

Cootamundra-Gundagai Regional Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019



Cootamundra-Gundagai Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

Cootamundra-Gundagai Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

81 Wallendoon St
Cootamundra NSW 2590

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.cgrc.nsw.gov.au.

Cootamundra-Gundagai Regional Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 27 August 2019.



Abb McAlister

Mayor

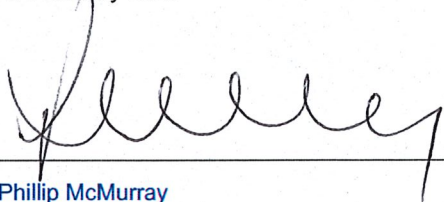
25 February 2020



Dennis Palmer

Councillor

25 February 2020



Phillip McMurray

General Manager

25 February 2020



Tim Swan

Responsible Accounting Officer

25 February 2020

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
12,247	Rates and annual charges	3a	12,881	12,588
5,627	User charges and fees	3b	8,620	6,090
811	Interest and investment revenue	3c	884	1,015
539	Other revenues	3d	1,146	1,012
8,236	Grants and contributions provided for operating purposes	3e,3f	12,047	8,271
13,608	Grants and contributions provided for capital purposes	3e,3f	7,257	2,297
<u>Other income:</u>				
50	Net gains from the disposal of assets	5	–	504
41,118	Total income from continuing operations		42,835	31,777
Expenses from continuing operations				
11,072	Employee benefits and on-costs	4a	12,438	12,516
121	Borrowing costs	4b	125	144
7,219	Materials and contracts	4c	12,473	13,382
8,031	Depreciation and amortisation	4d	8,941	8,072
2,890	Other expenses	4e	3,662	3,443
–	Net losses from the disposal of assets	5	849	–
–	Revaluation decrement / impairment of IPP&E	4d	–	1,299
29,333	Total expenses from continuing operations		38,488	38,856
11,785	Operating result from continuing operations		4,347	(7,079)
11,785	Net operating result for the year		4,347	(7,079)
11,785	Net operating result attributable to council		4,347	(7,079)
(1,823)	Net operating result for the year before grants and contributions provided for capital purposes		(2,910)	(9,376)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		4,347	(7,079)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	587	1,334
Total items which will not be reclassified subsequently to the operating result		587	1,334
Total other comprehensive income for the year		587	1,334
Total comprehensive income for the year		4,934	(5,745)
 Total comprehensive income attributable to Council		 4,934	 (5,745)

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	9,909	6,088
Investments	6(b)	17,106	27,383
Receivables	7	5,037	2,440
Inventories	8	854	642
Total current assets		32,906	36,553
Non-current assets			
Investments	6(b)	—	1,000
Receivables	7	12	—
Inventories	8	1,158	1,282
Infrastructure, property, plant and equipment	9	383,012	372,225
Intangible assets	10	215	257
Total non-current assets		384,397	374,764
TOTAL ASSETS		417,303	411,317
LIABILITIES			
Current liabilities			
Payables	11	3,380	2,434
Income received in advance	11	468	445
Borrowings	11	448	428
Provisions	12	3,815	3,307
Total current liabilities		8,111	6,614
Non-current liabilities			
Borrowings	11	2,173	2,621
Provisions	12	818	815
Total non-current liabilities		2,991	3,436
TOTAL LIABILITIES		11,102	10,050
Net assets		406,201	401,267
EQUITY			
Accumulated surplus		402,613	398,266
Revaluation reserves		3,588	3,001
Council equity interest		406,201	401,267
Total equity		406,201	401,267

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

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

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		398,266	3,001	401,267	405,345	1,667	407,012
Opening balance		398,266	3,001	401,267	405,345	1,667	407,012
Net operating result for the year		4,347	–	4,347	(7,079)	–	(7,079)
Net operating result for the period		4,347	–	4,347	(7,079)	–	(7,079)
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	587	587	–	1,334	1,334
Other comprehensive income		–	587	587	–	1,334	1,334
Total comprehensive income		4,347	587	4,934	(7,079)	1,334	(5,745)
Equity – balance at end of the reporting period		402,613	3,588	406,201	398,266	3,001	401,267

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

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
12,247	Rates and annual charges		13,022	11,996
5,627	User charges and fees		8,978	7,212
811	Investment and interest revenue received		900	1,103
21,844	Grants and contributions		17,019	11,354
539	Other		3,474	2,556
	<u>Payments</u>			
(11,072)	Employee benefits and on-costs		(12,099)	(12,469)
(7,219)	Materials and contracts		(13,988)	(14,615)
(121)	Borrowing costs		(131)	(148)
(2,890)	Other		(3,964)	(3,793)
19,766	Net cash provided (or used in) operating activities	14b	13,211	3,196
Cash flows from investing activities				
	<u>Receipts</u>			
–	Sale of investment securities		27,383	33,826
–	Sale of real estate assets		793	186
838	Sale of infrastructure, property, plant and equipment		1,208	663
–	Deferred debtors receipts		–	4
	<u>Payments</u>			
–	Purchase of investment securities		(16,106)	(28,383)
(30,144)	Purchase of infrastructure, property, plant and equipment		(21,443)	(10,539)
–	Purchase of real estate assets		(781)	(10)
–	Purchase of intangible assets		(1)	–
–	Deferred debtors and advances made		(15)	–
(29,306)	Net cash provided (or used in) investing activities		(8,962)	(4,253)
Cash flows from financing activities				
	<u>Payments</u>			
(430)	Repayment of borrowings and advances		(428)	(410)
(430)	Net cash flow provided (or used in) financing activities		(428)	(410)
(9,970)	Net increase/(decrease) in cash and cash equivalents		3,821	(1,467)
41,382	Plus: cash and cash equivalents – beginning of year	14a	6,088	7,555
31,412	Cash and cash equivalents – end of the year	14a	9,909	6,088
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	17,106	28,383
31,412	Total cash, cash equivalents and investments		27,015	34,471

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25 February 2020. 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 18 – 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.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2018. The adoption of AASB 9 has impacted the following areas:

Classification and measurement of financial assets

AASB 9 allows for three classification categories for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss. Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of Council have remained at amortised cost, with the exception of the equity instruments. These equity instruments have transitioned from being held at cost (as an 'available-for-sale asset') under AASB 139, to fair value through profit or loss.

Impairment of financial assets

Council's financial assets carried at amortised cost are now subject to AASB 9's new three-stage expected credit loss model, from an incurred loss model. This means earlier recognition of expected credit losses.

Council has reviewed its receivables and does not anticipate losses greater than the current provision for impairment. The majority of receivables other than rates and charges are current and due from government. Rates and charges are secured against the property. As such, there was no transitional adjustment requirement as at 1 July 2018.

(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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (iii) estimated tip remediation provisions – refer Note 12
- (iv) employee benefit provisions – refer Note 12.

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 in relation to the expected credit loss model – refer Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

AASB 16 Leases

AASB 16 requires that all leases should be accounted for on the lessee's accounts similar to the finance lease accounting treatment.

This means recognition of right-of-use assets with the corresponding liability for the present value of minimum lease payments. Accounting treatment of the assets leased out to external parties (lessor's perspective) have not changed and is treated similar to the currently used AASB 117.

Council has examined the impact of adopting this new accounting standard and determined that there is no material impact from adoption on 1 July 2019.

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

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

Councils has assessed each revenue stream particularly the impact expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council has auspiced a number of grants on behalf of community groups and as at 30 June 2019 there was \$1,698,713.35 remaining unspent. As the grants are subject to a deed of agreement under AASB 15 the amounts would be held as a liability and recorded as income when spent.

AASB 15 will have no impact on rates and charges paid in advance as council has always accounted for these as a liability. There may be a very minor impact in relation to grants as council is currently auspicing several Stronger Country Communities where the goods/services will not be retained by council.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Vibrant & supportive community	7,019	1,778	5,642	4,723	1,377	(2,945)	6,532	783	3,407	13,986
Prosperous & resilient economy	158	525	967	458	(809)	67	67	11	1,218	1,362
Sustainable natural & built environments	16,254	14,978	21,348	20,477	(5,094)	(5,499)	2,493	4,790	327,768	329,567
Good governance	19,404	14,496	10,531	13,198	8,873	1,298	9,016	3,421	84,910	66,402
Total functions and activities	42,835	31,777	38,488	38,856	4,347	(7,079)	18,108	9,005	417,303	411,317

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Vibrant & supportive community

1. Our community is inclusive and connected
2. Public spaces provide for a diversity of activity and strengthen our social connections
3. Our community members are healthy and safe

Prosperous & resilient economy

1. The local economy is strong and diverse
2. Strategic land-use planning is co-ordinated and needs based
3. Tourism opportunities are actively promoted
4. Our local workforce is skilled and workplace ready

Sustainable natural & built environments

1. The natural environment is valued and protected
2. Our built environments support and enhance liveability

Good governance

1. Decision making is based on collaborative, transparent and accountable leadership
2. Active participation and engagement in local decision making
3. Cootamundra-Gundagai Regional Council is a premier local government council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	2,785	2,733
Farmland	3,397	3,492
Business	819	724
Less: pensioner rebates (mandatory)	(204)	(207)
Rates levied to ratepayers	6,797	6,742
Pensioner rate subsidies received	112	114
Total ordinary rates	6,909	6,856
Special rates		
Town improvement	253	263
Total special rates	253	263
Annual charges		
Domestic waste management services	1,837	1,751
Stormwater management services	103	103
Water supply services	1,595	1,485
Sewerage services	2,029	1,997
Waste management services (non-domestic)	293	274
Less: pensioner rebates (mandatory)	(319)	(317)
Annual charges levied	5,538	5,293
Pensioner subsidies received:		
– Water	57	55
– Sewerage	54	52
– Domestic waste management	70	69
Total annual charges	5,719	5,469
TOTAL RATES AND ANNUAL CHARGES	12,881	12,588

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

Accounting policy for rates and charges

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	2,600	2,119
Sewerage services	604	468
Total specific user charges	3,204	2,587
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	189	276
Private works – section 67	156	119
Section 10.7 certificates (EP&A Act)	27	28
Section 603 certificates	24	24
Other	12	–
Total fees and charges – statutory/regulatory	408	447
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	14	10
Caravan park	57	56
Cemeteries	240	239
Leaseback fees – Council vehicles	41	49
Library and art gallery	23	17
RMS (formerly RTA) charges (state roads not controlled by Council)	4,074	2,007
Saleyards	114	144
Swimming centres	113	108
Tourism	22	68
Waste disposal tipping fees	224	227
Water connection fees	5	23
Sewer connection fees	8	8
Sports stadium	26	22
Other	47	78
Total fees and charges – other	5,008	3,056
TOTAL USER CHARGES AND FEES	8,620	6,090

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	90	68
– Cash and investments	776	928
Dividend income (other)	18	19
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>884</u>	<u>1,015</u>

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

Overdue rates and annual charges (general fund)	42	68
General Council cash and investments	581	679

Restricted investments/funds – external:

Water fund operations	134	141
Sewerage fund operations	127	127

Total interest and investment revenue	<u>884</u>	<u>1,015</u>
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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	248	211
Fines	9	–
Legal fees recovery – rates and charges (extra charges)	93	11
Commissions and agency fees	13	7
Diesel rebate	115	97
Insurance claims recoveries	6	–
RFS reimbursement	230	376
Sales – miscellaneous	94	84
Workers comp incentive payments	84	81
Insurance rebates	247	136
Other	7	9
<u>TOTAL OTHER REVENUE</u>	<u>1,146</u>	<u>1,012</u>

Accounting policy for other revenue

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

Fines are recognised as revenue when the penalty has been paid.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,835	1,713	–	–
Financial assistance – local roads component	779	761	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,902	1,759	–	–
Financial assistance – local roads component	808	783	–	–
Total general purpose	5,324	5,016	–	–
Specific purpose				
Bushfire and emergency services	–	–	16	–
Economic development	–	11	–	–
Employment and training programs	12	9	–	–
Environmental programs	128	43	13	–
Library – per capita	55	69	–	–
LIRS subsidy	96	110	–	–
Noxious weeds	65	64	–	–
Recreation and culture	–	–	208	672
Storm/flood damage	–	533	1,193	–
Street lighting	42	42	–	–
Transport (roads to recovery)	1,568	1,384	–	–
Transport (other roads and bridges funding)	–	–	1,819	1,046
FESL implementation	–	2	–	–
Stronger Communities Fund	3,407	–	2,543	–
Stronger Country Communities	376	–	1,058	–
National Stronger Regions	–	–	92	–
Crown Lands	63	–	–	–
Other	30	4	–	–
Total specific purpose	5,842	2,271	6,942	1,718
Total grants	11,166	7,287	6,942	1,718
Grant revenue is attributable to:				
– Commonwealth funding	6,899	6,410	92	548
– State funding	4,182	1,103	6,834	1,170
– Other funding	85	(226)	16	–
	11,166	7,287	6,942	1,718

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.12 – fixed development consent levies		–	59	65	71
S 64 – sewerage service contributions		–	–	10	–
Total developer contributions – cash		–	59	75	71
Total developer contributions	21	–	59	75	71
Other contributions:					
Cash contributions					
Recreation and culture		5	–	15	82
Roads and bridges		12	–	–	–
RMS contributions (regional roads, block grant)		857	918	225	426
Other		7	7	–	–
Total other contributions – cash		881	925	240	508
Total other contributions		881	925	240	508
Total contributions		881	984	315	579
TOTAL GRANTS AND CONTRIBUTIONS		12,047	8,271	7,257	2,297

Accounting policy for grants and contributions

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	482	1,030
Add: operating grants recognised in the current period but not yet spent	3,079	397
Less: operating grants recognised in a previous reporting period now spent	(366)	(945)
Unexpended and held as restricted assets (operating grants) 1	3,195	482
Capital grants		
Unexpended at the close of the previous reporting period	692	555
Add: capital grants recognised in the current period but not yet spent	1,871	538
Less: capital grants recognised in a previous reporting period now spent	(474)	(401)
Unexpended and held as restricted assets (capital grants) 1	2,089	692
Contributions		
Unexpended at the close of the previous reporting period	228	—
Add: contributions recognised in the current period but not yet spent	20	228
Less: contributions recognised in a previous reporting period now spent	(228)	—
Unexpended and held as restricted assets (contributions) 2	20	228

(1) Unexpended grants relate mainly to Stronger Communities Fund income. These amounts are expected to be spent during the next financial year.

(2) Unexpended contributions relate to the Regional Roads Block Grant. These amounts are expected to be spent during the next financial year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	11,402	10,758
Employee leave entitlements (ELE)	1,234	942
Superannuation	1,058	1,117
Workers' compensation insurance	450	475
Fringe benefit tax (FBT)	90	116
Training costs (other than salaries and wages)	168	215
Other	7	32
Total employee costs	14,409	13,655
Less: capitalised costs	(1,971)	(1,139)
TOTAL EMPLOYEE COSTS EXPENSED	12,438	12,516

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 16 for more information.

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

Interest on loans	125	144
Total interest bearing liability costs expensed	125	144
TOTAL BORROWING COSTS EXPENSED	125	144

Accounting policy for borrowing costs

Borrowing costs are expensed when incurred.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	13,259	9,997
Contractor and consultancy costs	17,447	13,233
Auditors remuneration ¹	68	67
Legal expenses:		
– Legal expenses: planning and development	15	47
– Legal expenses: debt recovery	84	10
– Legal expenses: other	168	97
Total materials and contracts	31,041	23,451
Less: capitalised costs	(18,568)	(10,069)
TOTAL MATERIALS AND CONTRACTS	12,473	13,382

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. 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	68	67
Other assurance related services	–	–
Remuneration for audit and other assurance services	68	67
Total Auditor-General remuneration	68	67
Total Auditor remuneration	68	67

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		1,562	1,386
Office equipment		95	74
Furniture and fittings		46	46
Land improvements (depreciable)		14	14
Infrastructure:			
– Buildings – non-specialised		46	86
– Buildings – specialised		811	497
– Other structures		396	397
– Roads		3,787	3,672
– Bridges		476	473
– Footpaths		119	112
– Stormwater drainage		173	172
– Water supply network		463	459
– Sewerage network		413	522
– Swimming pools		210	85
– Other open space/recreational assets		256	34
Other assets:			
– Heritage collections		1	1
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9,12	30	–
Intangible assets	10	43	42
Total gross depreciation and amortisation costs		8,941	8,072
Total depreciation and amortisation costs		8,941	8,072
Impairment / revaluation decrement of IPP&E			
Operational Land		–	1,299
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	1,299
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	1,299
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		8,941	9,371

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

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

Impairment of non-financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

\$ '000	2019	2018
(e) Other expenses		
Advertising	102	97
Bad and doubtful debts	3	1
Bank charges	41	35
Computer software charges	141	258
Contributions/levies to other levels of government:		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	411	444
– Waste levy	181	293
– REROC Contributions	23	40
– Other contributions/levies	109	94
Mayoral fee	26	25
Councillor fees	107	97
Councillor expenses – other (excluding fees above)	74	49
Donations, contributions and assistance to other organisations (Section 356)	42	33
Contribution regional library service	192	190
Election expenses	–	77
Electricity and heating	566	398
Insurance	697	577
Postage	86	76
Printing and stationery	101	112
Street lighting	322	156
Subscriptions and publications	124	119
Telephone and communications	192	80
Tourism expenses (excluding employee costs)	69	140
Valuation fees	53	52
Total other expenses	3,662	3,443
TOTAL OTHER EXPENSES	3,662	3,443

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
Plant and equipment	9		
Proceeds from disposal – plant and equipment		1,208	663
Less: carrying amount of plant and equipment assets sold/written off		(457)	(312)
Net gain/(loss) on disposal		751	351
Infrastructure	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,469)	–
Net gain/(loss) on disposal		(1,469)	–
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		793	186
Less: carrying amount of real estate assets sold/written off		(924)	(33)
Net gain/(loss) on disposal		(131)	153
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		27,383	33,826
Less: carrying amount of investments sold/redeemed/matured		(27,383)	(33,826)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(849)	504

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	412	1,199
Cash-equivalent assets		
– Deposits at call	5,387	389
– Short-term deposits	4,110	4,500
Total cash and cash equivalents	9,909	6,088

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,106	–	27,383	1,000
Total Investments	17,106	–	27,383	1,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	27,015	–	33,471	1,000
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	17,106	–	27,383	1,000
Total	17,106	–	27,383	1,000

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 at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	27,015	–	33,471	1,000
attributable to:				
External restrictions	15,473	–	15,800	1,000
Internal restrictions	8,192	–	16,755	–
Unrestricted	3,350	–	916	–
	27,015	–	33,471	1,000

\$ '000	2019	2018
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Details of restrictions

External restrictions

RMS contributions	10	228
Specific purpose unexpended grants	5,284	1,174
Water supplies	2,686	5,872
Sewerage services	3,980	5,307
Domestic waste management	1,933	2,620
Stormwater management	263	190
Town improvement district	1,317	1,409

External restrictions

15,473	16,800
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Total external restrictions

15,473	16,800
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Internal restrictions

Plant and vehicle replacement	721	615
Employees leave entitlement	1,580	1,587
Incomplete works	33	1,000
Aerodrome bitumen resurfacing	245	239
Bradman's birthplace	53	43
Coolac bypass	102	103
Cootamundra caravan park	92	72
Development	594	768
Heritage centre	14	9
Merger implementation fund	1,530	509
Prepaid financial assistance grant	2,711	2,542
Quarries and pit restoration	16	49
Special projects	454	438
Saleyards	35	163
Stronger communities fund	–	8,609
Swimming pool pump and equipment	12	9

Total internal restrictions

8,192	16,755
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TOTAL RESTRICTIONS

23,665	33,555
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	755	–	896	–
Interest and extra charges	141	–	101	–
User charges and fees	1,103	–	907	–
Private works	21	–	17	–
Accrued revenues				
– Interest on investments	156	–	212	–
– Other income accruals	7	–	–	–
Deferred debtors	4	12	1	–
Government grants and subsidies	2,327	–	26	–
Net GST receivable	516	–	273	–
Other debtors	15	–	15	–
Total	5,045	12	2,448	–
Less: provision of impairment				
User charges and fees	(8)	–	(8)	–
Total provision for impairment – receivables	(8)	–	(8)	–
TOTAL NET RECEIVABLES	5,037	12	2,440	–

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	8	7
+ new provisions recognised during the year	–	1
Balance at the end of the period	8	8

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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

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

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

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

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

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

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

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

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 the Income Statement.

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Inventories				
Inventories at cost				
Real estate for resale	22	1,158	41	1,282
Stores and materials	793	–	562	–
Trading stock	39	–	39	–
Total inventories at cost	854	1,158	642	1,282
TOTAL INVENTORIES	854	1,158	642	1,282

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		22	1,158	41	1,282
Total real estate for resale		22	1,158	41	1,282
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		22	1,158	41	1,282
Total costs		22	1,158	41	1,282
Total real estate for resale		22	1,158	41	1,282
Movements:					
Real estate assets at beginning of the year		41	1,282	520	826
– Purchases and other costs		722	59	–	10
– WDV of sales (expense)	5	(924)	–	(33)	–
– Transfer between current/non-current		183	(183)	(446)	446
Total real estate for resale		22	1,158	41	1,282

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

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

\$ '000	2019	2018
	–	–

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period					as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	–	–	–	4,497	3,044	–	–	–	7,541	–	7,541
Plant and equipment	15,048	(8,310)	6,738	–	3,565	(457)	(1,562)	–	17,136	(8,852)	8,284
Office equipment	1,341	(993)	348	–	111	–	(95)	–	1,452	(1,088)	364
Furniture and fittings	653	(424)	229	–	–	–	(46)	–	653	(470)	183
Land:											
– Operational land	6,266	–	6,266	–	47	–	–	–	6,313	–	6,313
– Community land	5,048	–	5,048	–	–	–	–	–	5,048	–	5,048
– Land under roads (post 30/6/08)	136	–	136	–	–	–	–	–	136	–	136
Land improvements – non-depreciable	30	–	30	–	–	–	–	–	30	–	30
Land improvements – depreciable	479	(210)	269	–	–	–	(14)	–	479	(224)	255
Infrastructure:											
– Buildings – non-specialised	2,229	(1,213)	1,016	–	266	–	(46)	–	2,495	(1,259)	1,236
– Buildings – specialised	39,918	(20,999)	18,919	5	154	–	(811)	–	40,077	(21,810)	18,267
– Other structures	8,406	(3,490)	4,916	372	972	–	(396)	–	9,750	(3,886)	5,864
– Roads	231,870	(95,786)	136,084	4,548	–	(1,035)	(3,787)	–	234,201	(98,391)	135,810
– Bridges	44,006	(21,431)	22,575	294	–	–	(476)	–	44,300	(21,907)	22,393
– Footpaths	6,173	(2,144)	4,029	390	–	(98)	(119)	–	6,375	(2,173)	4,202
– Bulk earthworks (non-depreciable)	105,070	–	105,070	–	–	–	–	–	105,070	–	105,070
– Stormwater drainage	17,238	(6,149)	11,089	68	–	–	(173)	–	17,306	(6,322)	10,984
– Water supply network	31,580	(16,789)	14,791	1,878	–	(244)	(463)	225	32,520	(16,333)	16,187
– Sewerage network	50,127	(26,969)	23,158	813	–	(92)	(413)	362	50,986	(27,158)	23,828
– Swimming pools	6,156	(2,569)	3,587	–	–	–	(210)	–	6,156	(2,779)	3,377
– Other open space/recreational assets	13,189	(5,961)	7,228	–	–	–	(256)	–	13,189	(6,217)	6,972
Other assets:											
– Heritage collections	40	(11)	29	–	–	–	(1)	–	40	(12)	28
Reinstatement, rehabilitation and restoration assets (refer Note 14):											
– Tip assets	670	–	670	–	–	–	(30)	–	670	(30)	640
Total Infrastructure, property, plant and equipment	585,673	(213,448)	372,225	12,865	8,159	(1,926)	(8,898)	587	601,923	(218,911)	383,012

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	1,149	—	1,149	—	—	—	—	—	(1,149)	—	—	—	—	—
Plant and equipment	14,323	(8,607)	5,716	3,050	—	(312)	(1,386)	—	2	(332)	—	15,048	(8,310)	6,738
Office equipment	1,503	(1,240)	263	159	—	—	(74)	—	—	—	—	1,341	(993)	348
Furniture and fittings	653	(378)	275	—	—	—	(46)	—	—	—	—	653	(424)	229
Land:														
– Operational land	8,967	—	8,967	—	—	—	—	(1,299)	—	(1,402)	—	6,266	—	6,266
– Community land	3,646	—	3,646	—	—	—	—	—	—	1,402	—	5,048	—	5,048
– Land under roads (post 30/6/08)	136	—	136	—	—	—	—	—	—	—	—	136	—	136
Land improvements – non-depreciable	30	—	30	—	—	—	—	—	—	—	—	30	—	30
Land improvements – depreciable	479	(196)	283	—	—	—	(14)	—	—	—	—	479	(210)	269
Infrastructure:														
– Buildings – non-specialised	7,736	(5,223)	2,513	152	—	—	(86)	—	—	(1,563)	—	2,229	(1,213)	1,016
– Buildings – specialised	49,066	(31,436)	17,630	1,434	—	—	(497)	—	—	(236)	588	39,918	(20,999)	18,919
– Other structures	16,098	(7,950)	8,148	203	—	—	(397)	—	98	(3,136)	—	8,406	(3,490)	4,916
– Roads	227,845	(92,114)	135,731	2,998	—	—	(3,672)	—	1,027	—	—	231,870	(95,786)	136,084
– Bridges	43,766	(20,959)	22,807	241	—	—	(473)	—	—	—	—	44,006	(21,431)	22,575
– Footpaths	5,807	(2,032)	3,775	366	—	—	(112)	—	—	—	—	6,173	(2,144)	4,029
– Bulk earthworks (non-depreciable)	105,070	—	105,070	—	—	—	—	—	—	—	—	105,070	—	105,070
– Stormwater drainage	17,133	(5,977)	11,156	105	—	—	(172)	—	—	—	—	17,238	(6,149)	11,089
– Water supply network	30,569	(15,986)	14,583	348	—	—	(459)	—	22	—	297	31,580	(16,789)	14,791
– Sewerage network	47,789	(25,893)	21,896	1,335	—	—	(522)	—	—	—	449	50,127	(26,969)	23,158
– Swimming pools	7,332	(3,800)	3,532	87	—	—	(85)	—	—	53	—	6,156	(2,569)	3,587
– Other open space/recreational assets	1,229	(289)	940	60	—	—	(34)	—	—	6,262	—	13,189	(5,961)	7,228
Other assets:														
– Heritage collections	40	(10)	30	—	—	—	(1)	—	—	—	—	40	(11)	29
– Other	1,730	(682)	1,048	—	—	—	—	—	—	(1,048)	—	—	—	—
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	—	—	—	—	670	—	—	—	—	—	—	670	—	670
Total Infrastructure, property, plant and equipment	592,096	(222,772)	369,324	10,538	670	(312)	(8,030)	(1,299)	—	—	1,334	585,673	(213,448)	372,225

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 10	Buildings	
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
Water and sewer assets		Stormwater assets	
Reservoirs	80 to 100	Drains	70 to 200
Treatment Works	30 to 100	Culverts	100
Reticulation pipes: PVC	70 to 80	Flood control structures	100 to 200
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 40	Bulk earthworks	infinite
Sealed roads: structure	75 to 125	Swimming pools	60 to 100
Unsealed roads	20	Other open space/recreational assets	5 to 60
Bridge: concrete	80 to 130		
Bridge: other	70 to 100		
Road pavements	100		
Kerb, gutter and footpaths	30 to 60		

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
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Intangible assets are as follows:

Opening values at 1 July

Gross book value	420	420
Accumulated amortisation	(163)	(121)
Net book value – opening balance	257	299

Movements for the year

– Amortisation charges	(43)	(42)
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Closing values at 30 June

Gross book value	420	420
Accumulated amortisation	(205)	(163)

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE

215	257
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The net book value of intangible assets represents:

– Software	215	257
	215	257

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	3,095	–	1,615	–
Goods and services – capital expenditure	–	–	419	–
Accrued expenses:				
– Borrowings	28	–	34	–
– Salaries and wages	255	–	364	–
Other	2	–	2	–
Total payables	3,380	–	2,434	–
Income received in advance				
Payments received in advance	468	–	445	–
Total income received in advance	468	–	445	–
Borrowings				
Loans – secured ¹	448	2,173	428	2,621
Total borrowings	448	2,173	428	2,621
TOTAL PAYABLES AND BORROWINGS	4,296	2,173	3,307	2,621

(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 17.

(a) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Repayment of Principal	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	3,049	(428)	–	–	–	2,621
TOTAL	3,049	(428)	–	–	–	2,621

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	3,459	(554)	–	–	144	3,049
TOTAL	3,459	(554)	–	–	144	3,049

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
(b) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards	65	84
Total financing arrangements	65	84
Drawn facilities as at balance date:		
– Credit cards/purchase cards	24	–
Total drawn financing arrangements	24	–
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	41	84
Total undrawn financing arrangements	41	84

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 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	1,340	–	1,170	–
Long service leave	2,475	148	2,137	145
Sub-total – aggregate employee benefits	3,815	148	3,307	145
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	670	–	670
Sub-total – asset remediation/restoration	–	670	–	670
<u>TOTAL PROVISIONS</u>	<u>3,815</u>	<u>818</u>	<u>3,307</u>	<u>815</u>

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

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

Provisions – employees benefits	2,880	2,496
	<u>2,880</u>	<u>2,496</u>

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	670	670
Total other provisions at end of period	<u>670</u>	<u>670</u>
2018		
Additional provisions	670	670
Total other provisions at end of period	<u>670</u>	<u>670</u>

Accounting policy for provisions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Asset remediation

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

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

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

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

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

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

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

Nil.

Transition adjustments

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Nil adjustments applied.

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	9,909	6,088
Balance as per the Statement of Cash Flows		9,909	6,088
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,347	(7,079)
Adjust for non-cash items:			
Depreciation and amortisation		8,941	8,072
Net losses/(gains) on disposal of assets		849	(504)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		–	1,299
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,594)	703
Increase/(decrease) in provision for impairment of receivables		–	1
Decrease/(increase) in inventories		(231)	42
Decrease/(increase) in other current assets		–	1
Increase/(decrease) in payables		1,480	129
Increase/(decrease) in accrued interest payable		(6)	(4)
Increase/(decrease) in other accrued expenses payable		(109)	(61)
Increase/(decrease) in other liabilities		23	442
Increase/(decrease) in provision for employee benefits		511	155
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		13,211	3,196

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
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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

Other	630	—
Total commitments	630	—

These expenditures are payable as follows:

Within the next year	630	—
Total payable	630	—

Sources for funding of capital commitments:

Future grants and contributions	630	—
Total sources of funding	630	—

Details of capital commitments

Equipment for new playgrounds in Cootamundra and Gundagai.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times employee contributions for non - 180 Point Members, Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

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 \$138,908. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

The amount of additional contributions included in the total employer contribution advised above is \$73,200. Council's expected contribution to the plan for the next annual reporting period is \$148,215.

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.

Based on Past Service Liabilities methodology, Council's share of the surplus that can be attributed is 0.18%.

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

ii) Riverina Regional Library

Cootamundra-Gundagai Regional Council is a member of Riverina Regional Library. This joint arrangement has been established to provide library services to the member councils of Bland, Coolamon, Junee, Federation, Greater Hume, Junee, Lockhart, Temora, Snowy Valleys and Wagga Wagga.

As at 30 June 2019 Council's ownership interest in the Riverina Regional Library was 8.17%.

There are 23 voting delegates, 2 of whom represent Cootamundra-Gundagai Regional Council. This equates to 8.69% voting power. No member Council "controls" Riverina Regional Library.

Council has no interest in any other reserves at the beginning or end of the reporting period with respect to the Riverina Regional Library. Riverina Regional Library figures have not been consolidated with Council's activities.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. 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.

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the 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.
- **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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	171	171	(171)	(171)
2018				
Possible impact of a 1% movement in interest rates	284	284	(284)	(284)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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.

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	501	118	47	58	31	755
2018						
Gross carrying amount	659	122	50	43	22	896

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2,986	1,234	19	22	41	4,302
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—
2018						
Gross carrying amount	1,328	155	69	—	—	1,552
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	–	3,178	–	–	3,178	3,380
Loans and advances	4.73%	–	559	2,044	184	2,787	2,621
Total financial liabilities		–	3,737	2,044	184	5,965	6,001
2018							
Trade/other payables	0.00%	–	2,434	–	–	2,434	2,434
Loans and advances	4.73%	–	559	2,234	736	3,529	3,049
Total financial liabilities		–	2,993	2,234	736	5,963	5,483

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

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

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	12,247	12,881	634	5% F
User charges and fees	5,627	8,620	2,993	53% F
Major unbudgeted contract work performed.				
Interest and investment revenue	811	884	73	9% F
Higher cash holdings throughout the year has resulted in higher than expected investment earnings.				
Other revenues	539	1,146	607	113% F
Unbudgeted rebates received.				
Operating grants and contributions	8,236	12,047	3,811	46% F
Grants received for community projects were considerably higher than expected.				
Capital grants and contributions	13,608	7,257	(6,351)	(47)% U
Grant funding secured for a new sewerage treatment plant in Gundagai that was expected for 2019 is now budgeted for 2020.				
Net gains from disposal of assets	50	–	(50)	100% U
Loss relates to carrying values of infrastructure assets replaced.				
EXPENSES				
Employee benefits and on-costs	11,072	12,438	(1,366)	(12)% U
Projects budgeted to be performed by external contractors were done by council staff. A restructure completed later than anticipated delayed budgeted savings.				
Borrowing costs	121	125	(4)	(3)% U
Materials and contracts	7,219	12,473	(5,254)	(73)% U
Grants received for community projects were considerably higher than expected. The expenditure of these funds on community-owned assets is treated as an operating expense.				
Depreciation and amortisation	8,031	8,941	(910)	(11)% U
Additions of over \$30m in infrastructure, property, plant and equipment over 2 years have seen an increase in depreciation.				
Other expenses	2,890	3,662	(772)	(27)% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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Projects budgeted to be performed by external contractors were done by council staff.

Net losses from disposal of assets	–	849	(849)	∞ U
Loss relates to carrying values of infrastructure assets replaced.				
Revaluation decrement / impairment of IPP&E	–	–	–	∞ F

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	19,766	13,211	(6,555)	(33)% U
Timing and operating/capital nature of grants received and expended.				
Net cash provided from (used in) investing activities	(29,306)	(8,962)	20,344	(69)% F
Timing and operating/capital nature of grants received and expended.				
Net cash provided from (used in) financing activities	(430)	(428)	2	0% F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9					
Plant & equipment		30/06/19	–	8,284	–	8,284
Office equipment		30/06/19	–	364	–	364
Furniture & fittings		30/06/19	–	183	–	183
Operational land		30/06/18	–	6,313	–	6,313
Community land		30/06/18	–	–	5,048	5,048
Land under roads (post 30/6/08)		30/06/14	–	–	136	136
Land improvements – non-depreciable		12/05/16	–	–	30	30
Land improvements – depreciable		12/05/16	–	–	255	255
Non-specialised buildings		30/06/18	–	–	1,236	1,236
Specialised buildings		30/06/18	–	–	18,267	18,267
Other structures		30/06/18	–	–	5,864	5,864
Roads		30/06/15	–	–	135,810	135,810
Bridges		30/06/15	–	–	22,393	22,393
Footpaths		30/06/15	–	–	4,202	4,202
Bulk earthworks		30/06/15	–	–	105,070	105,070
Stormwater drainage		30/06/15	–	–	10,984	10,984
Water supply network		30/06/17	–	–	16,187	16,187
Sewerage network		30/06/17	–	–	23,828	23,828
Swimming pools		30/06/18	–	–	3,377	3,377
Other open space/recreational assets		30/06/18	–	–	6,972	6,972
Heritage collections		12/05/16	–	–	28	28
Tip restoration asset		30/06/18	–	–	640	640
Total infrastructure, property, plant and equipment			–	15,144	360,327	375,471

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment	9					
Plant & equipment		30/06/18	—	6,738	—	6,738
Office equipment		30/06/18	—	348	—	348
Furniture & fittings		30/06/18	—	229	—	229
Operational land		30/06/18	—	6,266	—	6,266
Community land		30/06/18	—	—	5,048	5,048
Land under roads (post 30/6/08)		30/06/14	—	—	136	136
Land improvements – non-depreciable		12/05/16	—	—	30	30
Land improvements – depreciable		12/05/16	—	—	269	269
Non-specialised buildings		30/06/18	—	—	1,016	1,016
Specialised buildings		30/06/18	—	—	15,748	15,748
Other structures		30/06/18	—	—	4,916	4,916
Roads		30/06/15	—	—	136,084	136,084
Bridges		30/06/15	—	—	22,575	22,575
Footpaths		30/06/15	—	—	4,029	4,029
Bulk earthworks		30/06/15	—	—	105,070	105,070
Stormwater drainage		30/06/15	—	—	11,089	11,089
Water supply network		30/06/17	—	—	14,791	14,791
Sewerage network		30/06/17	—	—	23,158	23,158
Swimming pools		30/06/18	—	—	5,967	5,967
Other open space/recreational assets		30/06/18	—	—	8,019	8,019
Heritage collections		12/05/16	—	—	29	29
Tip restoration asset		30/06/18	—	—	670	670
Total infrastructure, property, plant and equipment			—	13,581	358,644	372,225

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

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

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

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

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

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

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

Level 2 Inputs

Plant & equipment

It is considered that there is a liquid second hand market for Council's plant & equipment, however, there is subjectivity of prices in this market dependant on the age and condition of the equipment being sold. Plant & equipment are valued at written down value and disclosed at fair value.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Office equipment & Furniture & fittings

There is a liquid second hand market for these type of assets, but the market is not liquid enough to qualify the assets as valued at level 1. These assets typically have very short useful lives, are held to the end of their economic life and have no residual value. The written down value reflects their value in use rather than their market value and are therefore valued at written down value and disclosed at fair value.

Operational land

There is an active liquid market for most of Council's operational land, however, the subjectivity of pricing has resulted in this land to be classified as level 2. Operational land has been valued as at 30 June 2018 by an external valuer, Australis, taking into consideration the land characteristics, location, zoning, proximity to services and comparable sales.

Level 3 Inputs

Capital works in progress

These assets are valued at the cost of construction of the asset. As there is no active market for any of the infrastructure assets that are partially constructed, the only valuation is costs, or inputs to the construction work.

Community land

Community land has been valued as at 30 June 2018 by an external valuer, Australis, taking into consideration the land characteristics, location, zoning, and proximity to services.

Land under roads

Council has elected to only recognise land under roads which was acquired after 30 June 2008. There is no market for land that is currently used for road or road reserve purposes. The NSW Valuer General's valuations of neighbouring land was used to calculate the value of land under roads.

Land improvements

There is no active market for sale of land improvements, therefore land improvements are valued at written down value and disclosed at fair value.

Buildings & Other structures

Buildings and other structures were valued as at 30 June 2018 by external valuers, Australis. Non-specialised building are valued using a market based approach where an active market could be identified. Other buildings and structures are valued using depreciated replacement cost taking into account the useful lives and condition of the asset.

Roads, Bridges, Footpaths, Bulk earthworks & Stormwater drainage

Roads assets were valued using a combination of external valuers and internal professional Council staff. The assets were componentised and valued at the depreciated replacement cost method, taking into account unit rates, useful lives and asset condition.

Water supply network & Sewerage network

Council's water and sewer assets were valued by external valuers as at 30 June 2017. The value represents the depreciated replacement cost, taking into account the Crown Lands and Water's (CLAW) reference rates, useful lives, dimension, specification and asset condition. In between full valuations, these assets are indexed annually in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Heritage collection

These assets include memorabilia and collectibles and are valued at written down value based upon cost and are disclosed at fair value.

There were no changes in valuation techniques from prior years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Total IPP&E
2018	
Opening balance	354,103
Transfers from/(to) another asset class	1,710
Purchases (GBV)	8,021
Depreciation and impairment	(6,524)
FV gains – other comprehensive income	1,334
Closing balance	358,644
2019	
Opening balance	358,644
Purchases (GBV)	9,760
Depreciation and impairment	(7,195)
FV gains – other comprehensive income	587
Closing balance	361,796

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Capital work in progress	Cost of construction	Cost of materials, wages, plant
Community Land	Land values obtained by the NSW Valuer General	VG land value, land area, rate per sq metre
Land under Roads	Land values obtained by the NSW Valuer General	Adjoining land values based upon VG value, rate per sq metre
Land improvements	Depreciated replacement cost used to approximate fair value	Purchase price, useful life
Buildings & other structure	Combination of market value and depreciated replacement cost used to approximate fair value	Cost, unit rates, useful life, asset condition
Roads assets	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Water & sewer	Depreciated replacement cost used to approximate fair value	Unit rates, useful life, asset condition, replacement cost
Heritage collection	Depreciated replacement cost used to approximate fair value	Cost, useful life

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	710	1,030
Post-employment benefits	52	84
Termination benefits	38	64
Total	800	1,178

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2019					
Supply of new motor vehicles and motor vehicle servicing	109	—		—	—
Supply of stationery, office supplies and newspapers	12	—		—	—
2018					
Supply of new motor vehicles and motor vehicle servicing	209	—		—	—
Supply of stationery, office supplies and newspapers	11	—		—	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
S7.12 levies – under a plan	–		65	–	–	(65)	–	–	–
Total S7.11 and S7.12 revenue under plans	–		65	–	–	(65)	–	–	–
S64 contributions	–		10	–	–	(10)	–	–	–
Total contributions	–		75	–	–	(75)	–	–	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN FOR OTHER DEVELOPMENTS (former Cootamundra)

Community facilities	–		65	–	–	(65)	–	–	–
Total	–		65	–	–	(65)	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	9,353	1,543	1,985
User charges and fees	5,378	2,625	617
Interest and investment revenue	623	134	127
Other revenues	1,139	6	1
Grants and contributions provided for operating purposes	12,047	–	–
Grants and contributions provided for capital purposes	7,247	–	10
Total income from continuing operations	35,787	4,308	2,740
Expenses from continuing operations			
Employee benefits and on-costs	11,210	662	566
Borrowing costs	125	–	–
Materials and contracts	9,530	1,453	1,490
Depreciation and amortisation	8,039	479	423
Other expenses	1,569	1,898	195
Net losses from the disposal of assets	513	244	92
Total expenses from continuing operations	30,986	4,736	2,766
Operating result from continuing operations	4,801	(428)	(26)
Net operating result for the year	4,801	(428)	(26)
Net operating result attributable to each council fund	4,801	(428)	(26)
Net operating result for the year before grants and contributions provided for capital purposes	(2,446)	(428)	(36)

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 22. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	9,909	–	–
Investments	10,440	2,686	3,980
Receivables	4,272	497	268
Inventories	826	28	–
Total current assets	25,447	3,211	4,248
Non-current assets			
Receivables	12	–	–
Inventories	1,158	–	–
Infrastructure, property, plant and equipment	339,805	18,041	25,166
Intangible assets	215	–	–
Total non-current assets	341,190	18,041	25,166
TOTAL ASSETS	366,637	21,252	29,414
LIABILITIES			
Current liabilities			
Payables	3,379	–	1
Income received in advance	332	136	–
Borrowings	448	–	–
Provisions	3,815	–	–
Total current liabilities	7,974	136	1
Non-current liabilities			
Borrowings	2,173	–	–
Provisions	818	–	–
Total non-current liabilities	2,991	–	–
TOTAL LIABILITIES	10,965	136	1
Net assets	355,672	21,116	29,413
EQUITY			
Accumulated surplus	355,084	18,927	28,602
Revaluation reserves	588	2,189	811
Council equity interest	355,672	21,116	29,413
Total equity	355,672	21,116	29,413

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(2,061)	(5.79)%	(29.61)%	4.71%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	35,578				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	23,238	54.25%	65.28%	44.77%	>60.00%
Total continuing operating revenue ¹	42,835				
3. Unrestricted current ratio					
Current assets less all external restrictions	16,640	3.27x	5.40x	8.46x	>1.50x
Current liabilities less specific purpose liabilities	5,094				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,005	12.67x	(0.66)x	19.62x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	553				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	896	6.51%	7.68%	4.04%	<10.00%
Rates, annual and extra charges collectible	13,768				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	27,015	10.59 mths	13.16 mths	16.40 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	2,551				

(1) Excludes fair value adjustments, reversal of revaluation decrements and net gain on sale of assets.

(2) Excludes impairment/revaluation decrements and net loss on sale of assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(5.60)%	(44.92)%	(9.94)%	21.47%	(1.32)%	28.68%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	46.08%	56.35%	98.60%	100.00%	97.58%	100.00%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.27x	5.40x	3.86x	26.43x	268.00x	24.15x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12.48x	(5.31)x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.29%	6.68%	0.78%	1.09%	11.31%	17.40%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.80	10.09	∞	29.11	∞	48.83	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Council information and contact details

Principal place of business:

81 Wallendoon Street
Cootamundra NSW 2590

Contact details

Mailing Address:

PO Box 420
Cootamundra NSW 2590

Telephone: 02 6940 2100

Facsimile: 02 6940 2127

Opening hours:

9am - 5:00pm
Monday to Friday

Internet: www.cgrc.nsw.gov.au

Email: mail@cgrc.nsw.gov.au

Officers

General Manager

Phillip McMurray

Responsible Accounting Officer

Tim Swan

Other Information

ABN: 46 211 642 339

Elected members

Mayor

Abb McAlister

Councillors

Dennis Palmer (Deputy Mayor)

Leigh Bowden

David Graham

Gil Kelly

Penny Nicholson

Doug Phillips

Charlie Sheahan

Craig Stewart



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cootamundra-Gundagai Regional Council

To the Councillors of the Cootamundra-Gundagai Regional Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 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.



Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 February 2020
SYDNEY



Cr Abb McAlister
Mayor
Cootamundra-Gundagai Regional Council
PO Box 420
COOTAMUNDRA NSW 2590

Contact: Min Lee
Phone no: (02) 9275 7151
Our ref: D2003360/1734

28 February 2020

INCOME STATEMENT

Operating result

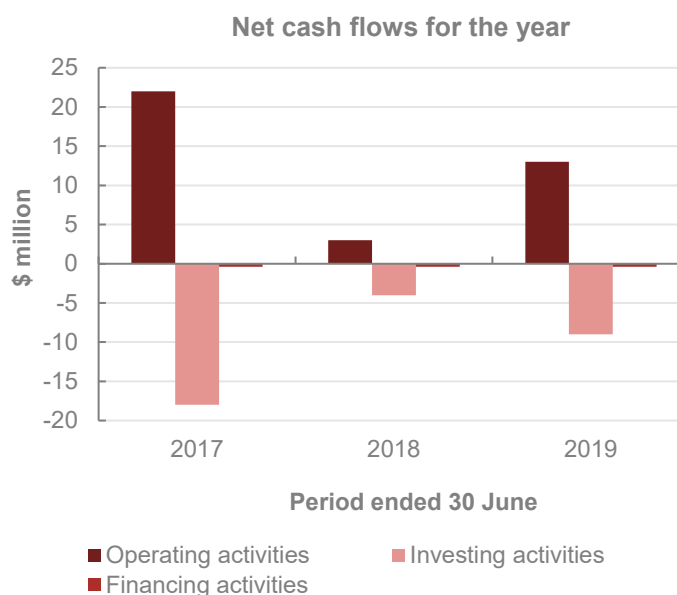
	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	12.9	12.6	↑ 2.4
User charges and fees revenue	8.6	6.1	↑ 41.0
Grants and contributions revenue	19.3	10.6	↑ 82.1
Materials and contracts expenses	12.5	13.4	↓ 6.7
Operating result for the year	4.3	(7.1)	↑ 161
Net operating result before capital grants and contributions	(2.9)	(9.4)	↑ 69.1

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

- Rates and annual charges revenue was \$12.9 million (\$12.6 million for the year ended 30 June 2018). The increase of \$0.3 million (2.4%) consistent with the increase in ordinary rates in line with the 2.3% rate peg.
- User charges and fees revenue was \$8.6 million (\$6.1 million for the year ended 30 June 2018). The increase of \$2.5 million (41.0%) is primarily attributable to an additional \$2 million of RMS charges in 2019.
- Grants and contributions revenue was \$19.3 million (\$10.6 million for the year ended 30 June 2018). The increase of \$8.7 million (82.1%) was primarily due to the receipt of \$3.5 million of Stronger Communities operating grants and \$3.6 million of capital grants.
- Materials and contracts expense was \$12.5 million (\$13.4 million for the year ended 30 June 2018). The decrease of \$0.9 million (6.7%) is mainly due to an increase in capitalised costs of \$8.5 million from the prior year.
- Council's net operating result was a surplus of \$4.3 million (\$7.1 million deficit for the year ended 30 June 2018). The increase of \$11.4 million is mainly due to the increase in grants and contributions revenue noted above together with increases in user charges and fees as noted above.
- The net operating result before capital grants and contributions was a deficit of \$2.9 million (\$9.4 million deficit for the year ended 30 June 2018). The result indicates Council continues to maintain a level of reliance on funding for capital purposes.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$9.9 million (\$6.1 million for the year ended 30 June 2018). There was a net increase in cash and cash equivalents of \$3.8 million at 30 June 2019.
- Net cash provided by operating activities has increased by \$10.0 million. This is mainly due to the increase in grants and contributions receipts of \$8.7 million.
- Net cash used in investing activities has increased by \$4.7 million. This is mainly due to an increase in acquisition of infrastructure, property, plant and equipment of \$10.9 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	15.5	16.8	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The \$1.3 million decrease is primarily due to a decrease in water sewerage services restrictions off set by an increase in specific purpose unexpended grants. Internally restricted cash and investments have been restricted in their use by resolution or policy Council to reflect identified programs of works and any forward plans identified by Council. The decrease of \$8.6 million in the internal restrictions is primarily due to the decrease in the Stronger Communities Fund from 2018. Unrestricted cash and investments was \$3.3 million, which is available to provide liquidity for day-to-day operations of the Council. The \$2.4 million increase is due to the net operating surplus for the year.
Internal restrictions	8.2	16.8	
Unrestricted	3.3	0.9	
Cash and investments	27.0	34.5	

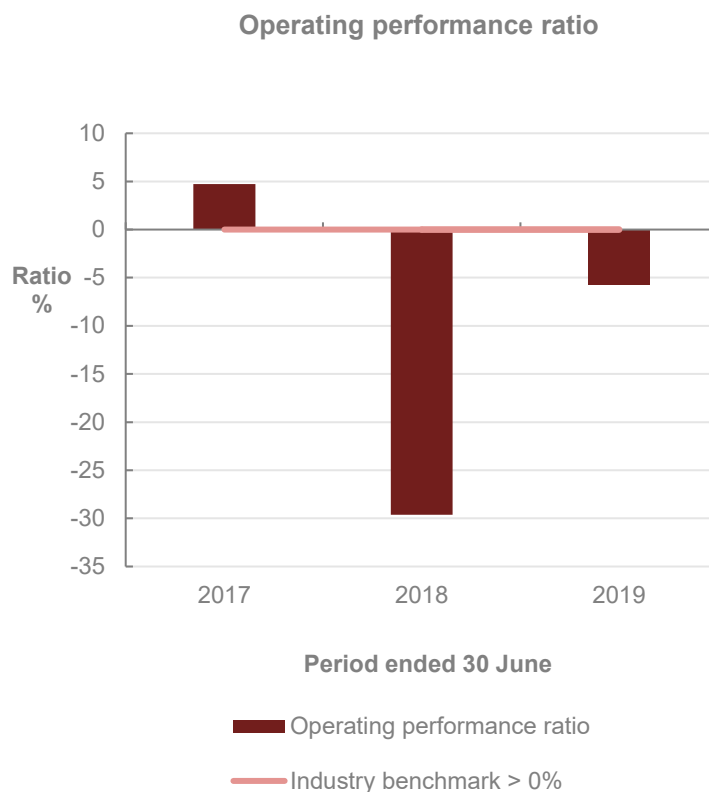
Debt

Council has \$2.6 million of external borrowings (2018: \$3.0 million) which is secured over the revenue of Council.

PERFORMANCE

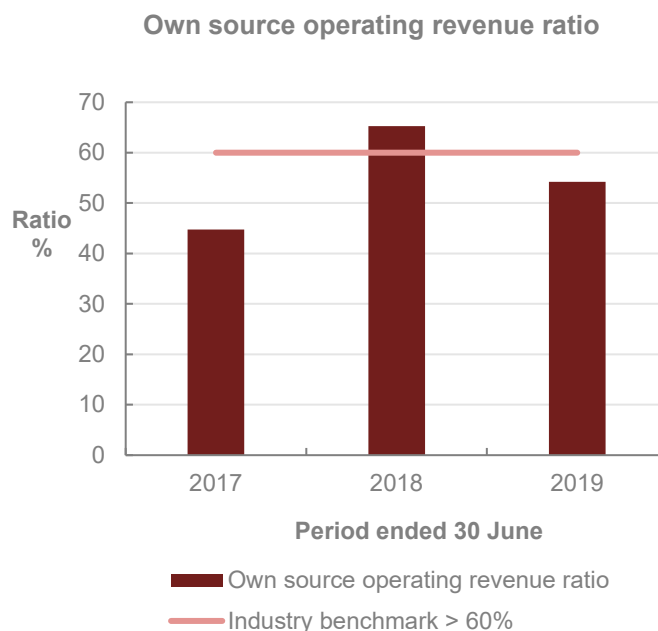
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio of negative 5.79% is below the industry benchmark of greater than 0%. This indicates the Council cannot contain operating expenditures within operating revenue.
- The operating performance ratio improved to 5.79% (2018: negative 29.61%) due to increases in grants and contributions provided in 2018–19 for operating purposes.



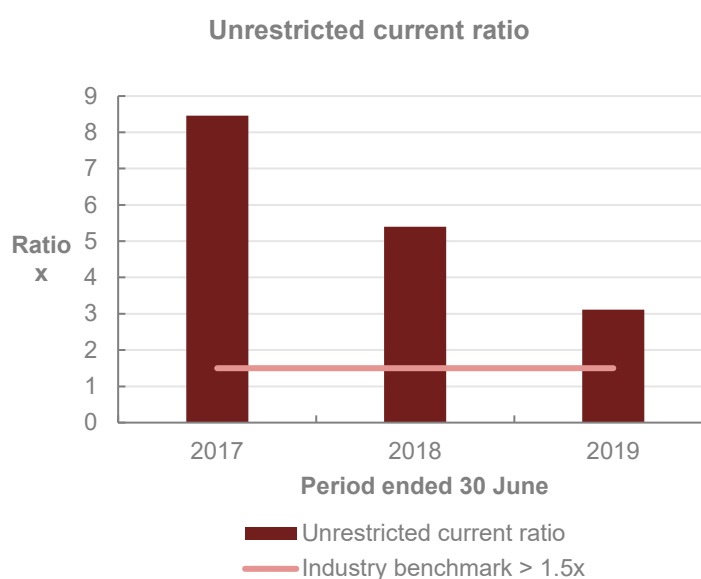
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- Council's own source operating revenue ratio of 54.25% is below the industry benchmark of 60%. This indicates that the Council is reliant on external funding sources, such as grants and contributions.
- The operating performance ratio decreased to 54.25% (2018: 65.28%) due to increase in grants and contributions income provided for operating purposes.



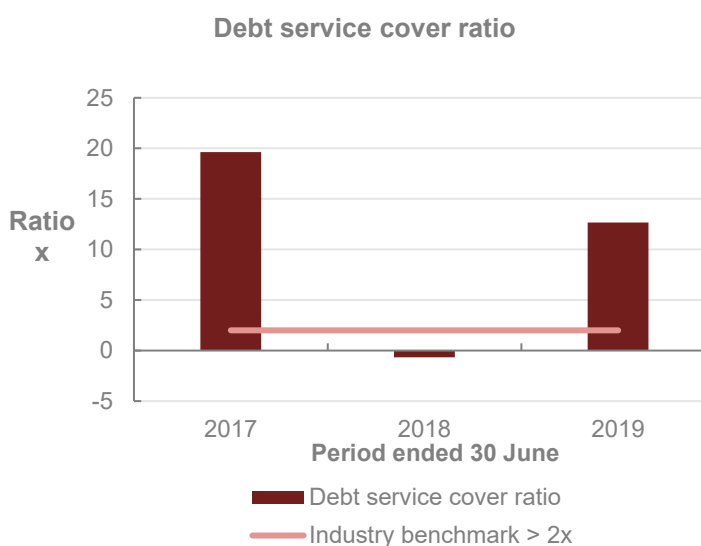
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 3.27 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has been reducing year on year since inception of Council.



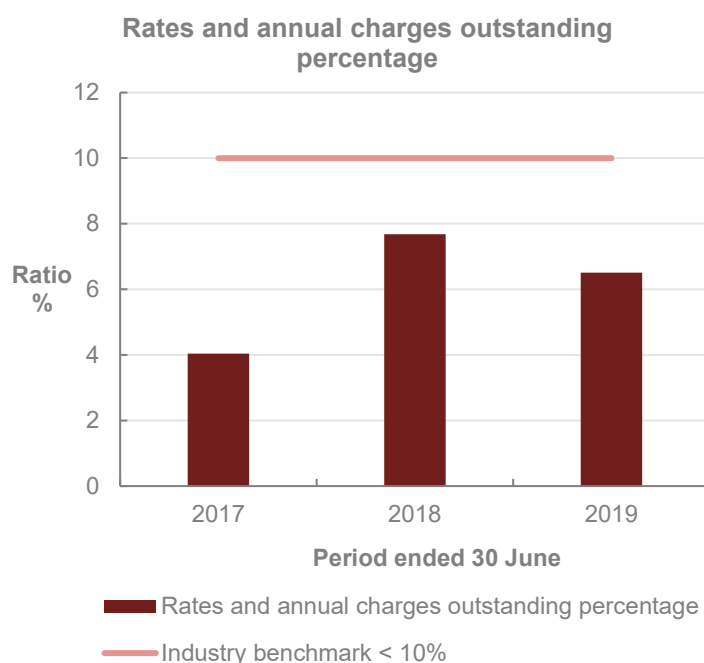
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 12.67 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.
- The Council's debt service cover ratio has improved from prior year due to the increase in the operating result.



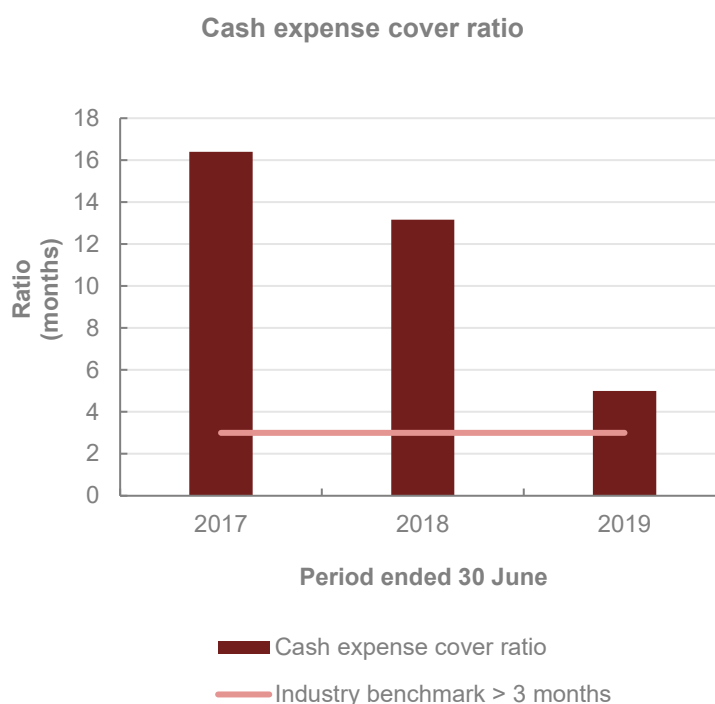
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 6.51% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges outstanding percentage of 6.51% has improved from the prior year (2018: 7.68%), which is a reflection of sound debt recovery procedures at the Council.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.
- The Council's cash expense cover ratio of 10.59 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 10.59 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council's cash expense cover has weakened from prior year (2018: 13.16 months) due to the decrease of \$7.5 million in cash, cash equivalents and investments.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$12.9 million of assets in the 2018–19 financial year, compared to \$10.5 million of assets in the 2017–18 financial year. The majority of renewals related to roads of \$4.5 million and capital works in progress of \$4.5 million.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</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.



Min Lee
A/Director of the Auditor-General for New South Wales

cc: Mr Phil McMurray, General Manager
Mr Tony Donoghue, Chairperson, Audit, Risk & Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Cootamundra-Gundagai Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

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

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

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

Cootamundra-Gundagai Regional 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.

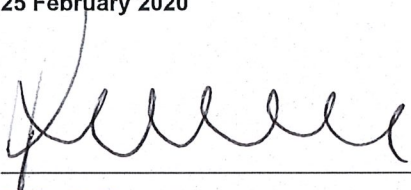
Signed in accordance with a resolution of Council made on 27 August 2019.



Abb McAlister
Mayor
25 February 2020



Dennis Palmer
Councillor
25 February 2020



Phillip McMurray
General Manager
25 February 2020



Tim Swan
Responsible Accounting Officer
25 February 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,543	1,464
User charges	2,611	2,191
Fees	14	22
Interest	134	141
Other income	6	2
Total income from continuing operations	4,308	3,820
Expenses from continuing operations		
Employee benefits and on-costs	662	379
Materials and contracts	1,453	672
Depreciation, amortisation and impairment	479	479
Water purchase charges	1,683	1,241
Loss on sale of assets	244	–
Other expenses	215	229
Total expenses from continuing operations	4,736	3,000
Surplus (deficit) from continuing operations before capital amounts	(428)	820
Surplus (deficit) from continuing operations after capital amounts	(428)	820
Surplus (deficit) from all operations before tax	(428)	820
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(226)
SURPLUS (DEFICIT) AFTER TAX	(428)	594
Plus accumulated surplus	19,355	18,535
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	226
Less:		
Closing accumulated surplus	18,927	19,355
Return on capital %	(2.4)%	5.4%
Subsidy from Council	666	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(428)	595
Surplus for dividend calculation purposes	–	595
Potential dividend calculated from surplus	–	297

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,985	1,971
User charges	594	473
Fees	23	9
Interest	127	127
Other income	1	–
Total income from continuing operations	2,730	2,580
Expenses from continuing operations		
Employee benefits and on-costs	566	385
Materials and contracts	1,490	489
Depreciation, amortisation and impairment	423	536
Loss on sale of assets	92	–
Other expenses	195	430
Total expenses from continuing operations	2,766	1,840
Surplus (deficit) from continuing operations before capital amounts	(36)	740
Grants and contributions provided for capital purposes	10	–
Surplus (deficit) from continuing operations after capital amounts	(26)	740
Surplus (deficit) from all operations before tax	(26)	740
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(204)
SURPLUS (DEFICIT) AFTER TAX	(26)	536
Plus accumulated surplus	28,628	27,888
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	204
Less:		
Closing accumulated surplus	28,602	28,628
Return on capital %	(0.1)%	3.1%
Subsidy from Council	368	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(26)	537
Less: capital grants and contributions (excluding developer contributions)	(10)	–
Surplus for dividend calculation purposes	–	537
Potential dividend calculated from surplus	–	268

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	2,686	5,872
Receivables	497	545
Inventories	28	31
Total current assets	3,211	6,448
Non-current assets		
Infrastructure, property, plant and equipment	18,041	15,115
Total non-current assets	18,041	15,115
TOTAL ASSETS	21,252	21,563
LIABILITIES		
Current liabilities		
Payables	–	106
Income received in advance	136	138
Total current liabilities	136	244
TOTAL LIABILITIES	136	244
NET ASSETS	21,116	21,319
EQUITY		
Accumulated surplus	18,927	19,355
Revaluation reserves	2,189	1,964
<u>TOTAL EQUITY</u>	<u>21,116</u>	<u>21,319</u>

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	3,980	5,307
Receivables	268	343
Total current assets	4,248	5,650
Non-current assets		
Infrastructure, property, plant and equipment	25,166	23,661
Total non-current assets	25,166	23,661
TOTAL ASSETS	29,414	29,311
LIABILITIES		
Current liabilities		
Payables	1	234
Total current liabilities	1	234
TOTAL LIABILITIES	1	234
NET ASSETS	29,413	29,077
EQUITY		
Accumulated surplus	28,602	28,628
Revaluation reserves	811	449
TOTAL EQUITY	29,413	29,077

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

The supply of potable water to the residents of Cootamundra and Gundagai townships.

b. Sewerage Treatment

The provision of sewerage facilities and services to the residents of the Cootamundra and Gundagai townships.

Category 2

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

Council has no category 2 business activities.

Monetary amounts

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

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

Note 1. Significant Accounting Policies (continued)

(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.

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.

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

Note 1. Significant Accounting Policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Cootamundra-Gundagai Regional Council

To the Councillors of the Cootamundra-Gundagai Regional Council

Opinion

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

The declared business activities of the Council are:

- water supply
- sewerage.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

27 February 2020
SYDNEY

Cootamundra-Gundagai Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

		2019/20 Former Cootamundra Shire Council	2019/20 Former Gundagai Shire Council	2019/20 Cootamundra-Gu ndagai Regional Council	2018/19 Former Cootamundra Shire Council	2018/19 Former Gundagai Shire Council	2018/19 Cootamundra-Gu ndagai Regional Council
\$ '000							
Notional general income calculation ¹							
Last year notional general income yield	a	4,281	2,981	7,262	4,186	3,175	7,361
Plus or minus adjustments ²	b	4	1	5	9	(4)	5
Notional general income	c = a + b	4,285	2,982	7,267	4,195	3,171	7,366
Permissible income calculation							
Or rate peg percentage	e	2.70%	2.70%		2.30%	2.30%	
Less expiring special variation amount	g	—	—	—	—	(264)	(264)
Or plus rate peg amount	i = e x (c + g)	116	81	197	96	67	163
Sub-total	k = (c + g + h + i + j)	4,401	3,063	7,464	4,291	2,974	7,265
Plus (or minus) last year's carry forward total	l	7	(11)	(4)	(3)	(4)	(7)
Sub-total	n = (l + m)	7	(11)	(4)	(3)	(4)	(7)
Total permissible income	o = k + n	4,408	3,052	7,460	4,288	2,970	7,258
Less notional general income yield	p	4,410	3,051	7,461	4,281	2,981	7,262
Catch-up or (excess) result	q = o – p	(2)	—	(2)	7	(11)	(4)
Carry forward to next year ⁶	t = q + r + s	(2)	—	(2)	7	(11)	(4)

(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.

(6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Cootamundra-Gundagai Regional Council

To the Councillors of Cootamundra-Gundagai Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cootamundra-Gundagai Regional 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.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

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

Min Lee
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 February 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings – non-specialised	92	92	–	36	1,236	2,495	15.0%	27.0%	24.0%	31.0%	3.0%
	Buildings – specialised	834	834	–	678	18,267	40,077	20.0%	10.0%	28.0%	33.0%	9.0%
	Sub-total	926	926	–	714	19,503	42,572	19.7%	11.0%	27.8%	32.9%	8.6%
Other structures	Other structures	9	9	–	146	5,864	9,750	29.0%	20.0%	40.0%	9.0%	2.0%
	Sub-total	9	9	–	146	5,864	9,750	29.0%	20.0%	40.0%	9.0%	2.0%
Roads	Sealed roads	1,658	1,658	–	2,527	101,147	180,499	17.0%	45.0%	35.0%	3.0%	0.0%
	Unsealed roads	714	714	–	597	21,196	29,577	82.0%	7.0%	7.0%	3.0%	1.0%
	Bridges	316	316	–	19	22,393	44,300	22.0%	51.0%	24.0%	3.0%	0.0%
	Footpaths	43	43	–	117	4,202	6,375	37.0%	44.0%	14.0%	5.0%	0.0%
	Bulk earthworks	–	–	–	1,053	105,070	105,070	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & gutter	727	727	–	55	13,467	24,124	27.0%	35.0%	25.0%	13.0%	0.0%
	Sub-total	3,458	3,458	–	4,368	267,475	389,945	45.8%	30.0%	21.2%	2.8%	0.2%
Water supply network	Water supply network	12,156	12,156	–	628	16,187	32,520	18.0%	24.0%	18.0%	21.0%	19.0%
	Sub-total	12,156	12,156	–	628	16,187	32,520	18.0%	24.0%	18.0%	21.0%	19.0%
Sewerage network	Sewerage network	10,378	10,378	–	710	23,828	50,986	25.0%	29.0%	13.0%	9.0%	24.0%
	Sub-total	10,378	10,378	–	710	23,828	50,986	25.0%	29.0%	13.0%	9.0%	24.0%
Stormwater drainage	Stormwater drainage	–	–	–	175	10,984	17,306	27.0%	21.0%	52.0%	0.0%	0.0%
	Sub-total	–	–	–	175	10,984	17,306	27.0%	21.0%	52.0%	0.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	–	–	3,377	6,156	20.0%	23.0%	34.0%	20.0%	3.0%
	Other	–	–	–	–	6,972	13,189	20.0%	23.0%	34.0%	20.0%	3.0%
	Sub-total	–	–	–	–	10,349	19,345	20.0%	23.0%	34.0%	20.0%	3.0%
TOTAL - ALL ASSETS		26,927	26,927	–	6,741	354,190	562,424	38.6%	27.5%	22.5%	7.3%	4.1%

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

Infrastructure asset condition assessment 'key'

1 Excellent/very good No work required (normal maintenance)

continued on next page ...

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	8,368	117.03%	112.60%	—	>=100.00%
Depreciation, amortisation and impairment	7,150				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	26,927	7.60%	6.95%	—	<2.00%
Net carrying amount of infrastructure assets	354,190				
Asset maintenance ratio					
Actual asset maintenance	6,741	∞	∞	∞	>100.00%
Required asset maintenance	—				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	26,927	4.79%	4.41%	—	
Gross replacement cost	562,424				

(*) 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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	133.38%	101.74%	—	80.61%	—	255.75%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.40%	2.92%	75.10%	43.62%	43.55%	38.23%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	∞	∞	∞	∞	∞	∞	>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	0.92%	1.94%	37.38%	20.43%	20.35%	17.66%	

(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.