,380</b>
<b>Return on capital %</b>	<b>6.3%</b>	<b>4.7%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	410	296
<b>Surplus for dividend calculation purposes</b>	<b>410</b>	<b>296</b>
<b>Potential dividend calculated from surplus</b>	<b>205</b>	<b>148</b>

# Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

	2019 \$ '000	2018 \$ '000
<b>Income from continuing operations</b>		
Access charges	409	356
User charges	13	6
Fees	3	1
Interest	20	21
Grants and contributions provided for non-capital purposes	3	9
Other income	10	32
<b>Total income from continuing operations</b>	<b>458</b>	<b>425</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	56	49
Materials and contracts	83	277
Depreciation, amortisation and impairment	165	195
Other expenses	68	69
<b>Total expenses from continuing operations</b>	<b>372</b>	<b>590</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>86</b>	<b>(165)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>86</b>	<b>(165)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>86</b>	<b>(165)</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(24)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>62</b>	<b>(165)</b>
<b>Plus accumulated surplus</b>	<b>2,712</b>	<b>2,877</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	24	–
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>2,798</b>	<b>2,712</b>
<b>Return on capital %</b>	<b>0.9%</b>	<b>(2.0)%</b>
<b>Subsidy from Council</b>	<b>34</b>	<b>382</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	62	(165)
<b>Surplus for dividend calculation purposes</b>	<b>62</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>31</b>	<b>–</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	931	343
Investments	600	600
Receivables	293	227
<b>Total current assets</b>	<b>1,824</b>	<b>1,170</b>
<b>Non-current assets</b>		
Receivables	65	69
Infrastructure, property, plant and equipment	9,842	9,843
<b>Total non-current assets</b>	<b>9,907</b>	<b>9,912</b>
<b>TOTAL ASSETS</b>	<b>11,731</b>	<b>11,082</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	3	3
Borrowings	111	11
<b>Total current liabilities</b>	<b>114</b>	<b>14</b>
<b>Non-current liabilities</b>		
Borrowings	721	891
<b>Total non-current liabilities</b>	<b>721</b>	<b>891</b>
<b>TOTAL LIABILITIES</b>	<b>835</b>	<b>905</b>
<b>NET ASSETS</b>	<b>10,896</b>	<b>10,177</b>
<b>EQUITY</b>		
Accumulated surplus	3,946	3,380
Revaluation reserves	6,950	6,797
<b>TOTAL EQUITY</b>	<b>10,896</b>	<b>10,177</b>

## Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

	2019 \$ '000	2018 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	248	121
Investments	500	1,250
Receivables	31	20
<b>Total current assets</b>	<b>779</b>	<b>1,391</b>
<b>Non-current assets</b>		
Receivables	13	11
Infrastructure, property, plant and equipment	9,076	8,254
<b>Total non-current assets</b>	<b>9,089</b>	<b>8,265</b>
<b>TOTAL ASSETS</b>	<b>9,868</b>	<b>9,656</b>
<b>NET ASSETS</b>	<b>9,868</b>	<b>9,656</b>
<b>EQUITY</b>		
Accumulated surplus	2,798	2,712
Revaluation reserves	7,070	6,944
<b>TOTAL EQUITY</b>	<b>9,868</b>	<b>9,656</b>

## 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)

Nil

##### Category 2

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

##### a. Balranald Shire Council combined water supplies

Comprising the whole of the operations and assets of the raw and filtered water supply systems, that services the towns of Balranald and Euston.

##### b. Balranald Shire Council sewerage service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems, that services the towns of Balranald and Euston.

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

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

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#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

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

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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**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**

#### **Balranald Shire Council**

To the Councillors of Balranald Shire Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Balranald 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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Emphasis of Matter - Basis of Accounting.

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

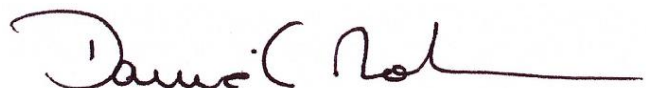
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

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

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

My opinion does not provide assurance:

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

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY

# Balranald Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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## Special Schedules

for the year ended 30 June 2019

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#### **Special Schedules**

Permissible income for general rates

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# Permissible income for general rates

for the year ended 30 June 2019

		Calculation 2019/20 \$ '000	Calculation 2018/19 \$ '000
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	1,480	1,334
Plus or minus adjustments <sup>2</sup>	b	641	14
<b>Notional general income</b>	$c = a + b$	<b>2,121</b>	<b>1,348</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	10.00%	10.00%
Plus special variation amount	$h = d \times (c + g)$	212	135
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>2,333</b>	<b>1,483</b>
Plus (or minus) last year's carry forward total	l	3	—
<b>Sub-total</b>	$n = (l + m)$	<b>3</b>	<b>—</b>
<b>Total permissible income</b>	$o = k + n$	<b>2,336</b>	<b>1,483</b>
Less notional general income yield	p	2,510	1,480
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>(174)</b>	<b>3</b>
<b>Carry forward to next year <sup>4</sup></b>	$t = q + r + s$	<b>(174)</b>	<b>3</b>

## Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) 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

#### Balranald Shire Council

To the Councillors of Balranald Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

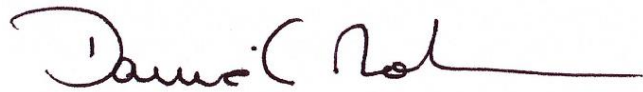
Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

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



My opinion does not provide assurance:

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

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019  
SYDNEY

# Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Buildings	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	557	418	18	5	21,205	33,977	0.0%	30.0%	62.0%	6.0%	2.0%
	Buildings – specialised	—	—	162	113	585	894	95.0%	0.0%	0.0%	0.0%	5.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>557</b>	<b>418</b>	<b>180</b>	<b>118</b>	<b>21,790</b>	<b>34,871</b>	<b>2.4%</b>	<b>29.2%</b>	<b>60.4%</b>	<b>5.8%</b>	<b>2.2%</b>
<b>Other structures</b>	Other structures	329	1,307	206	113	6,759	15,579	5.0%	42.0%	43.0%	10.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>329</b>	<b>1,307</b>	<b>206</b>	<b>113</b>	<b>6,759</b>	<b>15,579</b>	<b>5.0%</b>	<b>42.0%</b>	<b>43.0%</b>	<b>10.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	202	759	1,177	909	40,042	63,684	89.0%	10.0%	0.0%	1.0%	0.0%
	Unsealed roads	1,845	1,384	347	1,002	29,759	55,763	10.0%	15.0%	46.0%	25.0%	4.0%
	Bridges	—	—	—	—	2,230	2,843	7.0%	0.0%	93.0%	0.0%	0.0%
	Footpaths	10	93	24	20	965	1,751	0.0%	21.0%	74.0%	5.0%	0.0%
	Other road assets	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and channels	—	—	18	5	3,757	5,073	30.0%	43.0%	24.0%	3.0%	0.0%
	<b>Sub-total</b>	<b>2,057</b>	<b>2,236</b>	<b>1,566</b>	<b>1,936</b>	<b>76,753</b>	<b>129,114</b>	<b>49.5%</b>	<b>13.4%</b>	<b>23.9%</b>	<b>11.5%</b>	<b>1.7%</b>
<b>Water supply network</b>	Water supply network	964	2,445	607	423	9,547	16,209	20.0%	9.0%	50.0%	16.0%	5.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>964</b>	<b>2,445</b>	<b>607</b>	<b>423</b>	<b>9,547</b>	<b>16,209</b>	<b>20.0%</b>	<b>9.0%</b>	<b>50.0%</b>	<b>16.0%</b>	<b>5.0%</b>
<b>Sewerage network</b>	Sewerage network	414	1,086	249	101	8,720	12,960	7.0%	51.0%	30.0%	7.0%	5.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>414</b>	<b>1,086</b>	<b>249</b>	<b>101</b>	<b>8,720</b>	<b>12,960</b>	<b>7.0%</b>	<b>51.0%</b>	<b>30.0%</b>	<b>7.0%</b>	<b>5.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	73	164	10	3	3,650	4,759	16.0%	83.0%	1.0%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>73</b>	<b>164</b>	<b>10</b>	<b>3</b>	<b>3,650</b>	<b>4,759</b>	<b>16.0%</b>	<b>83.0%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>0.0%</b>

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring to the agreed level of service set by Council		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Open space / recreational assets	Swimming pools	27	257	45	45	1,170	1,755	10.0%	40.0%	46.0%	0.0%	4.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>27</b>	<b>257</b>	<b>45</b>	<b>45</b>	<b>1,170</b>	<b>1,755</b>	<b>10.0%</b>	<b>40.0%</b>	<b>46.0%</b>	<b>0.0%</b>	<b>4.0%</b>
Other infrastructure assets	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>4,421</b>	<b>7,913</b>	<b>2,863</b>	<b>2,739</b>	<b>128,389</b>	<b>215,247</b>	<b>32.8%</b>	<b>21.7%</b>	<b>33.2%</b>	<b>10.2%</b>	<b>2.1%</b>

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

## Infrastructure asset condition assessment 'key'

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

# Report on Infrastructure Assets (continued)

as at 30 June 2019

	Amounts	Indicator	Prior period	Benchmark
\$ '000	2019	2019	2018	
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio <sup>1</sup>				
Asset renewals <sup>2</sup>	3,716	83.24%	97.91%	>=100.00%
Depreciation, amortisation and impairment	4,464			
Infrastructure backlog ratio <sup>1</sup>				
Estimated cost to bring assets to a satisfactory standard	4,421	3.44%	2.18%	<2.00%
Net carrying amount of infrastructure assets	128,389			
Asset maintenance ratio				
Actual asset maintenance	2,739	95.67%	108.73%	>100.00%
Required asset maintenance	2,863			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	7,913	3.68%	1.36%	
Gross replacement cost	215,247			

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

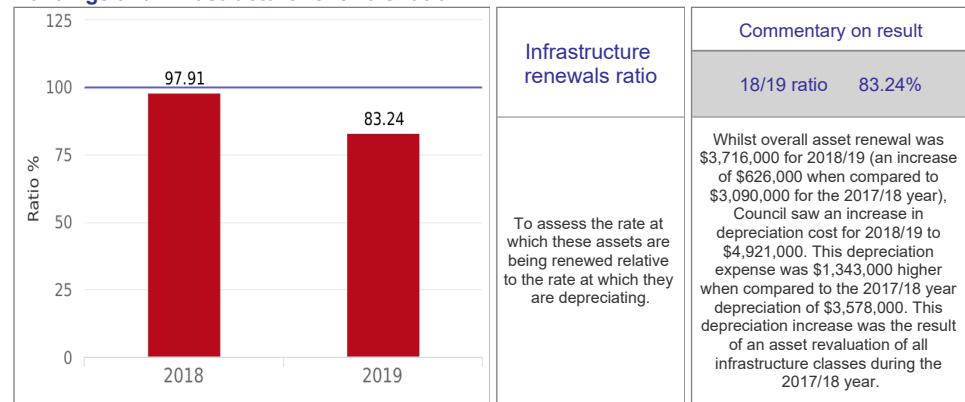
(1) Excludes Work In Progress (WIP)

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

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



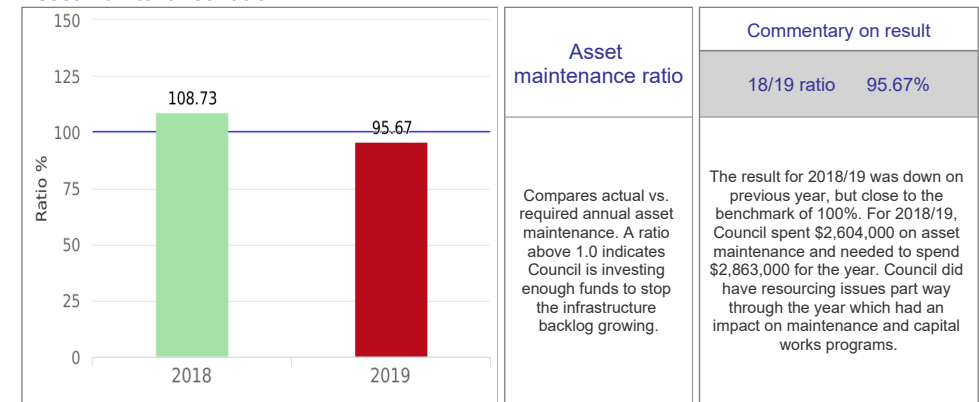
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

### Asset maintenance ratio



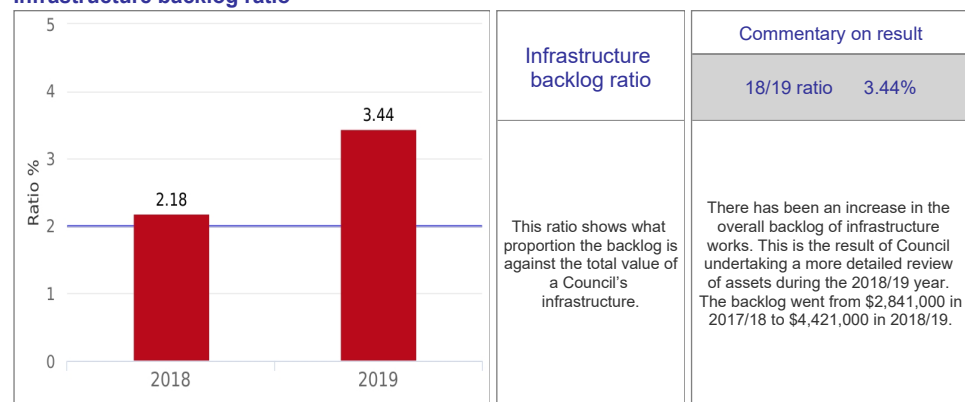
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

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



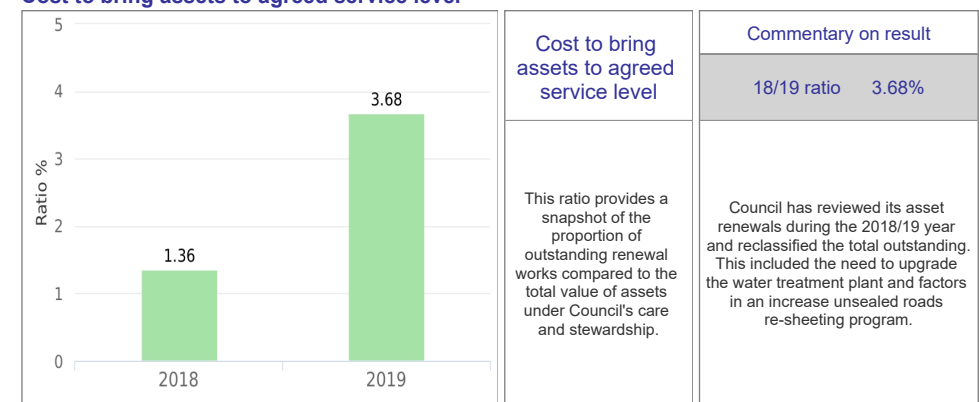
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

### Cost to bring assets to agreed service level



(1) Excludes Work In Progress (WIP)

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio <sup>1</sup>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	68.42%	106.29%	47.15%	70.65%	525.48%	3.21%	>=100.00%
Infrastructure backlog ratio <sup>1</sup>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.76%	2.26%	10.10%	2.23%	4.75%	1.93%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	110.36%	97.31%	69.69%	287.50%	40.56%	118.18%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	2.35%	1.37%	15.08%	1.34%	8.38%	1.28%	

(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.